City of
Bayswater

Differential Rating Categories - Statement of Objects and Reasons

Section 6.36 of the *Local Government Act 1995* requires Councils utilising differential rates and minimum payments to advertise these rates prior to adopting the budget. A minimum submission period of 21 days must be allowed following which all submissions must be considered by Council. Information regarding submissions is included in the advertisement to levy differential rates, which is available through public notice, including on the City's website.

Section 6.33 of the *Local Government Act 1995* empowers a Council to impose different rates in the dollar for different land zonings or uses and different rates for improved or vacant land. This power is provided to help local governments achieve a better rating equity between different land uses.

<u>Overall Increase and Revaluation Context</u>

The City has applied an overall 5.90% increase in rate revenue across all differential rating categories (collectively) for the 2026/27 financial year, with the distribution to each individual category explained below. This increase is required to fund the City's operating and capital expenditure commitments as adopted through the annual budget process.

The 2026/27 rating year incorporates updated triennial Gross Rental Values (GRVs) as provided by Landgate. As a result, comparisons to the prior year are influenced by both:

- Movements in property valuations; and
- Adjustments to the rate in the dollar and minimum payments required to achieve the City's revenue requirement.

<u>Impact of Valuation Movements</u>

When comparing the 2025/26 base position (adjusted for 2025/26 valuations) to the proposed 2026/27 rates, the estimated increase in rates income (excluding interim rates) by category is:

- Residential (Improved): 5.50%
- Commercial/Industrial (Improved): 5.50%
- Residential – Vacant: 27.77%
- Commercial/Industrial – Vacant: 20.36%

These increases represent the average movement for properties within each category.

<u>Explanation of Variances Between Categories</u>

1. Improved Properties (Residential and Commercial/Industrial)

The increases for improved properties (5.50%) are broadly aligned with the overall rate revenue increase of 5.90%, demonstrating a relatively stable and equitable distribution of the rating burden across developed properties.

This reflects the City's objective to:

- Maintain fairness between established residential and business ratepayers; and
- Ensure incremental increases remain broadly consistent with overall revenue needs.

2. Vacant Land Categories

Vacant land categories show significantly higher increases:

- Residential Vacant: 27.77%
- Commercial/Industrial Vacant: 20.36%

This is consistent with the objects of rating categories as explained below.

Minimum Payment Increases

The revaluation has altered the distribution and number of properties captured by minimum payments, particularly for vacant land.

Given the change in mix and number of properties captured by the minimum payments following the revaluation, increases to minimum payments are higher for all categories except for Residential (Improved). The following table compares the minimum payments, and rate in the dollar, for all categories.

Summary – Rates Table:

Differential Category based on GRV	2025-26		2026-27		*Annual Budget Comparison – Rates Income	
	Rate in the Dollar	Minimum Payment	Rate in the Dollar	Minimum Payment	2025-26	2026-27
	$	$	$	$	$	$
Residential (Improved)	0.077288	1,183.40	0.052992	1,248.50	47,647,389	50,706,074
Commercial/Industrial (Improved)	0.079993	1,224.80	0.072535	1,708.90	14,293,890	15,094,364
Residential - Vacant	0.088881	1,360.90	0.075249	1,772.90	1,065,525	1,165,401
Commercial/Industrial - Vacant	0.100474	1538.40	0.105454	2,484.50	256,206	403,176

*includes estimated interim rates

Minimum Payments

The minimum payments are set to ensure the minimum level of service required is adequately funded and are consistent with the differential ratios used for setting the rate in the dollar. The reasons and objects noted below for the different categories are reflected in the ratios set for both the minimum payments and the rate in the dollar.

- **Residential – Improved**

The object of this rate category is to apply a base differential rate to all improved land zoned residential and used for residential purposes. This supports the differential rates process in ensuring all property owners contribute equitably to the operations of the City, with the base rate allowing for residential property owners the contribute less than the other categories for the reasons provided below.

- **Commercial/Industrial – Improved**

The object of this rate category is to ensure those properties zoned and used for commercial or industrial purposes contribute equitably to the operations of the City by applying a higher differential rate. The additional rates revenue is sourced to offset the higher costs associated with servicing those infrastructure assets in commercial and industrial areas. It also reflects the inner-city location and amenity to support a metropolitan Activity Centre and significant State investment into the area that positions this prime location.

- **Residential – Vacant**

The object of this rate category is to impose a higher differential rate on residential vacant land. The reason is to encourage owners of vacant land to develop, which is in the best interests of residents and commercial businesses residing within the City and considers the significant housing shortfall in the metropolitan area.

- **Commercial/Industrial – Vacant**

The object of this rate category is to impose a higher differential rate on commercial vacant land. The reason is that vacant commercial has a more significant adverse impact on residents and commercial businesses residing within the City by minimising the economic potential of the area. Development is encouraged to reflect the inner-city location and amenity to support a metropolitan Activity Centre and significant State investment into the area that positions this prime location. This will also help offset the additional costs associated in servicing infrastructure assets in commercial and industrial areas.