7.5 DIFFERENTIAL RATING STRATEGY 2025/26

Attachments:
1. **Statement of Financial Activity FY2025/26 (Draft)**
2. **Statement of Objects and Reasons for the Proposed Differential Rates and Minumum Payments for 2025/26**

RECOMMENDATION:

That Council:

1. **ADVERTISES by local public notice for a period of 21 days, in accordance with Section 6.36(1) of the *Local Government Act 1995,* its intention to levy the following differential rates and minimum rates in 2025/2026 as set out in the Statement of Objects and Reasons for the Proposed Differential Rates and Minimum Payments for 2025/2026, at Attachment 2;**

2. **AUTHORISES the Chief Executive Officer to invite submissions from electors and ratepayers on the proposed differential rates and minimum payments for 2025/2026:**

	2025/2026	
Rating Category	**Rate in the Dollar**	**Minimum Rate**
Residential	0.0817795	$1,516.54
Vacant-Residential	0.0920752	$1,420.00
Vacant-Commercial	0.1485536	$1,853.07
Other	0.0770538	$1,463.62

PURPOSE OF REPORT:

To obtain Council's approval to advertise the proposed differential and minimum rates for the 2025/26 financial year and invite community feedback.

DELEGATION:

Section 6.36(1) of the *Local Government Act 1996* requires that before imposing differential general rates a local government is to give local public notice of its intention to do so.

BACKGROUND:

The City of Vincent imposes differential rates based on the purpose for which land is zoned or for which the land is held or used.

In accordance with section 6.36 of the *Local Government Act 1995*, the City is required to give local public notice of its intention to impose differential general rates prior to adopting its 2025/26 budget.

DETAILS:

For the 2025/26 budget, rate setting required careful balancing between maintaining financial sustainability and easing the burden on our community. The City considered ongoing cost-of-living pressures, rising service delivery costs and feedback received through community engagement.

Budget Themes for 2025/2026

The City of Vincent proposes a balanced budget for 2025/2026, as set out in the DRAFT Rate Setting Statement at **Attachment 1**. The budget is DRAFT and is subject to change.

The 2025/2026 draft budget continues the City's path toward long-term financial sustainability while considering service delivery requirements.

Despite signs of easing inflation nationally, the City continues to face cost escalations across employee costs, waste services, construction costs, materials and utilities. These cost pressures, along with higher community expectations and asset renewal needs, have shaped the 2025/26 Annual Budget.

The City is proposing a 4.5% rate increase for the residential, other, and vacant-commercial categories and a 9% increase for the vacant-residential category. The overall proposed rate increase of ~4.5% aligns with the City's Long Term Financial Plan 2024/2025 – 2033/2034 and reflects a balanced approach to funding core services and infrastructure without overburdening ratepayers.

To help reduce the impact of ratepayers, the City has factored in higher-than-expected revenue from fees & charges and interest earnings, as well as carried-forward surplus funds from the 2024/25 financial year.

The City of Vincent remains one of the lowest rating Councils in metropolitan Perth. In 2024/25, it was ranked eighth lowest based on a median GRV of 20,800.

The proposed rates increase equates to $1.41 per week, or $73.25 per year for the median residential household and $2.26 per week or $117.65 per year for the median vacant residential ratepayer.

Other residential property examples include an increase of $1.67 per week or $86.98 per year for a 3x1 house in Mt Lawley with a GRV of 24,700 and $2.32 per week or $120.86 per year for a 4x2 house in Mt Hawthorn with a GRV of 34,320.

Rates and annual charges comprise 59% of the revenue mix for the City of Vincent with 34% from Fees & Charges to help minimise the burden on ratepayers. Interest revenue is expected to remain at moderate levels, in line with forecasts of rate cuts during the financial year.

Employee costs are forecasted to increase by $2.3m, primarily due to the new EBA, legislated superannuation increase from 11.5% to 12.0%, and resourcing needs at Beatty Park and other high-demand areas.

The City estimates new borrowings of $2.5m next year to fund longer payback periods for ratepayers in the North Perth Mount Hawthorn (NPMH) Underground Power project area.

Included in the Draft Statement of Financial Activity are Underground Power costs in Materials and Contracts of $5,354,876. All Underground Power costs are recovered from ratepayers in the NPMH project area and have no impact on proposed rate increases for 2025/26.

Comparative view of Residential Rates

In developing an equitable rating model, it is useful to undertake a comparison with other metropolitan local governments.

The following table details how the rate in the dollar and waste collection charges (where they are applied separately) levied in 2024/2025 impact on the rate levied on an individual residential property at each of the local governments, based on a nominated Gross Rental Value (GRV) of 20,800, being the City of Vincent Residential category median value.

In a residential rating context, this table demonstrates that in 2024/2025, when the waste collection charge is factored in the City had the **eighth lowest minimum and median rate** in the Perth metropolitan area.

2024/25 Residential Rating Comparison table

					Total		Ranking of lowest to highest ranks of Residential Rates Levy based on a GRV of $20,800	
Council	Rate in $	Minimum Rates	Waste Charg	Securit	Total Minimum Payable	Residential Rates Levy based on a GRV of $20,800	Minimum	$20,800
East Fremantle	0.0718600	1,296.00	$ -	$ -	$ 1,296.00	$ 1,494.69	4	1
Claremont	0.0614860	1,499.16	$ -	$ -	$ 1,499.16	$ 1,499.16	13	2
Joondalup	0.0547810	899.00	$ 375.00	$ -	$ 1,274.00	$ 1,514.44	3	3
Stirling	0.0528490	948.00	$ 395.00	$ 45.00	$ 1,388.00	$ 1,539.26	7	4
Melville	0.0732513	1,434.42	$ -	$ 62.00	$ 1,496.42	$ 1,585.63	12	5
Peppermint Grove	0.0774400	1,530.00	$ -	$ -	$ 1,530.00	$ 1,610.75	14	6
Perth	0.0607405	785.00	$ 357.40	$ -	$ 1,142.40	$ 1,620.80	1	7
Vincent	0.0782600	1,451.23	$ -	$ -	$ 1,451.23	$ 1,627.81	8	8
Belmont	0.0631710	880.00	$ 337.00	$ -	$ 1,217.00	$ 1,650.96	2	9
Canning	0.0573100	1,062.00	$ 424.00	$ 72.00	$ 1,558.00	$ 1,688.05	17	10
Fremantle	0.0834890	1,738.00	$ -	$ -	$ 1,738.00	$ 1,738.00	25	11
Cockburn	0.0810300	1,537.00	$ -	$ 72.57	$ 1,609.57	$ 1,757.99	20	12
Cambridge	0.0561820	1,022.00	$ 600.00	$ -	$ 1,622.00	$ 1,768.59	23	13
Subiaco	0.0695990	1,190.00	$ 391.00	$ -	$ 1,581.00	$ 1,838.66	15	14
Wanneroo	0.0688370	1,105.00	$ 425.00	$ -	$ 1,530.00	$ 1,856.81	14	15
Gosnells	0.0705500	1,086.00	$ 395.00	$ -	$ 1,481.00	$ 1,862.44	11	16
Victoria Park	0.0905800	1,357.00	$ -	$ -	$ 1,357.00	$ 1,884.06	5	17
Mosman Park	0.0737840	979.72	$ 399.00		$ 1,378.72	$ 1,933.71	6	18
Bayswater	0.0746740	1,143.40	$ 411.00	$ -	$ 1,554.40	$ 1,964.22	16	19
South Perth	0.0755510	1,210.00	$ 395.00	$ -	$ 1,605.00	$ 1,966.46	19	20
Cottesloe	0.0559400	1,383.00	$ 585.00		$ 1,968.00	$ 1,968.00	28	21
Nedlands	0.0605500	1,576.00	$ 408.00	$ -	$ 1,984.00	$ 1,984.00	29	22
Kalamunda	0.0667853	1,020.00	$ 659.15	$ -	$ 1,679.15	$ 2,048.28	24	23
Swan	0.0773970	970.00	$ 491.00	$ -	$ 1,461.00	$ 2,100.86	9	24
Bassendean	0.0817600	1,183.00	$ 432.00	$ -	$ 1,615.00	$ 2,132.61	21	25
Rockingham	0.0828400	1,377.00	$ 443.00	$ -	$ 1,820.00	$ 2,166.07	26	26
Kwinana	0.0884600	1,222.00	$ 393.00	$ -	$ 1,615.00	$ 2,232.97	21	27
Mundaring	0.0888900	985.00	$ 495.00	$ -	$ 1,480.00	$ 2,343.91	10	28
Armadale	0.0977080	1,409.00	$ 433.50	$ -	$ 1,842.50	$ 2,465.83	27	29

Rate Modelling Assumptions

In preparing the proposed Differential Rates and Minimum Rates for 2025/26, the City has used the following methodology:

1. Increase rates yield by 4.5% for Residential, Other and Vacant-commercial category excluding rates growth and 9.0% for the Vacant-residential category excluding rates growth; and
2. Minimum rate increase by 4.5% for Residential, Other and Vacant-commercial category and 9.0% for the Vacant-residential category.

Minimum rates are imposed to establish the minimum amount any property must pay to contribute to the cost of services provided by a local government, regardless of the value (GRV) of their property.

Rates Growth and Waivers

Rates revenue in the draft Rate Setting Statement (**Attachment 1)** has also provided for the following assumptions:

- An increase of approximately $200,000 due to organic growth in rates revenue arising from property development or improvement (i.e interim rates); and
- A decrease of approximately $150,000 as a waiver of rates for particular community and sporting groups.

The City's level of growth in the number of rateable properties has plateaued slightly to an average of 0.59% between 2019 to 2025.

Year (30 June)	RATABLE PROPERTIES	Increase	
		Number	%
2025	**19554**	**61**	**0.31%**
2024	19493	138	0.71%
2023	19355	58	0.30%
2022	19297	59	0.31%
2021	19238	197	1.02%
2020	19041	163	0.86%
2019	18878	126	0.67%

Rate Payments

The City will provide 3 payment options namely:

- pay in full;
- pay by instalments (four instalments); and
- pay by rates smoothing.

A provision of $50,000 for financial hardship has been included in the draft budget for 2025/26.

PROPOSED DIFFERENTIAL RATES RELATIVITIES AND MINIMUM RATES FOR 2025/2026

Having regard to the differential rates relativities and proposed minimum rates, the City of Vincent proposes the following differential rates for 2025/2026:

	2025/2026	
Rating Category	**Rate in the Dollar**	**Minimum Rate**
Residential	0.0817795	$1,516.54
Vacant-Residential	0.0920752	$1,420.00
Vacant-Commercial	0.1485536	$1,853.07
Other – Commercial/Industrial	0.0770538	$1,463.62

The overall objective of the proposed rates in the 2025/2026 Budget is to provide for the net funding requirements of the City of Vincent's various programs, services and facilities.

The *Local Government Act 1995* (*Section 6.36*). provides that a local government may impose a differential general rate (**DGR**) according to land zoning, land use, whether the land is vacant or not, or a combination of each characteristic.

The City of Vincent applies a differential general rate as Council has determined that different property categories should pay a fair and equitable contribution, considering the benefits those properties derive from the services and amenities of the City. Providing a lower DGR to any group of ratepayers, means the rates burden must be borne by increases to other ratepayers.

The General Rate reflects the proportional allocation of the City's budget deficiency (excluding organic rates growth) across the total Gross Rental Values (GRV) for all Vincent properties:

$$General\ Rate = \frac{Budget\ Deficiency\ (excluding\ growth)}{Total\ GRV\ for\ Vincent\ Properties}$$

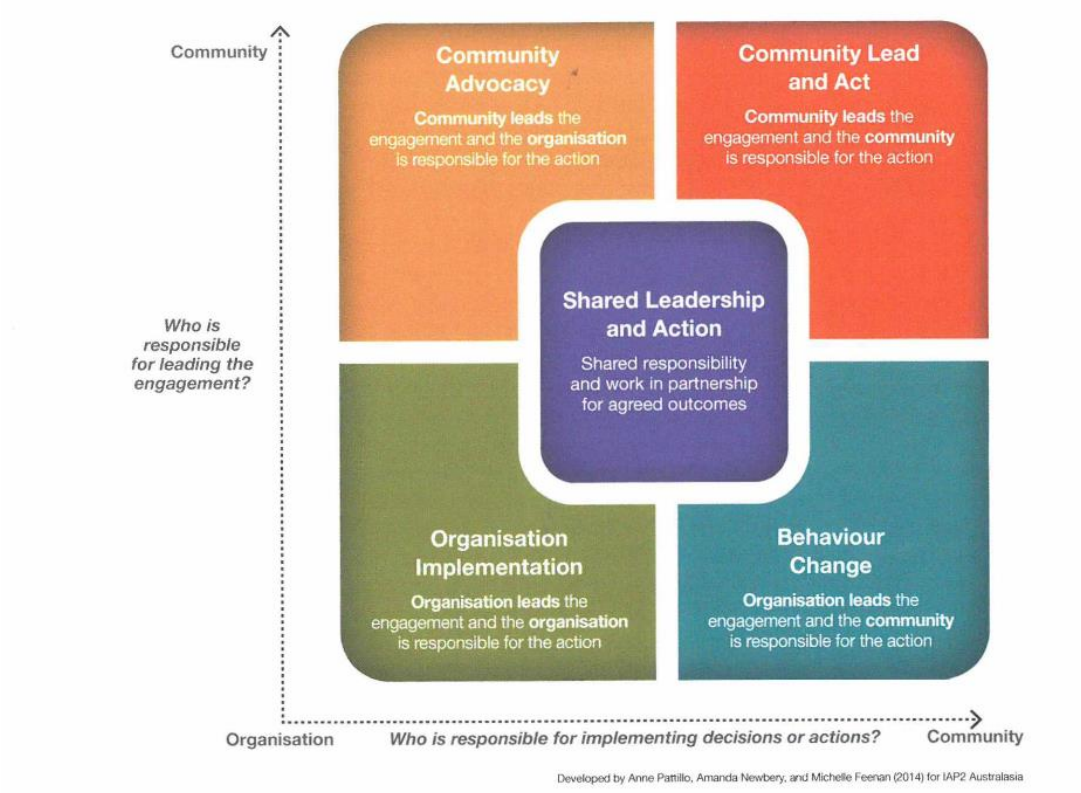
$$General\ Rate = \frac{\$46{,}347{,}756}{\$552{,}961{,}387}$$

$$General\ Rate = 0.0838173$$

The differential rates are considered in relation to the general rate, and with due consideration for the impact of minimum rates.

The Statement of Objects and Reasons for the Proposed Differential Rates and Minimum Payments is at **Attachment 2.**

CONSULTATION/ADVERTISING:



Organisation Implementation

Organisations lead engagement and seek input, shape the policies, projects and services for which they are responsible. This is a familiar and traditional approach to policy development, project management and service delivery.

Tension: People feel forced leading to an unresponsive process.
Mitigation: Increasing the level of influence, and implementing a transparent, robust process.

Required under regulations/legislation

A robust process to engage with the community and stakeholders

In accordance with section 6.36 of the *Local Government Act 1995* (the Act), public comments will be invited through publication of a local public notice, with the consultation period being open for a minimum of 21 days. All submissions received will be submitted to Council for consideration.

Once approved by Council, advertising of the City's intention to levy and the Objects and Reasons for the proposed 2025/2026 Differential Rates will be on the following forums which will satisfy the regulation requirements:

1. State paper advert
2. City of Vincent Website
3. Social media post (news subscribers, Facebook, etc)
4. Noticeboard in Library, Beatty Park and Administration offices
5. Vincent Reporter and Perth Voice advert

Advertising the City's intention to levy and the objects and reasons for the proposed 2025/2026 differential rates on 14th May 2025 will be open for submissions for 21 days and will close **5pm Wednesday, 4 June 2025.**

LEGAL/POLICY:

'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 planning scheme as defined in 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.

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.

6.36. Local government to give notice of certain rates

(1) Before imposing any differential general rates or a minimum payment applying to a differential rate category under section 6.35(6)(c) a local government is to give local public notice of its intention to do so.

(2) A local government is required to ensure that a notice referred to in subsection (1) is published in sufficient time to allow compliance with the requirements specified in this section and section 6.2(1).

(3) A notice referred to in subsection (1) —

(a) may be published within the period of 2 months preceding the commencement of the financial year to which the proposed rates are to apply on the basis of the local government's estimate of the budget deficiency; and

(b) is to contain —

(i) details of each rate or minimum payment the local government intends to impose; and

(ii) an invitation for submissions to be made by an elector or a ratepayer in respect of the proposed rate or minimum payment and any related matters within 21 days (or such longer period as is specified in the notice) of the notice; and

(iii) any further information in relation to the matters specified in subparagraphs (i) and (ii) which may be prescribed;

and

(c) is to advise electors and ratepayers that the document referred to in subsection (3A) —

(i) may be inspected at a time and place specified in the notice; and

(ii) is published on the local government's official website.

(3A) The local government is required to prepare a document describing the objects of, and reasons for, each proposed rate and minimum payment and to publish the document on the local government's official website.

(4) The local government is required to consider any submissions received before imposing the proposed rate or minimum payment with or without modification.

(5) Where a local government —

(a) in an emergency, proposes to impose a supplementary general rate or specified area rate under section 6.32(3)(a); or

(b) proposes to modify the proposed rates or minimum payments after considering any submissions under subsection (4),

it is not required to give local public notice of that proposed supplementary general rate, specified area rate, modified rate or minimum payment.

RISK MANAGEMENT IMPLICATIONS:

Low: Reputational risk if the City does not advertise its intention to levy differential rates and minimums.

STRATEGIC IMPLICATIONS:

This is in keeping with the City's *Strategic Community Plan 2022-2032*:

Innovative and Accountable

We are open and accountable to an engaged community.

SUSTAINABILITY IMPLICATIONS:

Achieving an effective rating strategy is an important part of the City's overall financial management, which will progressively enable the City to meet all its operational obligations, including asset renewal to ensure the current standard of service can be maintained for future generations.

PUBLIC HEALTH IMPLICATIONS:

Expenditure in this report facilitates the achievement of the Plan.

FINANCIAL/BUDGET IMPLICATIONS:

The advertising of the proposed differential and minimum rates is critical in the development of the annual budget. The level of rates generation is linked to the delivery of services and level of funding for capital works, debt servicing and consolidation of reserve funds.

CITY OF VINCENT

CITY OF VINCENT
NEXT YEAR BUDGET 2025/26
STATEMENT OF FINANCIAL ACTIVITY

	Adopted Budget 2024/25 $	Mid Year Revised Budget 2024/25 $	Next Year Budget 2025/26 $
OPERATING ACTIVITIES			
Net current assets at start of financial year - surplus/(deficit)	4,689,661	6,962,305	1,250,000
Revenue			
Operating grants, subsidies and contributions	1,693,715	1,620,724	2,138,561
Service Charges	0	0	7,114,538
Fees and charges	24,628,387	25,508,840	26,817,820
Interest earnings	2,080,000	2,517,700	2,112,800
Other revenue	1,332,125	1,337,125	1,770,254
Profit on asset disposals	451,752	401,654	286,408
Profit on Assets Held for Sale (TPRC Joint Venture)	3,750,000	5,833,333	5,833,333
	33,935,979	37,219,376	46,073,714
Expenses			
Employee costs	(33,656,433)	(33,914,360)	(36,202,448)
Materials and contracts	(24,802,697)	(25,460,634)	(31,250,931)
Utility charges	(1,968,786)	(2,009,836)	(2,028,869)
Depreciation on non-current assets	(13,122,588)	(13,961,448)	(14,192,696)
Interest expenses	(378,943)	(395,811)	(341,520)
Insurance expenses	(801,318)	(725,468)	(761,739)
Other expenditure	(881,243)	(952,125)	(1,059,342)
Loss on disposal of assets	(13,043)	(4,204)	(41,058)
	(75,625,051)	(77,423,886)	(85,878,603)
Net Operating excluding Rates	(41,689,072)	(40,204,510)	(39,804,889)
(Profit) on disposal of assets	(451,752)	(401,654)	(286,408)
Loss on disposal of assets	13,043	4,204	41,058
Depreciation and amortisation on assets	13,122,588	13,961,448	14,192,696
Profit/loss on Assets Held for Sale - TPRC Joint Venture	(3,750,000)	(5,833,333)	(5,833,333)
Service charge receivable	0	0	(2,792,457)
Non-cash amounts excluded from operating activities	8,933,879	7,730,665	5,321,556
Amount attributable to operating activities	(32,755,193)	(32,473,845)	(34,483,333)
INVESTING ACTIVITIES			
Capital grants, subsidies and contributions	4,552,261	9,139,882	2,958,570
Proceeds from disposal of assets	552,350	479,293	408,310
Proceeds from Joint Ventures	3,750,000	5,833,333	5,833,333
Purchase of property, plant and equipment	(9,197,061)	(10,337,556)	(6,349,141)
Purchase and construction of infrastructure	(10,935,546)	(15,497,012)	(11,225,926)
Amount attributable to investing activities	(11,277,996)	(10,382,060)	(8,374,854)
FINANCING ACTIVITIES			
Proceeds from new borrowings	0	0	2,500,000
Principal elements of finance lease payments	(264,318)	(264,318)	(306,230)
Repayment of long term borrowings	(1,498,010)	(1,961,142)	(1,776,541)
Transfers to reserves (restricted assets)	(6,179,099)	(10,357,927)	(8,669,511)
Transfers from reserves (restricted assets)	2,982,397	4,234,955	3,512,712
Amount attributable to financing activities	(4,959,030)	(8,348,432)	(4,739,570)
Net current assets at June 30 c/fwd - surplus/(deficit)	**(44,302,558)**	**(44,242,032)**	**(46,347,757)**
Total amount raised from general rates	44,452,032	**44,242,032**	**46,397,757**
Net current assets at June 30 c/fwd - surplus/(deficit)	**149,474**	**0**	**50,000**

City of Vincent

Proposed Differential Rates for Council Rates 2025/26

CITY OF VINCENT

2025/26

Statement of Objects and Reasons for the Proposed Differential Rates & Minimum Payments

Proposed Differential Rates and Minimum Payments for 2025/26:

Section 6.36 of the *Local Government Act 1995* requires Council to give notices of its intention to levy differential and minimal rates for the 2025/26 Financial Year. Vincent electors and ratepayers are invited to make submissions on the proposed rates, minimum rates, and any related matters.

Council Considerations

Rates levied in the 2025/26 DRAFT budget provides for the shortfall in income required to enable the City of Vincent to provide the necessary works and services in the 2025/26 Financial Year, after taking into account all non-rate sources of income.

The Gross Rental Value (GRV) for the rateable property is determined by Landgate on behalf of the State Government. The General Rate reflects the proportionate allocation of the City's budget deficiency, excluding rates growth, across the total GRV for Vincent Properties.

$$General\ Rate = \frac{Budget\ Deficiency\ (excluding\ rates\ growth)}{Total\ GRV\ for\ Vincent\ Properties}$$

$$General\ Rate = \frac{\$46{,}347{,}756}{\$552{,}961{,}387}$$

$$General\ Rate = 0.0838173$$

Rationale for differential rating categories

According to section 6.33 of the *Local Government Act 1995* differential general rates are imposed on the following characteristics:

- The purpose for which the land is zoned; and
- A purpose for which the land is held or used; and
- If the land is vacant.

City of Vincent

Proposed Differential Rates for Council Rates 2025/26

The table below details the proposed differential rates for the 2025/26 financial year:

Rating Category	Rate in dollar	Minimum rates
Residential	0.0817795	$1,516.54
Vacant-Residential	0.0920752	$1,420.00
Vacant-Commercial	0.1485536	$1,853.07
Other – Commercial/Industrial	0.0770538	$1,463.62

The GRV is multiplied by the rate in dollar to determine the rates levy for each property.

The following reflects the Objects and Reasons for each differential rating category:

Residential Category:

The *Residential* rate imposes a differential rate on land primarily used for residential purposes.

This rating category reflects the level of rating required to raise the necessary revenue for Council to operate efficiently and provide the diverse range of services. The rate in the dollar has been set at or about the general rate, on the basis that residential properties represent 73% of the total gross rental value of all properties in Vincent and therefore they will make a reasonable contribution to the cost of local government services and facilities.

Vacant - Residential Category:

The *Vacant-Residential* rate is imposed on vacant, uninhabitable or undeveloped residential properties that are zoned Residential.

The higher rate in the dollar encourages the development of vacant properties, improving the City's streetscape and stimulates growth and development in the community.

Vacant - Commercial:

The *Vacant-Commercial* rate is imposed on vacant or undeveloped non-residential properties that are zoned Mixed Use, Local Centre, District/Regional Centre, Special Use and Commercial.

The rate in the dollar has been set at or about 177% of the general rate. A higher vacant commercial rate encourages the development of vacant properties, improving the City's streetscape and builds business infrastructure that contributes to the local economy.

Other – Commercial/Industrial:

The *Other – Commercial/Industrial* rate is imposed on non-residential properties that are used for commercial or industrial purposes.

City of Vincent

Proposed Differential Rates for Council Rates 2025/26

Examples of properties that fall within this category are retail shops, storerooms, car bays, advertisements, wholesalers, warehouses, offices, service stations, hotels, taverns and properties generally used for business purposes.

The rate in the dollar has been set at or about 92% of the general rate. A lower rate has been designed to support and attract businesses to the City thereby stimulating growth and development in the community.

The objective for minimum rating:

A minimum rate is applied to all differential rate categories within the City of Vincent.

The purpose of the imposition of minimum payment is to ensure that every ratepayer makes a reasonable contribution to the rate burden and recognises that every property receives a minimum level of benefit from works and services provided throughout the City. By adopting a minimum rate, Council takes this benefit into consideration.

For further information:

Enquires can be made to the City of Vincent Rates Department on (08) 9273 6000 or email mail@vincent.wa.gov.au.