Shire of Esperance

ORDINARY COUNCIL

25 JUNE 2019

SUPPLEMENTARY ITEMS
16. **URGENT BUSINESS APPROVED BY DECISION**

**Item: 16.1**

**Differential Rates Submissions**

<table>
<thead>
<tr>
<th>Author/s</th>
<th>Shane Burge</th>
<th>Director Corporate Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisor/s</td>
<td>Matthew Scott</td>
<td>Chief Executive Officer</td>
</tr>
</tbody>
</table>

**File Ref:** D19/14931

**Applicant**

Shire of Esperance

**Location/Address**

N/A

**Executive Summary**

For Council to consider the submissions received following advertising of the proposed differential rates for 2019/2020 financial year.

**Recommendation in Brief**

That Council acknowledge the submission received in regards to the proposed rate increase.

Council has also reviewed their expenditure requirements and considered efficiency measures during budget deliberations and consider that the rates as advertised are required to meet the budget deficiency.

Request the CEO to seek permission from the Minister for Local Government to impose the proposed rate in the dollar as per what was advertised.

**Background**

In preparation for the implementation of the 2019/20 Budget Council at the May Ordinary Council Meeting (OCM) proposed minimum rates and ‘rate in the dollar’ for differential rating categories. The following resolution was resolved at the May OCM on the 28 May-

*That Council*

1. **Endorse the following differential rates across all categories to form the basis of proposed rate setting for the 2019/2020 budget.**

<table>
<thead>
<tr>
<th>Differential Rate Category</th>
<th>Cents in the Dollar</th>
<th>Minimum Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRV Residential</td>
<td>0.098740</td>
<td>$1,166</td>
</tr>
<tr>
<td>GRV Commercial/Industrial</td>
<td>0.098740</td>
<td>$1,166</td>
</tr>
<tr>
<td>GRV Vacant</td>
<td>0.098740</td>
<td>$1,166</td>
</tr>
<tr>
<td>UV Commercial/Industrial</td>
<td>0.007702</td>
<td>$1,166</td>
</tr>
<tr>
<td>UV Rural</td>
<td>0.007702</td>
<td>$1,166</td>
</tr>
<tr>
<td>UV Mining</td>
<td>0.093950</td>
<td>$583</td>
</tr>
</tbody>
</table>
2. Adopt the objects and reasons for each of the proposed differential rates and minimum payments (as attached).

3. Authorise the Chief Executive Officer to advertise the differential rate and call for submissions in accordance with the Local Government Act 1995, Section 6.36 for a minimum of 21 days.

4. Authorise the Chief Executive Officer to seek Ministerial approval under Section 6.33 of the Local Government Act 1995 to impose differential rates for those rates that are more than twice the lowest differential rate.

CARRIED
F9 – A0

Formal advertising for the proposed rates was published in The Esperance Express on Friday 31st May with the submission period closing on the 24th June 2019. At the close of the submission period the Shire had received 1 submission concerning the general rate increase and one submission that addressed the differential rates.

Officer’s Comment
Although the advertising was primarily to seek comment about the proposed differential rates on mining, only one submission was received on this particular issue.

McMahon Mining Title Services do make a valid point that valuations on mining assessments have naturally increased due to the rental increase by the State Government. Valuations have on average increased by 5.1% for the mining category. The increase in valuation had not been provided by the Valuer General at the time of advertising the differential rates so a “rate in the dollar” was proposed as if there was no valuation effect. To be fair and equitable against other rating categories where the valuation has increased, the Council should consider reducing the “rate in the dollar” so the rate increase to the average assessment is 3.75%.

It is therefore recommended that Council consider reducing the “rate in the dollar” for the mining category from the advertised 0.093950 down to 0.089640. This will have the same yield effect as the rates model that was presented to Council during May and takes into account the valuation increase that has recently been provided to the Shire by the Valuer General. This will generate a yield of $157,958.

The other submission received was generally concerned about the proposed rates increase being higher than inflation, the revaluation changes on GRV properties, the sustainability of previous rate increases and the average overall proposed increase of 3.65% on ratepayers in the current economic climate.

The proposed rates are in line with Shires endorsed revenue strategy which indicated differential rates on UV mining properties was a more fair and equitable distribution of the rate burden due to the large difference in land use within the UV category. Uniform rates in the UV category would see all mining tenements rated on the minimum rate, which is considered inequitable compared to the other rating categories.

To yield the required overall amount of money to meet the needs of the budget and the long term financial plan required an average yield increase of 3.75%. The proposed rate in the dollar is proposing align the GRV rate in the dollars and removing the previous Commercial differential rate, hence the average overall yield is 3.65%.
Consultation
In addition to the statutory consultation that is required by Section 6.36 of the Local Government Act 1995, there was additional consultation with the community through a Long Term Financial Plan Forum, newspaper articles and radio interviews on the effects of the proposed rate increases.

The proposed differential rates need to be referred to the Department of Local Government for ratification by the Minister for Local Government.

Financial Implications
It is estimated that the proposed rates will yield an amount of $21,343,597 including interims, ex-grata rates and rates concessions.

Asset Management Implications
The additional income that is proposed to be yielded from the rates increase that is over and above the normal operational and capital allocations is proposed to be spent on the rural road network and assisting in closing the asset management gap within this area.

Statutory Implications

Policy Implications
Nil

Strategic Implications
Strategic Community Plan 2012-2022
Community Leadership
A financially sustainable and supportive organisation achieving operational excellence
Provide responsible resource and planning management for now and the future

Environmental Considerations
Nil

Attachments
A⇩. McMahon Mining Submission
B⇩. Esperance Ratepayers & Electors Association Submission

Officer's Recommendation

That Council

1. Acknowledge the submissions received in regards to the proposed “Rate in the Dollar” for the 2019/2020 financial year.

2. Advise that the Council has reviewed the expenditure requirements and considered efficiency measures during budget deliberations (Long Term Financial Plan Review) and consider that the rates as advertised are required to meet the budget deficiency.

3. Reduce the proposed “rate in the dollar” for the mining category down to 0.089640.

4. Request the CEO to seek Ministerial approval to raise rates under Section 6.33 of the Local Government Act 1995 as per the “Rate in the Dollar” that was advertised except for the amended mining rate category.

Voting Requirement
Simple Majority
5 June 2019

Mr Matthew Scott
Chief Executive Officer
Shire of Esperance
PO Box 507
ESPERANCE WA 6450

Dear Sir

SUBMISSION - DIFFERENTIAL RATING 2019/20

Thank you for the opportunity to make a submission regarding the proposed rates for 2019-20.

We note that valuations provided by the Valuer General are used in calculating mining tenement rates, and these valuations are based on the rent imposed by the Department of Mines, Industry Regulation and Safety. Any increases in the rent therefore result in an increase in valuations and in turn an automatic increase in rates.

Effective from 1 July 2018, the Department increased the rent rate by 1.5% for exploration licences and 6% for all other mining tenements. From 1 July 2019, the Department will increase exploration licence rents by a further 1.5% and the rent of all other mining tenements by a further 6%.

The resource sector is already one of the most significant contributors to the State’s economy, with the WA Government receiving royalty revenue totalling $5.8 billion in 2017–18 – a major proportion of the State’s annual revenue. It is also one of the most significant employers in the State, with the WA minerals sector directly employing over 120,000 people in 2018.

To encourage the continued contributions made by the resources sector to the State economy it is critical that all government fees are set so as to reduce the cost of doing business in the State in the face of significant international competition wherever possible, and increase and incentivise investment in local exploration to discover vital new resources for the whole of the State.

We note that the Shire has proposed an increase in the rate in dollar and the minimum for UV Mining for 2019-20. We write to ensure the automatic increase in rates due to the increase in rents is taken into account in your budget modelling, and ask that you consider maintaining or reducing the rates for mining tenements for the 2019-20 year.

I would be happy to discuss this matter further on (08) 6467 7997.

Yours sincerely

Shannon McMahon
Director
Matthew Scott,
C/- Shire of Esperance
Windich Street
Esperance WA 6450

Dear Matthew,


At a recent Esperance Ratepayers and Electors meeting held on 10 June, the following concerns and points were raised, and the secretary was requested to form a submission regarding the proposed differential rate changes for financial year of 2019.

- With value of land and houses decreased over the past few years along with gross rental value down. Example 3 yrs. ago a home on a small acreage would have attracted $600 to $800 per week in rental revenue, now the same property would only receive $300. And yet our rates are set on the gross rental value. They should be decreasing!!

- The rates should be set at CPI which is the inflation rate. We receive nothing for our rates in certain areas. No footpaths, no street lighting, no mowed verges.

- An enquiry, a small unit in a complex, they pay same amount or more than house owners on larger blocks with larger houses, why is this?

- Does it go by the rental value? but this doesn't make sense as there has been a reduction in the GRV so why should our rates go up?
It's still taking money out of the pockets of families that work hard to pay the bills, pay the mortgage, put food on the table and put clothes on their backs. How can the shire justify these increases every year that are quite frankly unfair on working families and no wage increase?

Who decides why the rate rises are based upon GRV?

Rental income has been declining, as evidenced by numerous rental properties having to lower asking rents and subsequently being on the rental markets for extended periods of time, how can the shire justify using GRV to increase rates?

Is there a process for individual home owners to follow if they believe the rate rise is in fact not comparable to the current GRV, if a process does exist how should an Esperance rate payer access and or file an objection and who should the objection be escalated to?

Who performs the valuation on rental properties that determines the GRV? Is the value open to interpretation/challenge?

Given that there was a rate rise last financial year, is it mandatory to raise the Rates as per GRV or can the Shire in good faith, NOT raise the rates to another 3.65% this financial year?

Yours faithfully,

Jo-Anne O'Donnell
Secretary
Esperance Ratepayers Association.
17. **MATTERS BEHIND CLOSED DOORS**