



Shire of **EAST
Pilbara**
THE HEART OF THE PILBARA

**Notice of Intention
To Levy Differential
Rates 2022-2023**

In accordance with section 6.36 of the *Local Government Act 1995* (the Act), the Shire of East Pilbara (the Shire) is required to publish its Objects and Reasons for implementing Differential Rates.

1. Introduction

Rates are a tax levied on all rateable properties within the boundaries of the District of East Pilbara in accordance with the Act. The overall objective of the proposed rates in the 2022-2023 drafting of the Shire's Annual Budget is to provide towards the net funding requirements of the Shire's services, activities, financing costs and the current and future capital requirements. Council has considered the required rates yield forecast after taking into account all revenue sources, expenditure and efficiency measures as part of budget deliberations.

The importance of achieving an operating surplus towards the Shire's long-term financial sustainability is recognised. The Department of Local Government Sport and Cultural Industries have prescribed guidelines for local governments to achieve. This is the second year of a three year objective to address the Shire's operating budget deficit which has been in deficit by \$9-\$10M for the last 5 years.

Without fault, several factors have created this situation, including:

- Departure in annual budgeting from intended long-term financial planning, including COVID-19;
- Rates revenue not keeping pace with operational and capital requirements;
- Minimal interest earnings in the current low rate environment, and;
- Coming from a comparatively low budget and rates base for Pilbara local governments.

2. Rating Strategy 2021 - 2022

The Shire's rating strategy establishes a framework to address the following key elements:

- a) That the basis of valuation for rating purposes continues to be the independently determined Gross Rental Value (GRV) and Unimproved Value (UV) method.

** Landgate values all properties in the State independently.*

- b) Recognise the individual characteristics of land use as the basis for differentially rating properties within the Shire.
 - * The use of differential rating is considered a means to achieve greater uniformity in annual rate revenue apportionment across property types, being subject to fluctuations in their triennial revaluation reviews.*
- c) To maintain transparency and consistency each year in annual rating.
 - * The Shire charges separately for rates, waste and State Emergency Services Levy (ESL).*
- d) That electronic communication methods are more efficient and effective.
 - * Sustainable, cost effective and a digital Shire.*

Consideration towards Mining – Prospecting land use has created a sixth (6th) category of differential rating.

2.1 Overall Objective

Initially, achieving comparative rating consistency with neighbouring local governments in the short-term will support the Shire's long-term financial sustainability. Following with a gradual and consistent approach to increasing rates, avoids the need to raise rates outside of an acceptable range and or comparison over the long-term.

Being the second year of a three year plan towards achieving the objectives of a balanced operating budget and comparative rating parity, it includes lifting minimal rate charges across all existing rating categories, plus halving the use of existing concessions for pastoral and those non-residential properties as applied.

2.2 Basis of Rating

The basis for calculating the apportionment of Shire rates is the Gross Rental Values (GRV) and Unimproved Values (UV) provided for each individual property independently by the Valuer General's Office. Properties are grouped according to Town Planning Scheme zonings and predominant land use with each having a separately calculated rate in the dollar and minimum charge to achieve greater equity across all categories.

2.3 Key Values

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

The predominant use of land should determine the basis for an objective assessment of relevant criteria. External parties should be able to understand how and why a determination was made.

- Fairness & Equity

Rating principles should be applied fairly and equitably. Each property should make a fair contribution to rates based on a method of valuation appropriately reflecting predominant use.

- Consistency

Rating principles should be applied and determinations should be made in a consistent manner. Similar properties should be treated in a similar manner. *The rating approach taken within neighbouring local governments shall be taken into account.*

- Transparency and efficiency

Systems and procedures for determining the method of valuation of land should be clearly documented and available for the public to inspect. This is fundamental to the “good government” principle upon which the Act is based. The right to govern accompanies the obligation to do so openly and fairly.

3. Revenue Requirements

Council has reviewed its available revenues and expenditure requirements and considered efficiency measures as part of its budget deliberations. The key points for the drafting of the 2022-2023 annual budget being to:

- Raise sufficient rates income to maintain current services and future infrastructure renewal to meet community expectations as per the revised Strategic Community Plan considered and to be adopted;
- Reduce reliance on year end surpluses to fund the following year’s budgets, instead transferring these to the surplus;
- Progress towards achieving an operational surplus, to then
- Fund new capital works without fully relying on debt and reserves, and
- Ensure a balanced budget.

In particular, to improve efficiency and reduce expenditure the Shire undertakes on a continuous basis, to:

- Review the need for and remuneration of each position as vacancies arise;
- Review capital expenditure and deferred as appropriate;
- Continue to install energy efficient fixtures and equipment;
- Review light fleet and plant; and
- Undertake reviews of public amenity usage and service levels.

It is recognised the need to accommodate within the drafting of the 2022-2023 annual Shire budget:

- Further legislated Superannuation Guarantee Charge (SGC) increase of 0.5% pa to reach 12%
- Cost Price Index (CPI) increases already experienced and forecast
 - Salaries & Wages pressures towards workforce retention for continued service delivery
 - Expected increases in insurance expense due to Shire claims and other events
- Increased demand for trades and continuing supply issues driving up prices

Therefore the short-term measure which will most effectively fund and work towards closing the operating deficit, can only come from a further uplift in rating income to make up the Shire's budget deficiency.

Council has considered its forecast required rates yield after reviewing all revenue sources, expenditure and continued efficiency measures, as part of its budget deliberations. The table below details the total intended yield to be derived from each differential category as

Rate Category	2022-23 Proposed Yield	2022-23 Burden %	2021-2022 Budgeted Yield	2021-22 Burden %
GRV Residential	\$3,706,824	14.13%	\$2,906,727	13.83%
GRV Non-Residential	\$1,137,710	4.34%	\$793,000	3.77%
GRV Transient Workforce Accommodation	\$4,067,569	15.50%	\$3,267,172	15.55%
UV Pastoral	\$760,488	2.90%	\$337,996	1.61%
UV Mining	\$16,350,481	62.33%	\$13,520,660	65.24%
UV Prospecting *NEW	\$209,706	0.8%		N/A
<i>Included Concessions</i>	<i>\$(434,039)</i>		<i>\$(687,394)</i>	
Total	\$26,232,780	100%	\$20,825,555	100%

proposed:

The table below details the rate in the dollar and minimum amounts of the recommended 2021 – 2022 rating model as proposed:

Rate Category	Rate in the Dollar charge 2022-2023	Minimum rate charge 2022-2023	Rate in the Dollar charge 2021-2022	Minimum rate charge 2021-2022
GRV Residential	\$0.095981	\$1,000	\$0.076785	\$715
GRV Non-Residential	\$0.065713	\$1,200	\$0.052570	\$813
GRV Transient Workforce Accommodation	\$0.131426	\$1,200	\$0.105140	-
UV Pastoral / Other	\$0.165000	\$1,200	\$0.141450	\$358
UV Mining	\$0.330000	\$1,200	\$0.282900	\$813
UV Mining Prospecting	\$0.282900	\$715	\$0.282900	\$715

4. Differential Rating

Section 6.33 of the Act provides local governments with the option of implementing differential rates. The Shire's 2022 – 2023 rating will be based on land use, being;

- Residential
- Non-residential
- Transient workforce accommodation
- Pastoral / Other
- Mining

And introducing a sixth (6th) category for

- Mining - Prospecting

The objects and reasons for differential rate charges are as follows;

4.1 GRV - Residential

This incorporates residential single dwellings, duplex, multi-unit and strata improved properties.

** To ensure that the proportion of total rate revenue derived from residential properties remains essentially consistent with previous years and also includes the ongoing maintenance and service provision of Shire assets and services primarily used by residential ratepayers. This will ensure a reasonable contribution to the cost of local government services and facilities available to residents.*

4.2 GRV – Non-residential

This incorporates all light industry, general industry, commercial including hotel/motel and mixed use properties.

** To ensure that the proportion of total rate revenue derived from non-residential properties remains essentially consistent with previous years and to recognise the additional costs of servicing these types of properties. Non-residential properties generate higher volumes of pedestrian and traffic movements than residential properties which results in increased road and streetscape maintenance requirements, additional on street parking needs and the requirement to install additional traffic treatments. Due to the increased presence of litter surrounding non-residential land the Shire is also required to provide additional litter collection services to these areas. Patrons and employees of commercial and industrial premises are consumers of Shire services but unless they are also property owners within the Shire, are not contributing to the cost of services which they use.*

It is proposed to reduce the existing rating concession from 30% to 15%

4.3 GRV – Transient Workforce Accommodation (TWA)

This incorporates all mass accommodation facilities provided for a workforce that is not permanently located within the district.

** To ensure rates are distributed equitably across property used for residential and non-residential workers. Temporary workers are consumers of Shire services but unless they are also property owners within the Shire, are not contributing to the cost of services which they use. Mass accommodation properties have the potential to have a greater impact on Shire services and assets than other property types due to their number of occupants in a relatively small land parcel.*

4.4 UV – Pastoral

This incorporates all properties issued with pastoral leases granted by the State Government. OR Does not have the characteristics of any other UV differential rate category.

** To ensure rates are reflective of the level of service utilized by ratepayers in this category and further reflects the additional costs associated with gravel road maintenance albeit to a lesser extent than that of mining.*

It is proposed to reduce the existing rating concession from 62% to 29%

4.5 UV – Mining / Other

This incorporates all mining tenements, permits, drilling reservations, leases or licences held, extracting, stock piling, processing or refining of minerals and the extraction, processing or refining of fuel sources.

** To ensure rates are reflective of the ongoing costs involved in maintaining the road network across broad Shire boundaries, and towards supporting regional communities.*

4.6 UV – Mining Prospecting

This incorporates all mining tenements, as defined under the Mining Act 1978 s.40 to 56 as prospecting land use.

** The rate in the dollar and minimum charge are comparatively lower than UV Mining / Other, due to having a lesser impact upon the road network, and their operations may not be income-producing.*

5 The Application of a Minimum Rate

The Act allows councils to impose a minimum rate, which may not apply to more than 50% of rateable properties within a rating category. The effect is to increase the rates payable by lower valued properties so that every ratepayer makes a minimum contribution considered equitable to the cost of the services and infrastructure provided, commensurate with other local governments.

It is proposed to increase minimum rates across rating categories to support the three year plan to achieve an operating surplus and parity in comparative rating.

6 Other Fees and Charges

With reference to the Shire's Rating Strategy 2021-2026:

1.5 Waste Service Fee

A waste service which includes the removal of rubbish and recycling, as well as the need to provide waste services to public areas, is required to be funded by residential ratepayers throughout the Shire. It is considered appropriate to separately identify this charge. The annual charge will increase \$50 towards meeting all operational and capital expenditure requirements and any surplus or deficit to be taken to reserve at year end.

1.7.1 Property Surveillance and Security Service Charge

A property surveillance and security service is provided at some locations throughout the Shire. It is considered appropriate to separately identify this charge to ratepayers receiving this service. Implementing an annual charge of \$52 could meet operational and capital expenditure requirements with any surplus or deficit to be taken to reserve at year end.

4 Rates Notifications

The Shire intends to implement a cost recovery fee of \$5 for postage and handling of its rate instalment notices. The fee would be waived for pensioners and all ratepayers receiving the rates notice by email or online banking.

7 Submissions Invited

Whilst the weekly and annual dollar increase are considered reasonable, it is recognized that the percentage increases are considered high

Submissions are invited from any elector or ratepayer with respect to the proposed rates, and any related matter, within a minimum 21 days of the date of this notice. Submissions should be addressed to the Chief Executive Officer, Shire of East Pilbara, PMB 22, NEWMAN WA 6753 or emailed to admin@eastpilbara.wa.gov.au and clearly marked Submission – Differential Rating 2022-2023.

All submissions should be received no later than 4.30pm on 20 June 2022.

Steven Harding

Chief Executive Officer