



2021/2022 Differential Rates Statement of Rating Objects and Reasons

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

INTRODUCTION

Rates are charged on all rateable properties within the boundaries of the Shire of Morawa in accordance with the *Local Government Act 1995*. The overall objective of the proposed rates in the 2021/2022 Budget is to provide for the net funding requirements of Council's services, activities, financing costs and the current and future capital requirements of the shire. The estimated rates in the dollar and minimum payments indicated below, are based on a 3% increase on the previous year's rate income.

Council has determined its required rates yield after taking into account all revenue sources, expenditure and efficiency measures as part of the budget deliberations.

Property valuations provided by the Valuer-General (Landgate Valuation Services) 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 Morawa. The application of differential rates maintains equity in the rating of properties across the shire, with consideration given to the key values contained within the Rating Policy Differential Rates (s.6.33) March 2016 released by the department of Local Government, Sport and Cultural Industries being:

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

The following table outlines the proposed Differential Rates and Minimum Payments for the shire of Morawa for the 2021/2022 financial year, to be effective from the 1 July 2021.

<i>Rate Type</i>	<i>Rate in the Dollar (Cents)</i>	<i>Minimum Payment</i>
GRV Residential/ Commercial	8.1287	\$312
UV Rural	2.3499	\$312
UV Mining	30.1974	\$683

The above rate model will yield \$2,137,372 in rate revenue for 2021/2022.

Land Valuations in Western Australia

The main legislation for the valuation of land relevant to this review are as follows:

- *The Valuation of Land Act 1978*; and
- *The Local Government Act 1995*

The Valuation of Land Act 1978

The *Valuation of Land Act 1978* provides for the valuation of land in Western Australia. The Valuer General is based at Landgate and provides a brochure titled 'The Valuer General's Guide to Rating and Taxing Values' which describes their role in providing valuations to be used by rating and taxing authorities in accordance with the provisions of the *Valuation of Land Act 1978* (the VLA). The VLA empowers the Valuer General to conduct general valuations based on Unimproved Values (UV) and Gross Rental Value (GRV).

More information is available at www.landgate.wa.gov.au

The Local Government Act 1995

The *Local Government Act 1995* sets out the basis on which rates may be raised, including the setting of differential general rates and minimum rates.

Section 6.32 of the Local Government Act 1995 states:

- (1) When adopting the annual budget, a local government —
 - (a) in order to make up the budget deficiency, is to impose* a general rate on rateable land within its district, which rate may be imposed either —
 - (i) uniformly; or
 - (ii) differentially;and
 - (b) may impose* on rateable land within its district —
 - (i) a specified area rate; or
 - (ii) a minimum payment;and
 - (c) may impose* a service charge on land within its district.

* *Absolute majority required.*

- (2) Where a local government resolves to impose a rate it is required to —
 - (a) set a rate which is expressed as a rate in the dollar of the gross rental value of rateable land within its district to be rated on gross rental value; and
 - (b) set a rate which is expressed as a rate in the dollar of the unimproved value of rateable land within its district to be rated on unimproved value.

Section 6.33 of the local Government Act relates to Differential 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 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.
- (2) Regulations may —
 - (a) specify the characteristics under subsection (1) which a local government is to use; or
 - (b) limit the characteristics under subsection (1) which a local government is permitted to use.
- (3) In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.

Section 6.35 of the Local Government Act relates to Minimum payments:

- (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.

Basis of Local Government Rates in Western Australia

Local Government rating is regulated through Sections 6.28 to 6.82 of the *Local Government Act 1995* (the Act). All land within the local government district is rateable land with the exceptions, as specified in Section 6.28 of the Act.

Gross Rental Valuation (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 the annual rates. The Valuer-General determines the GRV for all properties within the Shire of Morawa every five years. The last general valuation was effective from 1 July 2017. The Shire of Morawa only imposes one GRV category and one GRV minimum rate category.

Unimproved Valuation (UV)

Properties that are predominantly of a rural purpose are assigned an Unimproved Value (UV). Council has adopted differential rates in its UV area for mining tenements. Unimproved values are determined annually by the Valuer-General with a valuation roll provided to the local governments. Council has completed rates modelling based on the valuations provided with a date in force of 1 July 2021.

Local governments can use differential rating; minimum payments; service charge; discounts and concessions to adjust the rates burden. Local government rates are a property tax based on land or rental value and broadly reflect 'the ability to pay'. The rates imposed are not a fee for service.

PROPOSED DIFFERENTIAL GENERAL RATES AND GENERAL MINIMUM PAYMENTS

GRV Residential/Commercial – No differential rate in this category

The object of the GRV rates and minimum payments is to raise a fair contribution to the operational requirements of the Shire, which include but are not limited to - street lighting, civic precinct, cleaning and maintenance of public facilities, public parks and gardens, sporting facilities, tourist information services, youth centre, medical, refuse collections, roads, aerodrome and caravan park - allowing services to be maintained and where possible improved without incurring additional financial pressure that could affect the long term viability and sustainability of the shire. The rates will continue to provide one of the main income streams for the support of the social and economic wellbeing of the Shire.

The reason the Shire of Morawa does not impose any differential rates in this category is as follows. Many councils set differential rates within the GRV category based on land use such as commercial or industrial. However the Shire of Morawa has not elected to do this. There is a focus on growth and regeneration and having a flat GRV rate in the dollar assists in trying to attract new business to the town and support those entities that are currently operating here. Most commercial or industrial properties will have a higher GRV and therefore pay proportionately higher rates than a residential property.

UV Rural

This rating category applies to all pastoral leases and land with a predominant rural land use other than mining tenements.

The Object of this rate is to be the base rate by which all UV rated properties, other than mining tenements are assessed.

The reason for this rate is to raise revenue to provide for rural infrastructure and services in addition to the town services, facilities and infrastructure which are available to be accessed by the properties in this category.

The reason that the rate in the dollar for this category is set at a comparatively low amount, is to offset the relatively high property valuations in this category. The Shire has a large pastoral and agricultural sector and it is essential that it be maintained throughout difficult times.

UV Mining – Differential Rate

This rating category covers all Mining Leases, Exploration Licences, Prospecting Licences, Retention Licenses, General Purpose Leases, Special Prospecting Licenses for Gold and Miscellaneous Licences as defined under the *Mining Act 1978*.

The object of the UV Mining rate is to raise additional revenue to fund cost impacts to the shire from mining sector operations.

The reasons that the rate in the dollar has been set at a comparatively high amount is to offset the large investment the Shire of Morawa makes in road and drainage infrastructure to service remote mining activities on rural roads throughout the municipality. When operators in the mining industry come to the district they have the benefit of all the established shire services and facilities. These have often been provided by the rates contributed in previous years by ratepayers in other categories, who will continue to contribute in the same way into the future. 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.

It is not uncommon for operators in the mining sector to be present in the district for a short period with the prospect of withdrawing substantial profits in that time by extracting the mineral resources of the district. These activities have a greater short term impact on local roads and waste management services along with additional costs associated with the administration of the tenements than that of any other rate payer category. This is not a criticism but simply recognises the often transitory nature of mining enterprises. 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.

Minimum Payments

The Setting of minimum payments within rating categories recognises that every property receives some minimum level of benefit from the works and services provided by the shire which is shared by all properties regardless of size, value and use. A proposed minimum rate of \$312 has been applied to all rating categories except for the UV Mining category. The proposed minimum rate for the UV Mining category is \$683. Again this is intended to collect rates in proportion to the impact of the sector on the overall works and services provided by the shire in any given year as a result of its activities.

Shire of Morawa Rating Strategy

The key points for the 2021/2022 rating strategy:

- Raise sufficient yield to maintain current services and future infrastructure renewal to meet community expectations, as outlined in the Strategic Community Plan 2018-2028 and the Corporate Business Plan 2020-2024.
- Maintain the single GRV category for residential, industrial and commercial to ensure fairness and equity.
- Spread the rates burden across the differential rating categories to effectively reflect an equitable contribution to the maintenance and improvement of Council resources, services and infrastructure.

SHIRE OF MORAWA								
Proposed Rate Categories for 2021/2022								
	Actuals for 2020/2021				Proposed 3% Increase and reduction to Discount			
	Rate in the \$	Number of Properties	Rateable Value \$	Actual Income 2020/2021	Rate in the \$	Number of Properties	Rateable Value \$	Projected Income 2021/2022
General Rates								
GRV Residential/Commercial	0.078919	267	2,790,743	220,243	0.081287	267	2,790,744	226,851
UV Rural	0.022815	205	69,308,000	1,581,262	0.023499	205	71,375,000	1,677,241
UV Mining	0.301974	27	561,434	169,538	0.301974	27	705,024	212,899
Sub Total General Rates		499	72,660,177	1,971,043		499	74,870,768	2,116,991
Minimum Rates								
GRV Residential/Commercial	303	44	27,054	13,332	312	42	27,054	13,104
UV Rural	303	8	71,800	2,424	312	8	76,100	2,496
UV Mining	683	9	7,752	6,147	683	7	5,428	4,781
Sub Total Minimum Rates		61	106,606	21,903		57	108,582	20,381
Income Before Discounts				1,992,946				2,137,372
Early Payment Discount				37,549				24,366
Total Own Source Revenue (Rates)				1,955,397				2,113,006
Increase to revenue from 2020/2021								157,609

Submissions

If you wish to lodge any submission on this proposal you are required to do so by 4 pm on Friday 30th July 2021. Submissions should be addressed to the Chief Executive Officer, Shire of Morawa, PO Box 14, Morawa WA 6623 and clearly marked Submission – Differential Rating 2021/2022. Submissions can also be submitted via email to admin@morawa.wa.gov.au or delivered in person to the shire office in Winfield Street, Morawa, WA 6623.

Scott Wildgoose
Chief Executive Officer