



SHIRE OF PERENJORI

OBJECTIVES AND REASONS FOR PROPOSED DIFFERENTIAL RATES FOR THE YEAR ENDING 30 JUNE 2019

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

OVERALL OBJECTIVE

The purpose of the levying of rates is to meet Council's budget requirements in each financial year in order to deliver services and community infrastructure. Property valuations provided by the Valuer General are used as the basis for the calculation of rates each year. Section 6.33 of the Local Government Act 1995 provides the ability to differentially rate properties based on zoning and/or land use as determined by the Shire of Perenjori. The application of differential rating maintains equity in the rating of properties across the Shire. Council has considered the Key Values contained within the Rating Policy Differential Rates (s.6.33) March 2016 released by the Department of Local Government and Communities, being:

- Objectivity
- Fairness and Equity
- Consistency
- Transparency and administrative efficiency

A copy of the policy can be obtained from <https://www.dlgc.wa.gov.au/Publications/Pages/RatingPolicy-Differential-Rates.aspx>.

Council has determined its required rates yield after reviewing all revenue sources, expenditure and efficiency measures as part of its budget deliberations. The Rate in the Dollar applied to the valuations to determine property rates has been increased by 2.0% to reflect Council's objective of raising a total of \$2.87 million in rates. This will ensure an equitable distribution of the required rates yield from one year to the next consistent with Council's approach in previous years. The rate yield of \$2.87 million is below the revenue requirements of Council's Long Term Financial Plan (LTFP) of \$2.87 million for the 2018/19 financial year due to a reduction in overall expenditure and provides for Capital Works and Programs which includes:

- Stage two of the Perenjori pavilion
- Caron Dam – roofing repairs

- Plant Replacement
- Road reseal/Gravel re-sheeting program
- Waste Management – transfer station
- Town revitalisation - continuation

Council has reviewed its expenditure and considered efficiency measures as part of its budget deliberations. In particular, the following actions have been undertaken:

Efficiency Measures: -

- reviewed the need for and remuneration of each position as vacancies arise;
- Reduced overall wage costs and employee numbers;
- disposed of surplus staff housing stock;
- tendered for waste services with an overall reduction in costs;
- reduced planned plant replacement to essentials
- conducted several internal audits of governance and legislative compliance;
- Insourcing mining road maintenance works
- Establishment of a transfer station for Latham
- progress of Asset management
- Commencement of service review process

Service Improvements:

- improved local road and footpath network and associated infrastructure
- completion of Trotty park
- RSL memorial improved
- wifi at the Caravan Park
- extended activities and hours at the Aquatic centre
- supported paid employee for visitor centre
- continue townscape works and beautification
- responsibility for maintenance of new roads
- HR support for all staff

Discounts

The Shire of Perenjori chooses to continue to offer discounts to all rate payers who pay their rates in a lump sum by the first instalment date. Council reduced this discount for the 2016/17 financial year disposing of a further 5% discount which was in place to further assist rate payers.

The discount rate applied is only a few points more than the prevailing bank interest rates for personal deposits. The discount rate is sufficient to encourage the early payment of rates by ratepayers rather than them banking surplus funds for the interest to be gained.

As a more remote area of the Eastern and Northern Wheatbelt the annual return on farming is highly variable reliant as it is on highly variable rainfall from year to year. Council understands rural landholders have to plan as best they can for years of very little rain and very little income (setting aside other natural calamities such as frost, floods, fire, plant disease, and late or early rains). The relationships of rural landholders with the banks are so critical that the banks are often actively involved in farm management issues - particularly where bank overdrafts are required in order to get a farm household through from one year to the next.

Currently bank overdraft rates for agricultural business range from 7.5% to 10% and can be significantly higher when personal banking interest rates are higher.

It is against this backdrop that the Shire continues to offer rates discount sufficiently large enough to draw farm income away from the service of a bank overdraft of between 7.5% and 10% for many of our rural landholders. The 10% discount rate does just that with two thirds of our rural landholders regularly paying their rates by the due date.

Council therefore believes that far from the discount rate of 10% having an unpredictable effect on the Shire's projected income, it does just the opposite.

Gross Rental Value Properties (GRV)

The local government Act 1995 determines that properties of a non-rural purpose be rated using the Gross Rental Valuation (GRV) as the basis for the calculation of annual rates.

The Valuer General determines the GRV for all properties within the Shire of Perenjori every 5 years and assigns a GRV. The most recent general revaluation was effective from 1 July 2017.

Interim valuations are provided monthly to Council by the Valuer General for properties where changes have occurred (i.e Subdivisions or strata title of property, amalgamations, building constructions, demolitions and or property rezoning). In such instances Council calculates the rates for the affected properties and issues interim rates notices.

The shire applies the GRV rate equitably in both townsites and mining and does not seek a differential rate in this category.

Unimproved Value Properties (UV)

The Shire seeks to impose a differential rate on Unimproved Value properties in the Rural and Mining categories with UV Mining being more than twice that proposed for UV Rural.

UV Rural properties are the most significant contributors to the Shire's rate income and this has been the case throughout the history of the Shire. Hence the UV Rural sector has made a significant contribution to the infrastructure and services provided by the Shire.

By comparison the UV Mining sector is relatively new and has paid a lesser contribution though they use the Shire's infrastructure extensively and in particular the road network. The proposed rate for UV Mining is consistent with the rate imposed in previous years except 2015/2016 when UV Mining rates were frozen.

UV Rural

The object of the UV Rural rate is to require a fair contribution to the revenue requirements of the Shire, while not risking additional financial pressure on the uses in those areas that affect their long-term viability.

The reasons for the level of rates set for UV Rural is that this allows for a fair contribution to the revenue requirements of the Shire at the highest sustainable level. The minimum payment proposed for the UV Rural category reflects the present financial vulnerability of ratepayers in the category.

The UV rural rate applies generally to broad acre farming which is vulnerable to factors such as adverse weather, bushfires, drought, world demand for the product and fluctuations in export prices.

Importantly the rural areas cover vast tracts of land that is often marginal and input costs are far more extensive to gain a smaller return than mining.

The UV rural areas of the broad acre farming industry also contribute more through local employment and economic benefits and through purchasing locally than the mining sector. Council cannot control the vulnerabilities to external forces on the rural sector and they try to ensure that the industry is not adversely affected by excessive rates.

The ***Applicable valuations*** chart below shows that there is a increase in UV Rural valuations and this will continue to provide equitable income from this rating category.

UV Mining

The object of the UV Mining rate is to permit the imposition of rates on mining land to the extent that it is reasonably proportional to the financial resources available to the industry which do not have to be nurtured nor are they affected by the same vulnerabilities as broad

acre farming. Whilst mining is not affected by the same vulnerabilities as the rural industries, there are external forces such as decreasing commodity prices. Council being aware of this chose to freeze UV Mining rates in the 2015/2016 budget.

However, the Council seeks to attain equity among those who will bear the burden of the rates, and striking a reasonable balance between the capacity to pay, the inputs into production of the rate income and the fairness of the expenditures by the Shire on this particular industry.

The objective of the differential rate on UV Mining properties is to ensure that mining contributes to the maintenance of the Shire's assets and services to the extent that the mining operators and their connections use them. While every effort is made to establish rates and minimum payments at the fairest possible levels, it is considered that the mining sector has the capacity to pay the proposed rates at the levels estimated. Importantly it consumes the income from rates at a level comparable to the income raised.

In dealing with the object of the rate, it should be remembered that operators in the mining industry when they come to the district have the advantage of utilising established Shire services and facilities which often have been provided by the rates contributed in the long term by ratepayers in other sectors, who will continue in the long-term future to contribute in the same way. The maintenance of Shire assets and services for the benefit of all users, long term and short term, is a burden which to a significant extent falls upon the long-term ratepayers.

Such assets are the many sporting and recreation facilities provided by the community, tourist facilities, relatively inexpensive accommodation, the extensive and high-quality road network and the general services provided by the Shire and private organisations in the town that provide such services at low or no cost.

This Shire has also contributed significant sums of its own funds to the upgrading of roads used predominantly by the mining industry and though the industry contributes to the maintenance of the roads, the initial upgrades were funded significantly by the Shire.

It is not uncommon for operators in the mining sector to be present in the district for a short period with a prospect of withdrawing very substantial profits in that time exploiting the mineral resources of the district. That statement simply recognises the often-transitory nature of mining enterprises.

However, the mining sector stands to be a beneficiary of the existence and maintenance of the Shire's assets and services to the extent that the mining operators and their connections use them.

The reason for the differential UV Mining Rate is to assist the Shire to make up the deficiency in its revenue at a level which is fair in all of the circumstances.

Differential Rating Category

The Shire proposes a differential rate that affects only two categories which are as follows:

UV Mining

This category will include any property with use of mining land use. A maximum rate in the dollar of 35.5711 cents on Unimproved Values with a minimum of \$342 is proposed.

UV Rural

This category will include any property used for primary industries other than mining, such as broad acre farming. A maximum rate in the dollar of 1.9552 cents on Unimproved Values with a minimum of \$342 is proposed.

Applicable valuations:

Category	2017/2018			2018/2019			% Difference
	Non-Minimum Valuations	Minimum Valuations	Total Valuations	Non-Minimum Valuations	Minimum Valuations	Total Valuations	
UV Rural	93,698,300	69,100	93,767,400	94,013,800	70,600	94,084,400	0.34
UV Mining	1,854,551	11,973	1,866,524	1,914,259	8,958	1,923,217	2.95
GRV Townsite	1,256,216	23,881	1,280,097	1,252,056	28,041	1,280,097	0.00
GRV Mining	3,144,000	20	3,144,020	3,144,000	20	3,144,020	0.00
Non-Rateable	107,034	0	107,034	106,884	0	106,884	-0.14
Total	100,060,101	104,974	100,165,075	100,430,999	107,619	100,538,618	

Proposed rate and differential rate for 2018/2019:

Rate category	2017/2018 rate in \$	Number of properties	Proposed 2018/2019 rate in \$	Number of properties
UV Country	1.9169	267	1.9552	268
GRV General	7.9500	88	8.1090	88
GRV Mining	7.9500	1	8.1090	1
UV Mining	34.8736	57	35.5711	60
UV Mining Minimum	335	34	342	20
GRV Mining Minimum	335	1	342	1
UV Minimum	335	10	342	10
GRV Minimum	335	31	342	31

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