



Statement of Objects and Reasons **for Differential Rates 2022/23**



Introduction

For the purpose of determining rates each year, property valuations have been the standard basis for the calculation of rates, not only in Australia, but for many overseas countries as well. However, it is recognised that valuations alone do not always produce equitable results in all communities and therefore the *Local Government Act 1995* provides several options, such as differential and specified area rates, to assist in achieving the desired rating outcome.

The purpose of levying rates is to meet the Council's budget requirements each year in a manner that is deemed to be fair and equitable to the ratepayers of the community.

Methods of Rating - Gross Rental Valuations and Unimproved Valuations

The *Local Government Act 1995* specifies that where land is used predominantly for rural purposes, the rate levied shall be based upon its unimproved value (UV); and where land is used predominantly for non-rural purposes, the rate levied shall be on its gross rental value (GRV). A change in valuation methodology for a property must be made by the Council to the Department of Local Government, Sports, and Cultural Industries. The Minister for Local Government must then approve a change of valuation methodology for a property, based on the recommendation by the Department.

In accordance with the *Local Government Act 1995* the Shire of Gingin uses a combination of Gross Rental Valuations (GRV) and Unimproved Valuations (UV) in the calculation of annual rates. Properties assigned a UV are revalued every year with properties assigned a GRV being revalued every six years by the Valuer General (Landgate).

Interim valuations are issued to Council by Landgate for properties where changes have occurred as a result of subdivisions, building construction/demolition, additions and/or property rezoning. In such instances Council must amend the rates for the properties concerned and issue an amended rate notice to the property owner.

Applicable Valuations

The valuations to be applied this coming year for UV properties, by comparison to last year, are shown below:

Category	Valuation Type	Current	Future	Count	Variance	% Change
Rural and Other - UV	UV	351,943,184	378,245,728	841	26,302,544	7.47%
Rural Intensive/ Mining - UV	UV	94,650,050	103,885,437	248	9,235,387	9.75%
Total UV		446,593,234	482,131,165	1,089	35,537,931	7.96%

Differential Rating

Differential rating allows Council flexibility in the level of rates being raised from specifically identified properties or groups of properties within the community. It is common for Councils to base differential rating for properties on Town Planning Scheme zonings however other criteria such as land use may be used.

The aim of the Shire of Gingin is to ensure that rate revenue is collected on an equitable basis from all properties. For this reason the Council has proposed to adopt differential rates for the 2022/23 financial year.

Section 6.33 of the *Local Government Act 1995* makes provision for the Shire to be able to levy differentials based on a number of criteria:

- (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.*

Section 6.33 of the *Local Government Act 1995* also permits Council to levy differentials such that the highest is not more than twice the lowest differential. A greater difference in differentials may be used, which requires Ministerial approval.

The Shire intends to establish the following differential rate categories for the 2022/23 financial year:

- UV - Rural and Other (including exploration and prospecting tenements)
- Minimum payment in respect to UV - Rural and Other
- UV - Rural Intensive/Mining
- Minimum payment in respect to UV - Rural Intensive/Mining

A uniform rate in the dollar will be applied to GRV rated land.

Minimum Payments

Section 6.35 of the *Local Government Act 1995* makes provision for the Shire to be able to set a minimum payment in relation to rateable land. This is set out below:

6.35 Minimum payment

- (1) *Subject to this section, a local government may impose on any rateable land in its district a minimum payment which is greater than the general rate which would otherwise be payable on that land.*
- (2) *A minimum payment is to be a general minimum but, subject to subsection (3), a lesser minimum may be imposed in respect of any portion of the district.*
- (3) *In applying subsection (2) the local government is to ensure the general minimum is imposed on not less than –*
 - (a) *50% of the total number of separately rated properties in the district; or*
 - (b) *50% of the number of properties in each category referred to in subsection (6),*
on which a minimum payment is imposed.
- (4) *A minimum payment is not to be imposed on more than the prescribed percentage (50%) of –*
 - (a) *the number of separately rated properties in the district; or*
 - (b) *the number of properties in each category referred to in subsection (6),*
unless the general minimum does not exceed the prescribed amount (\$200).

- (5) *If a local government imposes a differential general rate on any land on the basis that the land is vacant land it may, with the approval of the Minister, impose a minimum payment in a manner that does not comply with subsections (2), (3) and (4) for that land.*
- (6) *For the purposes of this section a minimum payment is to be applied separately, in accordance with the principles set forth in subsections (2), (3) and (4) in respect of each of the following categories –*
- (a) to land rated on gross rental value; and*
 - (b) to land rated on unimproved value; and*
 - (c) to each differential rating category where a differential general rate is imposed.*

Overall Objective

The rates in the dollar (\$) for the various differential rates are calculated to provide the shortfall in revenue required to make up the budget deficiency to enable the Shire to provide the level and range of works and services required in the 2022/23 financial year after taking into account all non-rate sources of revenue.

Purpose: UV - Rural and Rural Other (including exploration and prospecting tenements)

The objective of this differential rate category is to impose a differential general rate on land held or used for the purposes of rural broad acre farming, rural residential, rural industry, and other non-intensive uses.

Purpose: UV - Rural Intensive/Mining

The objective of this differential rate category is to impose a differential general rate on land held or used for the purposes of the following land uses defined within the Shire of Gingin Local Planning Scheme –

- Agriculture Intensive
- Animal Husbandry – Intensive
- Aquaculture
- Industry – extractive
- Industry – mining

Objects and Reasons

• UV - Rural and Rural Other

The reason for this rate is to reflect the lower impact on transport infrastructure and monitoring of land use/environmental impacts compared to the Rural Intensive/Mining – UV category. It also ensures that all ratepayers make a reasonable contribution towards the ongoing maintenance and service provision of works, services, and facilities throughout the Shire.

Proposed Rate in \$: 0.005441

- **Minimum payment in respect to UV - Rural and Other**

The object of the proposed minimum payment of **\$1,350** is to ensure that the proportion of total rate revenue derived from Rural and Rural Other UV properties is consistent with the overall rate increase for this category. This rate is considered to be the base minimum rate by which all other UV rated properties are assessed.

It also recognises that every property receives some minimum level of benefit of works and services provided.

- **Rural Intensive/Mining – UV**

The reason for this differential rate is to reflect the higher impact on transport infrastructure and monitoring of land use/environmental impacts compared to Rural and Other – UV properties, and the capacity to pass on the rates charge as a business cost. It also ensures that all ratepayers make a reasonable contribution towards the ongoing maintenance and service provision of works, services, and facilities throughout the Shire.

Proposed Rate in \$: 0.008264

- **Minimum payment in respect to Rural Intensive/Mining – UV**

The object of this minimum payment is to reflect the additional costs from this sector associated with the higher impact on transport infrastructure and environmental monitoring. The minimum rate of **\$2,300** also ensures that the proportion of total rate revenue derived from Rural Intensive/Mining UV properties is essentially consistent with the overall rate increase for this category and recognises that every property receives some minimum level of benefit of works and services provided.

A summary of the differential rates to be used for the **2022/23 rating period** are as follows:

Differential Rating Category	UV Rate in \$	Minimum Rate	Income
Rural & Other - UV	\$0.005441	\$1,350	\$2,201,614
Rural Intensive/Mining - UV	\$0.008264	\$2,300	\$952,154

In Summary

In arriving at the proposed differential rates in the dollar the Council has attempted to balance the need for revenue to fund essential services and facilities with the desire to limit any increase on the ratepayer to affordable levels.

Submissions addressed to the Chief Executive Officer, Shire of Gingin by electors or ratepayers in respect of the Intention to Levy Differential Rates may be made to Council within twenty-one (21) days of this notice and close **4pm on Friday, 12th August 2022**.