



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

**Notice of Intention
to Levy Differential
Rates 2021-2022**

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 2021/21 Annual Budget is to provide for the net funding requirements of the Shire's services, activities, financing costs and the current and future capital requirements. Council has determined its required rates yield 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. The Shire's operating budget 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 the long-term financial plan;
- Rates revenue not keeping pace with operational and capital requirements;
- Minimal interest earnings in the current low rate environment;
- Coming from a comparatively low budget and rates base for Pilbara local governments; and
- The COVID-19 response and its constraints upon the 2020/2021 annual budget and following year's impacts,

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 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.*

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.

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 2021-2022 annual budget being to:

- Raise sufficient rates income to maintain current services and future infrastructure renewal to meet community expectations as per the adopted Strategic Community Plan;
- Reduce the reliance upon airport services as a funding source;
- 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:

- Superannuation Guarantee Charge (SGC) increase of 0.5% pa to reach 12%
- 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 close the operating deficit can only come from an uplift in income.

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

Rate Category	Proposed Yield	Burden %	2020-2021 Yield
GRV Residential	\$2,906,727	14%	\$6,029,609
GRV Non-Residential	\$793,000	4%	
GRV Transient Workforce Accommodation	\$2,436,567	12%	
UV Pastoral	\$1,025,390	5%	\$716,272
UV Mining	\$13,520,660	65%	\$8,128,127
<i>Concessions</i>	<i>-\$687,394</i>		<i>-\$910,394</i>
Total	\$20,825,558		\$13,963,600
<i>*Including estimated growth from new properties</i>	<i>\$830,606</i>		

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	Minimum rate charge
GRV Residential	0.076785	\$715
GRV Non-Residential	0.052570	\$813
GRV Transient Workforce Accommodation	0.105140	
UV Pastoral	0.141450	\$357
UV Mining	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 2021 – 2022 rating will be based on land use, being;

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

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.*

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.

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.

OR

Does not have the characteristics of any other UV differential rate category.

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.

6 Submissions Invited

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 to admin@eastpilbara.wa.gov.au and clearly marked Submission – Differential Rating 2021/22.

All submissions should be received no later than 4.30pm on 24 June 2021

Steven Harding

Chief Executive Officer