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## Special Council Meeting 1 June 2022

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**Attachment 1**      Statement of Objectives and Reasons

**Item 5.1**              Budget Efficiency and Setting of  
Differential Rates

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## Objectives and Reasons for the Differential Rates For the year ending 30 June 2023

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.

### OVERALL OBJECTIVE

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 2022-2023 Budget is to provide for the net funding requirements of Council's services, community infrastructure, activities, financing costs and the current and future capital requirements of the shire.

Council has determined its required rates yield after taking into account all revenue sources, expenditure, and efficiency measures as part of the budget deliberations and has considered 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 key points for the 2022-2023 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.

The Rate in the Dollar applied to all rating categories, except UV Mining, reflects a 4% increase to facilitate Council's objectives for 2022-2023. This will ensure an equitable distribution of the required rates yield from one year to the next and has been set to reflect the anticipated increases to the CPI and costs across the board.

Council has reviewed its expenditure and considered efficiency measures as part of its budget deliberations. The following items have been considered or undertaken:

- Installation of solar panels on the shire administration building;
- Continued review of the need for and remuneration of each vacant position;
- Continued use of local suppliers whenever possible and appropriate;
- Conduct 3 full budget reviews each financial year; and
- Rising costs of maintaining our transport infrastructure.

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.

The following table outlines the proposed Differential Rates and Minimum Payments for the shire of Morawa for the 2022-2023 financial year, to be effective from the 1 July 2022.

<i>Rate Type</i>	<i>Rate in the Dollar (Cents)</i>	<i>Minimum Payment</i>
<b>GRV Residential/ Commercial</b>	8.4538	\$324.50
<b>UV Rural</b>	2.4439	\$324.50
<b>UV Mining</b>	30.1974	\$683.00

## **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](http://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. Factors such as age, construction, size, carports, pools and the location influence the rental value for a house or other GRV property. Interim valuations are provided to the Shire on a monthly basis by the Valuer-General for properties where changes have occurred (i.e. construction, subdivision, demolition, additions and/or property rezoning). In such instances the Shire recalculates the rates for the affected properties and issues interim rates notices.

The Shire of Morawa only imposes one GRV category and one GRV minimum rate category which covers residential and commercial properties both occupied and vacant.

### **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 because 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.

This category is expected to contribute 10% of the total rate raised during 2022-2023.

## **Unimproved Valuation (UV)**

### **Rural**

Properties that are predominantly of a rural purpose are assigned an Unimproved Value (UV) that is supplied and updated by the Valuer-General on an annual basis. UV rural means any land that is predominately used for the purpose of grazing, dairying, pig farming, poultry farming, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of these activities.

**The object** of this rating category reflects the level of rating required to raise the necessary revenue to operate efficiently and provide for rural infrastructure and services in addition to the urban services, programs and infrastructure which are available to be accessed by the properties in this category.

**The reason** for a lower rate applied to the UV Rural Category, compared to the UV Mining, is to offset the relatively high property valuations in this category but must also reflect the impact these activities have on general infrastructure and facilities including the permanent nature of the business activity, recreation facilities and road infrastructure, which incurs higher maintenance and renewal costs due to its vulnerability to extreme weather conditions which is further increased by extra vehicle movements and activities associated with these properties.

This category is expected to contribute 80.98% of the total rates raised for 2022-2023.

### **Mining**

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

**The object** of the UV Mining rate is to reflect the impact on utilisation of rural infrastructure (comparative to Rural) by heavy transport and associated higher traffic volumes.

**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. This category causes higher infrastructure costs for the Shire due to the frequent heavy vehicle use over extensive lengths of Shire roads throughout the year and causes significant damage when there is extreme weather conditions. Mining operators also have the benefit of access to all the establishes shire services and facilities.

It is not uncommon for operators in the mining sector to be present in the district for a short period. Mining 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. 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.

Council has again decided to have no increase to the current rate in the dollar on this category for 2022-2023.

This category is expected to contribute 9.02% of the total rates raised for 2022-2023.

### **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 \$324.50 has been applied to all rating categories except for the UV Mining category. The proposed minimum rate for the UV Mining category is \$683 (the same as 2021-2022). 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.

### **Submissions**

If you wish to lodge any submission on this proposal, you are required to do so by 4 pm on Friday 25 June 2022. Submissions should be addressed to the Chief Executive Officer, Shire of Morawa, PO Box 14, Morawa WA 6623 and clearly marked Submission – Differential Rating 2022-2023. Submissions can also be submitted via email to [ea@morawa.wa.gov.au](mailto:ea@morawa.wa.gov.au) or delivered in person to the shire office in Winfield Street, Morawa, WA 6623.

**Scott Wildgoose**  
**Chief Executive Officer**