

2022/2023 Rates – “Objects and Reasons”

The objective for all Council’s rates is to meet the shortfall between planned expenditures and expected revenues to achieve a balanced budget.

Rate Increase for 2022/2023

For 2022/2023, Council has indicated its intention to pursue a general approach of increasing the minimums to \$335.00 per assessment and increase the rate in the dollar by 3.00% for the all other categories as the expenses have increased sharply through the cost of fuel and other materials. However, Council was mindful that Laverton’s town site rate in the dollar was higher than the rest of the region, whilst the Mining UV and GRV rate in the dollar were generally lower than the rest in the region.

This strategy resulted in the following impacts to the various rates in the dollar:

Rating		Rate in dollar 20/21	Proposed rate in dollar 22/23	Proposed Increase
GRV	Town site	11.6100	11.9583	3.00%
	Mining	9.3064	9.5856	3.00%
UV	Pastoral	9.7900	10.0837	3.00%
	Mining	17.1800	17.7153	3.00%
Minimums		\$315.00 per assessment	\$335.00 per assessment	9.40%

This is in line with the *Long Term Financial Plan* and incorporates increases in line with the Consumer Price Index (CPI) Perth movement at 3.5% for the 12 month period to 30 December 2021. The figures for the March 2022 quarter will be available on the 27th of April 2022 and may see a further increase in the CPI with the current fuel pricing etc. The minimum rate has been increased to \$335.00 per assessment after being held at \$315.00 since the 2019/2020 financial year.

The rate income in 2022/2023 will raise by \$183,335 approx. (up 3.00%), to realise an overall rate yield of \$6,315,599 approx. However, rating calculations are by no means a consistent and straight forward affair.

The result depends on several inputs including the following:

- The number of properties

- Valuation amendments (to both GRV & UV)
- Revaluations (to both GRV & UV)
- The number of minimums
- The rate in the dollar across the various differential categories
- The amount of the minimum rate.

The scope of the mining sector's contribution to the Shire's rating effort, is quite apparent. This is evidenced by the remarkable statistic that almost 94% of the Shire's rate income for 2022/23 will derive from the GRV and UV mining rate imposts.

Basis of Rates

The Basis for calculating property rates are the gross rental values (GRV) and unimproved values (UV) provided for individual properties by Landgate's Property and Valuations section. A property's GRV represents the amount of the gross annual rental the land might obtain if it is let on a tenancy from year to year. A property's UV means the amount the land may reasonably be expected to obtain if it was sold, assuming no improvements to the land had been made.

Updated Valuations

Updated unimproved values for rural properties and mining tenements are provided every year. Updated gross rental values for residential, commercial, light industrial and several mine site properties are carried out every four to five years. A revaluation of GRV properties will be carried out in the 2021/2022 year and the valuations may need to be adjusted if the valuations move to any extent. The last GRV valuation was undertaken in 2015.

OBJECTS and REASONS for DIFFERENTIAL RATING

Local Government Act 1995 - Section 6.33

Local Government (Financial Management) Regulations 1996 - Regulation 56(4)

Council has adopted differential rating to spread the rates burden equitably and at the same time maintain rating based on land zoning and land use. Council has the following classifications:

Pastoral Leases (UV) (10.0837 cents in the \$335 minimum)

This classification applies to all pastoral leases within the Shire. Commencing from around 2005 the State Government instigated a plan to review all pastoral leases throughout the State and revalue their rents. However, the resultant rent had a direct correlation to the calculation of the unimproved value for rating purposes and would have resulted in very significant rate increases. The solution to this dilemma was to drop the rate in the dollar to achieve relativity to earlier rating regimes, subject to annual increases as part of ongoing rating needs. Council is satisfied that this approach achieves an equitable basis of differentiation to that of mining lease rating, recognising the relatively low profitability from pastoral operations, the land management and remote area population benefits from the existence of these pastoral operations.

Mining Leases (UV) (17.7153 cents in the \$335 minimum)

This classification covers mining leases in the rural area except for several mine sites with substantial accommodation villages and processing plants and which are rated on gross rental values. Council is satisfied that mining lease interests are making an

equitable contribution to the Shire's rating effort and that the rate in the dollar is well within the context of the rate in the dollar being applied by all other local governments in the North-eastern Goldfields.

Townsite (GRV) (11.9583 cents in the \$335 minimum)

This classification applies to the Laverton town site and covers land zoned as Residential, Commercial, Community, Industrial, Mining Tenement, Special Residential and Vacant. Council is satisfied that the basis of rating as set down in section 6.28(2)(b) of the Local Government Act 1995 is appropriate for Laverton town site and that GRV's generally form a proper and equitable basis for differentiation amongst these properties.

Mining (GRV) (9.5856 cents in the \$335 minimum)

This classification currently applies to mining accommodation and processing plants for the following establishments:

- Murrin Murrin (assessment 4756 & assessment 4757)
- Granny Smith (assessment 3008 & assessment 4057)
- Sunrise Dam (assessment 4627 & assessment 4628)
- Moolart Well (assessment 10256 & assessment 10257)
- Brightstar (assessment 10258, assessment 10259 & assessment 10260)
- Garden Well (assessment 10261 & assessment 10262) etc.
- Gruyere (assessment A11157)
- Mt Morgans (assessment A11158), etc.

Council acknowledges and is satisfied that whilst each of these mining camps is some distance from Laverton, the gross rental value provided by the Valuer-General provides sufficient acknowledgement of the mine sites location relative to the Shire facilities and amenities. Due to the large valuations associated with these mining establishments a lower GRV has been applied so as not to place an unfair burden on the mining companies.

Minimum Rating

Council has established a uniform minimum rate across the district. Pursuant to section 6.47 of the *Local Government Act 1995* Council has agreed where a mining tenement crosses the Shire's Boundary with a neighbouring Shire, only to claim 50% of the minimum rate should it apply, regardless of the portion of the mining tenement in this municipality. This policy only applies to prospecting, mining or exploration licences which are subject to minimum rates.

Summary

The following table shows the rating information proposed for the 2022/2023 financial year and the valuations from 2021/22 (including adjusted valuations throughout the 2021/22 year) have been used and figures will be adjusted depending on any revaluations throughout the year leading up to the adoption of the budget.

RATE TYPE				
Differential General Rate	Rate in \$	Number of Properties	Rateable Value \$	2022/23 Budgeted Rate Revenue \$
GRV				
Townsite	11.9583	170	2,393,510	286,299
Mining	9.5856	14	14,530,500	1,392,836
UV				
Pastoral	10.0837	15	538,911	54,342
Mining (inc. shared)	17.7153	796	2,516,6578	4,458,335
Sub-Totals		953		619,1902
Minimum Rates	Minimum \$	Number of Properties	Rateable Value \$	2021/22 Budgeted Rate Revenue \$
GRV				
Townsite	335	58	25,511	20,340
Mining	335	1		335
UV				
Pastoral	335	3	3,000	1,005
Mining	335	295	302,643	98,825
Mining Shared	168	19	5,960	3,192
Sub-Totals		374		123,697
TOTALS		1,292		6,315,599

In closing, the increases have a twofold purpose. 1. To keep abreast of rising costs which are evident through the CPI movements in wages and the cost of materials. 2. Is to ensure the Council can match funding through the rate base and identify the contribution that the mining companies make to the Laverton Shire. The aim is reducing the approach to mining companies for contributions and in real terms, the cost of doing this type of contribution business far exceeds the benefit. This has been proven when the mining companies provided contributions through the rates to support medical services within the community.

The council is mindful of the major role the mining companies play in the community through the rate base and the council wishes to acknowledge the mining companies through projects to be undertaken and this will be in liaison with the mining industry.

Please contact Peter Naylor, Councils Chief Executive Officer should you have any questions regarding the differential rating on the objects and reasons.