SHIRE OF THREE SPRINGS

2024/2025 DIFFERENTIAL RATE MODEL

STATEMENT OF OBJECTS AND REASONS

Objects and Reasons for implementing a Differential Rate
In accordance with Section 6.36 of the Local Government Act 1995 and the Council's "Notice of Intention to impose Differential Rates", the following information details the objectives and reasons for those proposals.

What are Rates?
The raising of rates is the primary source of revenue for all Councils throughout Australia. The purpose of levying rates is to meet Council's proposed budget requirements each year in a manner that is fair and equitable to the ratepayers of the community.

In Western Australia land is valued by Landgate Valuation Services (Valuer General's Office - a state government agency) and those values are forwarded to each Local Government.

Two types of values are calculated:

- Gross Rental Value (GRV) for urban areas; and
- Unimproved Value (UV) for rural land.

To calculate the rate account, councils multiply a rate in the dollar by the supplied value. The rate in the dollar is determined by the level of revenue the council wishes to raise and is dependent on their proposed budget.

Apart from the need to ensure sufficient revenue to meet its expenditure needs Council must be mindful of the impact and affordability of rates to the community.

The following are proposed Differential Rates and Minimum Payments for the Shire of Three Springs for the 2024/25 financial year.

	Rate in the Dollar (Cents)	*Minimum $*
GRV – TS Town	12.7549	$500.00
GRV - Mining	23.9212	$500.00
UV – Rural & Arrino Town	0.9214	$500.00
UV – Mining	6.0800	$500.00

<u>Differential Rating</u>

Local Governments, under section 6.33 of the Local Government Act, have the power to implement differential rating in order to take into account certain characteristics of the rateable land 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.*

Differential rates may be applied according to any, or a combination of the above characteristics. However, local governments are constrained in the range of differential rates that they may impose.

The overall objective for differential rating is an attempt to ensure revenue is collected on an equitable basis from all properties, enabling the Shire to provide facilities, infrastructure and services to the entire community.

The Shire of Three Springs proposes to differentially rate all Unimproved Valued land. The Shire has to provide a range of services that have fixed costs, such as waste collection, road maintenance, and emergency services. A minimum rate ensures that every property contributes to covering these essential service costs, which are incurred regardless of property value.

The Shire of Three Springs provides services to a diverse region consisting of residential, commercial, industrial, agriculture and mining. All sectors benefit from the services provided by the Shire, though it is inevitable that some sectors may benefit more from any particular service. Persons operating within all sectors have the right to use the services provided and the Shire does not seek to restrict the use of its services by any sector.

GRV – Town

The object of the GRV town rate and minimum payments is to ensure a fair contribution to the revenue requirements of the Shire, to provide a diverse range of services and facilities to the residents and business proprietors of Three Springs, while not risking additional financial pressure of the town residents that affect their long-term viability. The town residents have in the past and will continue to provide significant support for the social and economic sustainability of the Shire.

The reasons for the level of rates set for Gross Rental Values is that this allows for a fair contribution to the maintenance and provision of town services and infrastructure to a sustainable level.

GRV – Mining

The object of the GRV rates associated with Mining is to ensure the mining sector contributes to the maintenance of the Shire's assets.

Mines benefit greatly from the road infrastructure including bridges. The mining sector transports large tonnage each year on Shire roads. The Gross Rental Value for mining allows for a reasonable contribution to the Shire's infrastructure and reflects the cost of road maintenance to accommodate heavy vehicle movements both on rural roads and in residential areas of the Three Springs townsite (sometimes up to 20 movements per day).

UV – Rural & Arrino Town

This differential rate is applied to those properties that are outside of the townsite that are used in farming activities and/or agricultural production. The object of the UV Rural and Arrino town rate is to ensure that the proportion of total rate revenue derived from UV Rural & Arrino Town is comparable to previous years so that the Shire can continue to operate efficiently and provide a diverse range of services and infrastructure. UV Rural & Arrino Town provides the base rate to assess the other UV rated properties.

The reason for the lower rate for UV Rural & Arrino Town is to reflect the lower impact on transport infrastructure compared to the UV Mining category.

The UV Rural & Arrino Town rate applies generally to broad acre faming which is vulnerable to factors such as adverse weather, bushfires, drought, demand for products and fluctuations in export prices. Importantly the rural areas cover vast tracts of land that is often marginal and input costs are far more extensive to gain a smaller return than for mining.

In 2023/24 the valuation provided by the Valuer General increased the overall value by 30.08%. A further increase has occurred this year of 34.41%. To reduce the impact such increases have on the Rural UV ratepayers, the rate has again been reduced but maintains the rate revenue required to meet the budget deficiency. The UV Rural & Town rate ensures that every landowner makes a reasonable contribution to the rate burden.

UV – Mining

The objective of the differential rate on UV mining is to ensure that mining contributes to the maintenance of the Shire's assets and infrastructure to the extent that the mining operators and their connections use them. The UV Mining differential rate is applied to properties that are used for mining, exploration or prospecting purposes.

The Valuer General values each category of mining tenement differently with prospecting and exploration licenses valued lower and mining leases valued higher. The valuations therefore mean that the Shire rates paid by each category of mining tenement are appropriately scaled and there is no requirement to set individual rates for each tenement type.

In dealing with the object of the rate, it should be considered that operators in the mining industry when they come to the district have the advantage of utilising established Shire services and facilities which often have been provided by the rates contributed in the long term by ratepayers in other sectors and who will continue to contribute in the long term future in the same way. The maintenance of Shires assets and services are for the benefit of all users; assets such as recreation facilities, medical and dental services, emergency services, maintenance and provision of high standard sealed and unsealed roads are available to all rate categories. However, they have been provided over a long period of time, in the main by long term rural ratepayers but benefited by mining ratepayers who generally are relatively short term contributors.

It should be noted that it is not uncommon for operators in the mining sector to be present in the district for a short period with a prospect of withdrawing substantial profits while in the district. This is not a criticism but simply recognises the often-transitory nature of mining enterprises. However, 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 use them.

The reason for setting UV Mining rate at a higher level than UV Rural is to ensure a sector of ratepayers, that essentially are transitory, contributes to the maintenance of the Shire's established assets and services to the extent that the mining operators use them.

These include:

- Unsealed roads - amongst the services utilised by ratepayers with tenements would be the extensive network of unsealed roads within the Shire. A substantial amount of budgeted capital and maintenance expenditure is for works on Shire roads.
- Resources - Mining removes finite resources from the shire. Ultimately this will have an impact on the mining industry within the shire, which will in turn impact rate revenue in future years.

- Shire administration - Mining, Exploration and Prospecting activities impose a greater administration service requirement on the shire (applications, enquiries, tenement changes and revaluations).

Minimums

Council has established a minimum rate for all categories. This minimum may exceed the amount that would be calculated for each assessment.

The setting of a minimum rate is to ensure that every landowner makes a reasonable contribution to the rate burden. A minimum rate ensures that all property owners contribute a fair share towards the cost of local government services and infrastructure, regardless of the value of their property. This prevents properties with very low valuations from paying disproportionately low rates, which might not cover the cost of services they benefit from.