

Objectives and Reasons for the Differential Rates and Minimum Payments for the 2020/21 Financial Year

Under section 6.36 of the Local Government Act 1995, the Objects and Reasons for implementing Differential Rates are to be published by Shire of Broome.

Overall Objective

The purpose of the levying of rates is to meet the Shire's budget requirements each financial year to deliver services and community infrastructure. The Valuer-General provides the property valuations as the basis for the calculation of rates each year. Section 6.33 of the *Local Government Act 1995* provides the ability to differentially rate properties based on zoning or land use as determined by the Shire of Broome. Properties are grouped according to town planning zonings or predominant land use. Each rating category has a separately calculated rate in the dollar to achieve greater equity across all sectors.

Council has considered the Key Values contained within the Rating Policy Differential Rates (s.6.33) March 2016 released by the then Department of Local Government and Communities, being:

- Objectivity
- Fairness and Equity
- Consistency
- Transparency and administrative efficiency

A copy of this policy can be obtained from this link:

<https://www.dlgsc.wa.gov.au/resources/publications/Pages/ViewPublication.aspx?DocID=558>.

Council has determined its required rates yield after reviewing all revenue sources, expenditure and efficiency measures. As part of its budget deliberations it is assumed that the Shire's operations will return to same levels before the COVID-19 pandemic. After reviewing budgeted sources of revenue and expenditure for the financial year 2020/21, a budget deficiency of \$23.15M has been identified. To fund this deficit and to recognise the challenges posed by the COVID-19 pandemic to the ratepayers, residents and local businesses, the rate-in-dollar is proposed to remain the same as 2019/20 across all rating categories. Based on the current valuations, this will reflect the Council's objective of raising a total of \$23.15M in rates to fund the deficit.

The Shire's Long-Term Financial Plan (LTFP) targeted 1.5% increase in rates and a 0.50% growth for the 2020/21 financial year. The rate yield of \$23.15M is lower than the revenue requirements of the Shire's LTFP. It will fund the Capital Works Program as per the Shire's latest Corporate Business Plan. Through the utilisation reserve funds, other projects programmed in later years have been brought forward to provide economic stimulus to the local economy during the period of a pandemic:

- Chinatown Revitalisation Stage 2 - \$13.93M
- Broome Surf Life Saving Clubroom Redevelopment - \$3.22M
- Road and Carpark Upgrades - \$1.8M
- Reserve funds for future renewals of various assets - \$1.5M
- Plant Replacements - \$1.48M
- BRAC Works - \$1.42M
- Dampier Terrace Transit Hub - \$1.3M
- Parks and Gardens Shed extension - \$98K
- Parks and Garden per the asset management plan - \$310K
- Smart Cities Enabling Items - \$300K

- ICT Renewals and Projects - \$238K
- Building Renewals - \$221K
- State Black Spot Port Drive Children's Crossing - \$206K
- Streetlight Upgrades - \$200K
- Buckley's road Waste Facility Capping and Rehabilitation - \$200K
- Conti Foreshore Shared Path - \$144K
- Review Local Planning Strategy and Scheme - \$140K
- Cemetery ablution block - \$136K
- Dakas Reserve Landscape Stage 2 - \$88K
- Development of Public Health Plan - \$72K
- Dinosaur Interpretation Plan Feasibility \$60K
- McMahon Estate Business Case - \$60K
- Air Raid Memorial - \$50K
- Bin Replacement - \$50K
- Review of the Strategic Community Plan and Corporate Business Plan - \$50K
- Events Development and Delivery - \$49K
- Access and inclusion updates - \$30K
- Pathways renewal - \$26K
- Review and update of the asset management plan - \$25K
- Youth development and Youth Advisory Council initiatives in 2020 - \$20K

Council has reviewed its expenditure and considered efficiency measures as part of its budget deliberations. In particular, the following actions had been undertaken:

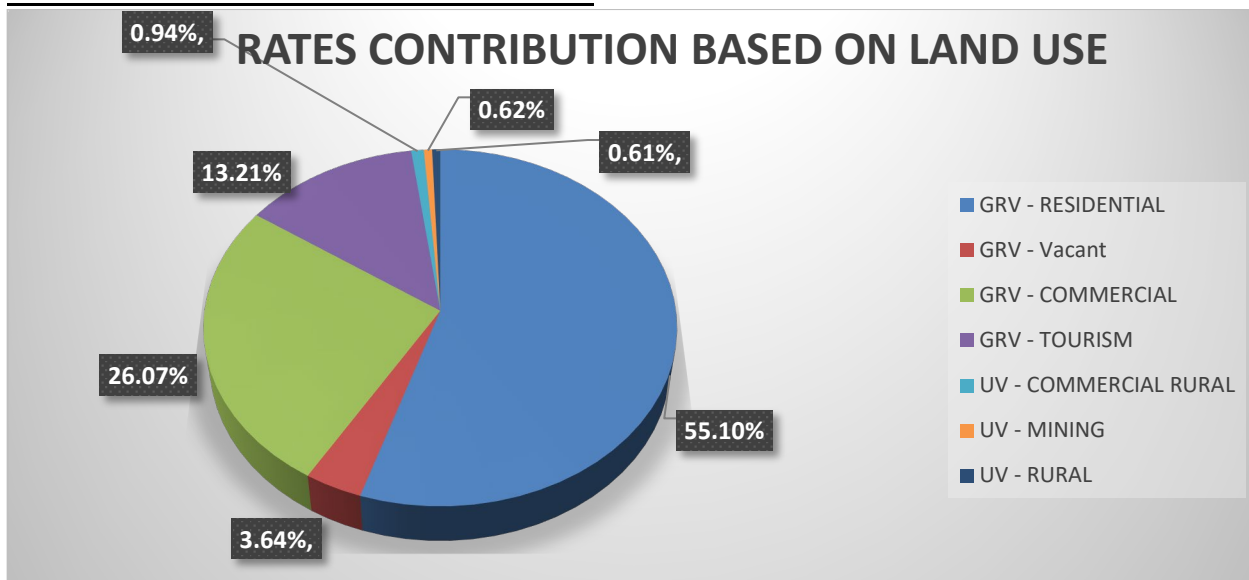
Efficiency Measures:

- reviewed position descriptions and remuneration as vacancies arise;
- renewal of Shire assets based on adopted Asset Management Plan;
- encouraged certain staff to take advantage of remote area housing through the Shire leases, therefore, minimising the need for staff housing stock;
- continued to outsource waste collection and domestic recycling education in a cost-effective manner;
- started provision of surveying services to other local governments on a fee for service basis;
- bush fire mitigation strategies and compliance measures were put in place to reduce the scope of recurring work;
- disposal of the under-utilised and maintenance-demanding light fleet and plant;
- installation of LED street lighting and energy-efficient fixtures throughout Shire facilities and venues;
- contractor inductions to reduce exposure to occupational health and safety risks;
- conducted several internal audits of governance and legislative compliance;
- a robust review of insurance services;
- changed the provision of pre-cyclone clean-up activities to become less resource-intensive but still responsive to safety objectives of pre-cyclone preparations;
- revisiting the resourcing of GIS services;
- reduced some facility opening hours in line with service review findings regarding usage patterns; and
- after hours shut-off switch at Administration Building to limit unnecessary air-conditioning when the building is not occupied.

Below is a summary of the proposed minimum payments and rates in the dollar for 2020/21

Differential Rate Category	Minimum Payment	Rate in the \$ (Cents)
GRV – Residential	\$1,220	10.8224
GRV – Vacant	\$1,220	19.8104
GRV – Commercial	\$1,220	11.2119
GRV – Tourism	\$1,220	14.6665
UV – Rural	\$1,220	0.7623
UV – Mining	\$500	11.7729
UV – Commercial Rural	\$1,220	3.1875

Rates contribution based on land use:



The 2020/21 Rating Year will utilise the most recent general revaluation that will take effect on 1 July 2019 as a result of the general valuations assessed by the Valuer General's office in October 2018.

Gross Rental Value (GRV)

The *Local Government Act 1995* determines that properties of a non-rural purpose be rated using the Gross Rental Valuation (GRV) as the basis for the calculation of annual rates. The Valuer-General determines the GRV for all properties within the Shire of Broome. Under section 22 of the Valuation of Land Act 1978, the Valuer - General also determines the frequency of general valuations. However, historically, the Valuer-General has undertaken a GRV revaluation every three to five years with the most recent valuation occurring in October 2018 and effective from 1 July 2019. Factors such as age, construction, size, car shelters, pools and location influence the rental value for a house or other GRV property. Interim valuations are provided fortnightly to the Shire by the Valuer-General for properties where changes have occurred (i.e. subdivisions or strata title of a property, amalgamations, building constructions, demolition, additions and/or property rezoning). In such instances, the Shire recalculates the rates for the affected properties and issues interim rates notices.

Following the receipt of the triennial GRV valuation from the VGO, which took effect from the financial year 2019/20 onwards, the Shire has adjusted the rate in the dollar to moderate the impact of the triennial revaluation as there has been a significant impact for the majority of properties. The adjusted rate in the dollar has been achieved by calculating the rate in the dollar that will result in the required rate yield. The objective of the 2020/21 differential rates is to ease the burden on the ratepayers during the COVID-19 pandemic while ensuring that the required rates revenue to balance the budget is collected on an equitable basis. The 2020/21 differential rates will enable the Shire to provide facilities, infrastructure and services to the entire community.

GRV properties contribute about 98% of the total rates as the properties in this category generally have a much higher demand for Shire resources.

GRV – Residential (The Base Rate for Gross Rental Value)

This rating category consists of properties which have a predominant residential use. This rate category is the base rate by which all other GRV rated properties are assessed. The reason for the rate in the dollar for this category is to reflect the level of rating required to raise the necessary revenue to operate efficiently and provide the diverse range of services and programs and associated infrastructure/facilities required for developed residential and urban areas.

Council is focused on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include but are not limited to

investment in the resealing of roads, replacement and development of footpath networks, refurbishing of public ablutions and other building maintenance programs. The rates to be raised from this category are expected to be sufficient to meet the community needs and service levels for properties under this category within the Shire of Broome. This category is expected to contribute 55.10% of the total rates to be raised for 2020/21.

GRV – Commercial

This rating category covers the town centre, commercial business, shopping centres, telecom tower sites and the airport. All properties rated under this category are zoned Commercial under the Town Planning Scheme, excluding properties with a tourism use. This rating category recognises the impact of commercial properties on infrastructure and environment within the Shire. This category recognises the greater share of costs associated with the provision of additional services like economic development, maintaining car park infrastructure, landscaping, environmental health, light industrial area infrastructure and other amenities. The rate in the dollar for this category is 4% higher than the GRV – Residential base rate. This category is expected to contribute 26.07% of the total rates to be raised for 2020/21.

GRV – Tourism

This rating category consists of properties with operations related to tourism. This category recognises the impact of such properties on infrastructure and environment within the Shire. This rate category recognises the greater share of costs associated with the provision of services in addition to the services provided in the GRV Commercial category. Some additional costs are a contribution towards economic development, tourism promotion, marketing activities, environmental health, public safety and law enforcement during the tourist season. The rate in the dollar for this category is 36% higher than the GRV – Residential base rate. This category is expected to contribute 13.21% of the total rates to be raised for 2020/21.

GRV – Vacant

This rating category consists of properties which are vacant and zoned as residential under the Shire's Local Planning Scheme and includes vacant land zoned as Tourist, Commercial or Industrial. The object of the rate for this category is to signify the Council's preference for land to be developed rather than leaving it vacant. Development encouraged due to its importance and positive effect on local employment and economic diversity. Further community returns are also expected from population-linked investment in the region by both State and Federal funding bodies. The rate is also higher than the base rate to distribute the rates burden equitably considering the different method used for the valuation of vacant land as compared to other GRV properties. This is also intended to discourage land investors from land banking and to discourage excessive vacant land leaving subdivisions barren and aesthetically unappealing which may provide prospects for potential antisocial behaviour. The rate in the dollar for this category is 83% higher than the GRV – Residential base rate. This category is expected to contribute 3.64% of the total rates to be raised for 2020/21.

Unimproved Value (UV)

Properties that are predominantly used for rural purposes are assigned an Unimproved Value that is supplied and updated by the Valuer-General on an annual basis. The rate in the dollar set for the UV-Rural category forms the basis for calculating all other UV differential rates.

UV properties contribute about 2% of the total rates as the properties in this category generally have much lower demand on Shire resources.

UV - Rural (The Base Rate for Unimproved Value)

This rating category consists of properties that are exclusively for rural use. This category is the base rate by which all other UV rated properties are assessed. Other UV rating categories have a higher demand for Shire resources as compared to properties in the UV - Rural rating category. This category is expected to contribute 0.61% of the total rates to be raised for 2020/21.

UV - Commercial Rural

This rating category consists of properties that have a commercial use outside of the townsite and inclusive of:

- Pearling Leases;
- Pastoral leases or Pastoral use;

This category recognises the increased rates required to operate efficiently and provide for rural infrastructure and services. The services mentioned above are in addition to the urban services, programs and infrastructure which are also available to the properties in this category. The Shire incurs higher costs of infrastructure maintenance and renewal of the rural road network due to its vulnerability to extreme weather conditions which is further increased by extra vehicle movements and activities associated with these properties. This category is expected to contribute 0.94% of the total rates to be raised for 2020/21.

UV – Mining

This rating category consists of properties for mining, exploration or prospecting purposes. The object of the rate for this category is to reflect the impact on utilisation of rural infrastructure (comparative to Pastoral) by heavy transport and associated higher traffic volumes. Also, these properties have access to all other services and facilities provided by the Shire. This category is rated higher than UV-Commercial due to the higher road infrastructure maintenance costs to the Shire because of frequent heavy vehicle use over extensive lengths of Shire roads throughout the year. This category is expected to contribute 0.62% of the total rates to be raised for 2019/20.

Minimum Payments

Minimum rates recognise that every property, regardless of size, value and use, receives some minimum level of benefit from the works and services provided by the Shire. A proposed minimum rate of \$1,220 has been applied to all rating categories except for the UV-Mining.

UV of mining tenements ranges from \$10 to \$423,000 and an average UV of \$17,224. The \$500 minimum rate for the UV-Mining category is set at a lower level compared to the other rating categories to ensure that less than 50% of the properties in this category are on the minimum rate to ensure compliance with section 6.35 of the *Local Government Act 1995*. Given the lower valuation figure assigned to small mining tenements, a lower minimum payment will also ensure that the rate burden is distributed equitably between all other property owners paying the minimum amount.

Yours Faithfully,

Sam Mastrolembro
Chief Executive Officer