



OBJECTIVES AND REASONS PROPOSED DIFFERENTIAL RATES YEAR ENDING 30 JUNE 2022

Overview

The purpose of levying rates is to meet Council's budget requirements in each year in order to deliver services and community infrastructure in a manner that is deemed to be fair and equitable for Shire ratepayers.

In framing its annual budget the Council considers the requirements of its community as expressed in the Community Strategic Plan and associated planning documents, the expectations of central governments and the prevailing economic, social and environmental conditions that may impact on Council's budget requirements.

After defining its expenditure requirements and exploring the efficiencies and cost minimisation opportunities available to it, Council applies the known non-rates revenue sources to that expenditure to arrive at the total amount of rates to be raised from the ratepayers.

Property valuations provided by Landgate – *the Valuer General* - are used as the basis for the calculation of rates each year.

However it is recognised that valuations alone do not always produce equitable results in all communities and therefore the Local Government Act 1995 (the Act) provides the ability to differentially rate properties based on zoning and/or land use to assist in achieving equitable rating outcomes.

The Act specifies that where land is used predominately for rural purposes the rates levied shall be based on its unimproved value (UV) and where land is predominately used for non-rural purposes the rates levied shall be on its gross rental value (GRV).

In accordance with the Act the Shire of Perenjori uses a combination of GRV and UV in its calculation of annual rates. Currently properties assigned as UV are revalued every year and properties assigned GRV are revalued every five years. All valuations are carried out by the Valuer General.

Interim valuations are provided to the Shire on a monthly basis by Landgate for properties where changes have occurred as a result of subdivisions, building construction / additions and property rezoning.

Differential Rating

Council has the flexibility to raise differential rates from specifically identified properties or groups of properties within the district in order to achieve a more equitable rate burden across the rate base.

For this reason Council will set differential rates for the 2021/2022 financial year in accordance with section 6.33 of the Act as follows:

- (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 local planning scheme or improvement scheme in force under 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.*

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

OVERALL OBJECTIVE

The Shire of Perenjori imposes differential general rates on properties within the Shire based on the existing land use in order to achieve a more equitable distribution of the rating effort across the rate base.

VALUATIONS

The total shift in the aggregate of all valuations over the 12-month period is 3.07%, due to growth in the UV categories.

Categories	2020/2021			2021/2022			% Change
	Non-Minimums	Minimums	Total Valuations 2020/2021	Non-Minimums	Minimums	Total Valuations 2021/2022	
Non Rateable	94,599		94,599	94,599		94,599	0.0
UV Rural	102,237,000	72,700	102,309,700	105,401,000	75,000	105,476,000	3.10
UV Mining	2,068,797	1,765	2,070,562	2,097,544	2,195	2,099,739	1.41
UV Exploration	66,066	10,925	76,991	204,414	12,275	216,689	181.45
GRV Townsites	1,157,948	29,391	1,187,339	1,157,948	29,191	1,187,139	- 0.2
GRV Mining	3,144,000	20	3,144,020	3,144,000	20	3,144,020	0.0
	108,768,410	114,801	108,883,211	112,099,505	118,681	112,218,186	3.07

Rates in the \$

A global increase of 2% in the Rates in the \$ is proposed for all categories of rates and minimum levies. This will enable the Council to meet its rate revenue requirements whilst maintaining the existing relativities between all rating categories.

Rate Category	2020/2021			2021/2022			% Rate Change
	Cents Rate\$	Minimum Levy	No. of Props.	Proposed Cents Rate\$	Minimum Levy	No. of Props	
UV Rural	1.9000		258	1.9380		254	2%
UV Rural Min.		349	10		356	11	2%
UV Mining	34.2550		39	34.9401		39	2%
UV Mining Min.		349	7		356	7	2%
UV Exploration	25.5000		17	26.0100		36	2%
UV Exploration Min.		349	15		356	18	2%
GRV Townsites	8.2712		106	8.4366		106	2%
GRV Townsites Min.		349	36		356	32	2%
GRV Mining	8.2712		1	8.4366		1	2%
GRV Mining Min.		349	1		356	1	2%
			490			505	

Minimum Rates

The setting of minimum rates within rating categories ensures that all ratepayers contribute equitably to a basic level of service. A minimum rate of \$356.00 has been set for all rating categories.

Gross Rental Value

The Council seeks to establish GRV rates for Townsites and Mining but does not seek to establish a differential in these categories. The proposed rate-in-the-\$ is identical for both Townsites and Mining locations.

GRV Townsites

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

The reasons for the level of rates set for Gross Rental Values 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 GRV category reflects a reasonable cost for a basic level of service.

GRV Mining

The object of the GRV Mining rates is to require a fair contribution to the revenue requirements of the Shire, from the improved land use and facilities in GRV rated areas of mining activities.

The reasons for the level of rates set for GRV Mining is that this allows for a fair contribution to the revenue requirements, acknowledging the potential for additional impact on Council service and infrastructure costs.

The minimum payment proposed for the GRV category reflects a reasonable cost for a basic level of service.

The Shire applies the GRV rates equally in both townsites and mining and does not seek to differentiate between them.

The Shire also applies minimum rates equally to townsites, mining, exploration and rural properties and does not seek to differentiate between them.

Unimproved Value

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

UV Rural properties are the most significant contributors to the Shire's rate revenue 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 and UV Exploration sectors are relatively new and have paid a lesser contribution though they use the Shire's infrastructure extensively - in particular the road network. The proposed rates for UV Mining and UV Exploration are consistent with the rates imposed in previous years, acknowledging that rates were frozen in 2020/2021 in response to the COVID19 Pandemic.

UV Rural

The object of the UV Rural rate is to obtain a fair contribution to the revenue requirements of the Shire, while not risking additional financial pressure on ratepayers in those areas and impact 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 a sustainable level. Whilst Council cannot control the rural sector's vulnerability to external forces, it attempts to ensure that the industry is not adversely affected by excessive rates.

The minimum payment proposed for the UV Rural category reflects the present financial vulnerability of ratepayers in the category due to factors such as adverse weather, cyclones, bushfires, drought, world demand for product and fluctuations in export prices.

UV Mining

The object of the UV Mining rate is to ensure that mining contributes reasonably to the maintenance of the Shire's assets and services. Every effort is made to establish rates and minimum payments at the fairest possible levels, acknowledging that the industry does not need to be specifically nurtured, nor is it affected by the same vulnerabilities as broad acre farming. In reaching its rating decisions, Council has considered that there are external forces, such as fluctuating commodity prices, which impact on resource projects and is sensitive to these issues. For example, Council chose to freeze UV Mining rates in 2020/2021 to provide for impacts caused by the COVID19 Pandemic.

The reasons for the level of rates set for the UV Mining rate by the Council is to attain equity amongst those who will bear the burden of the rates and obtain a reasonable contribution from the mining sector for the general level of infrastructure and services provided by the Council. Striking a reasonable balance between all ratepayers in the production of the rate revenue is important in achieving equity,

whilst at the same time the fairness of the expenditures by the Shire on the mining sector is also considered.

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, justifying a differential contribution from the mining sector.

The minimum payment proposed for the UV Mining category reflects a reasonable cost for a base level of service.

UV Exploration

The object of the UV Exploration rate is to ensure the reasonable contribution of these ratepayers to Council's expenditure profile.

The reasons for the level of rates set for the UV Exploration rate by the Council is to attain equity amongst those who will bear the burden of the rates and obtain a reasonable contribution from the Exploration sector for the general level of infrastructure, services and tenement administration provided by the Council.

Exploration and prospecting ratepayers require a higher level of governance for licensing, clearance permits, etc, and impose greater environmental damage to the environment through activities such as clearing, drilling and associated undertakings.

Striking a reasonable balance between all in the production of the rate income is important in achieving balance and equity between ratepayers, whilst at the same time the fairness of the expenditures by the Shire on the Exploration sector is also considered.

The minimum payment proposed for the UV Exploration category reflects a reasonable cost for a base level of service.

Submissions

Submissions in respect of the proposed Differential Rates and Minimum Levies may be made via;

- Email: ea@perenjori.wa.gov.au
- In writing to:

CEO
Shire of Perenjori
PO 22
Perenjori, WA 6620

Submissions must be received before 4.00pm, Friday, 6th August 2021.