



SHIRE OF THREE SPRINGS
2016/2017 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 estimated Differential Rates and Minimum Payments for the Shire of Three Springs for the 2016/2017 financial year.

	<i>Rate in the Dollar (Cents)</i>	<i>Minimum \$</i>
GRV – TS Town	12.1935	\$462.00
GRV - Mining	40.7302	\$462.00
UV – Rural & Arrino Town	01.7045	\$462.00
UV – Mining	12.5111	\$462.00

Differential Rating

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. These characteristics include:

- ◆ The purpose for which the land is zoned under the town planning scheme in force;
- ◆ The predominant use for which the land is held or used as determined by the local government; and

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, 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 and apply Gross Rental Value differential rates to the Talc Mine as the land has an improved classification. The minimum payments proposed for all rate categories have been set at what are considered to be the maximum for the long term.

The Shire of Three Springs provides services to a diverse region consisting of residential, commercial, industrial 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, though some will have a greater capacity to contribute to the Shire's revenue than others.

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 viability 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 the Talc Mine is to ensure the mine contributes to the maintenance of the Shire's assets.

The Talc Mine benefits greatly from recently upgraded road bridge within 2kms of the mine and the business transports over 90,000 tonnes of talc per year on Shire roads, the Gross Rental Value for mining allows for a reasonable contribution to the Shire's infrastructure.

UV – Rural

The object of the UV Rural rate which includes properties that are used in farming activities and/or agricultural production is to raise the revenue the Shire believes is required to operate efficiently and to provide a diverse range of services and infrastructure.

The reason the rate in the dollar for Unimproved Values Rural category has been set at a comparatively low rate is to recognise the variation in land use intensity and the impact on the shire's road infrastructure and to offset the relatively high property valuations within this rating category. The UV rural areas of the Shire is the highest contributor in rate income for the Shire with \$1,484,835 actual rate income in 2014/2015 compared to UV mining actual income of \$43,964.

UV – Mining

The object of the UV Mining rate is to permit the imposition of rates on mining tenements that is reasonably proportional to the financial resources of those who will bear the burden of the rates and striking a reasonable balance between the capacity to pay and the fairness of the requirement. 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.

In dealing with the object of the rate, it should be considered that operators in the mining industry when they come to the Shire have the advantage of utilising established 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 reason for the Unimproved Values mining rate is to assist the Shire to make up the deficiency in its revenue at a level which is fair in all of the circumstances.

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.

Submissions are invited from any Elector or Ratepayer with respect to the proposed differential rate within 21 days of the date of the notice of intent.

All submissions in writing should be forwarded to the Shire of Three Springs no later than 4:00pm on Tuesday 14th June 2016

Sylvia Yandle
Chief Executive Officer
Shire of Three Springs