



POLICY NO	CP/FIN-3200	
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RESPONSIBLE DIRECTORATE	Corporate Services	
RESPONSIBLE OFFICER	Director Corporate Services	
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REVIEW DUE	Date: March 2023	
LEGISLATION	<i>Local Government Act 1995 – Sections 6.26, 6.28, 6.33, 6.35</i> <i>Valuation of Land Act 1978</i>	
RELATED POLICIES	<ol style="list-style-type: none"> 1. Shire of Wyndham East Kimberley Local Planning Scheme No.9 2. CP FIN-3208 Rates Exemptions for Charitable Organisations Policy (Non Rateable Land) 3. CP FIN-3212 Rates and Charges Debt Collection Policy 4. CP FIN-3219 COVID-19 Financial Hardship – Rates and Sundry Debtors 	
RELATED PROCEDURES	N/A	

PURPOSE:

The purpose of this Policy is to outline the Council's principles and methodology when exercising the Council's discretionary powers to determine the level and structure of rates levied under the *Local Government Act 1995*.

DEFINITIONS:

Gross Rental Value of land means the gross annual rental that the land might reasonably be expected to realise if let on a tenancy from year to year upon condition that the landlord were liable for all rates, taxes and other charges thereon and the insurance and other outgoings necessary to maintain the value of the land. Further provisions are outlined in the *Valuation of Land Act 1978*.

Land means lands, tenements and hereditaments, and any improvements to land, and includes any interest in land.

Merged Improvements means any works in the nature of draining, filling, excavation, grading or levelling of the land, retaining walls or other structures or works for that purpose, the removal of rocks, stone or soil, and the clearing of timber, scrub or other vegetation.

Unimproved Value for land situated within a townsite is the site value of the land. In general this means the value of the land as if it were vacant with no improvements except merged improvements. For land outside a townsite it is valued as if it had no improvements. In this case the land is valued as though it remains in its original, natural state, although any land degradation is taken into account. Please refer to the *Valuation of Land Act 1978* for further criteria used when assessing unimproved values of land.

Vacant Land means land on which there are no improvements other than merged improvements.

POLICY STATEMENTS:

The *Local Government Act 1995* provides the Council with defined discretionary powers to levy rates and require contributions from the community for the provision of services to the district. In particular, the Council must consider s6.26, s6.28, s6.33 and s6.35 of the *Local Government Act 1995*.

The Council believes that overall policy must be underpinned by sound principles, which are well understood, communicated to ratepayers and compliant with current legislation.

The Council aspires to balance service levels in accordance with the needs and expectations of its community and sets taxation levels (rating) to adequately resource its roles and responsibilities.

In determining rates, the Council gives primary consideration to its strategic directions, budget considerations, the current economic climate, other external factors and likely impacts upon the community.

The rating principles outlined within this Policy are to apply to all rateable land within the Shire of Wyndham East Kimberley.

The Council will consider the following principles (not necessarily listed in priority order) when developing, maintaining and applying its rating methodology:

1. Equity
2. Incentive
3. Administrative Efficiency
4. Compliance
5. Sustainability

1. EQUITY

Equity is the concept of fairness within property rating in order to achieve an equitable distribution of the rate burden across the community. A differential rating structure can assist in achieving an equitable imposition of rates and charges. The equity principle includes consideration of property wealth tax and user benefit principles.

a. Property Wealth Tax

The Council is limited to taxing one component of wealth, being real property. The wealth tax principle implies that rates paid are dependent upon the value of a ratepayer's real property and does not necessarily have any correlation to the individual ratepayer's consumption of services or the perceived benefits derived by individual ratepayers from the expenditures funded from rates. Some moderation of the effect of property value on the level of rates paid through differential rates may be required to make the rating system more equitable.

b. User Benefit

Evaluating the relative benefits received by various classes of property raises many practical difficulties, in particular, trying to trace quantifiable consumption/benefits to

particular types of properties. The analysis is often reduced to arguments of what services are consumed by residential versus farm, commercial/industrial versus residences, and between different towns. Clearly, the exercise is not clear-cut – for example, it might be argued that rural ratepayers derive less benefit from library services than their town counterparts do but the reverse may be argued with respect to the costs of constructing or repairing long lengths of local roads to service a small number of properties. It is therefore recognised that the services provided by the Shire benefit the community as a whole.

2. INCENTIVE

Rate setting objectives may be used to support the Council’s social, environmental, or economic goals as part of a longer-term strategy within the Strategic Community Plan. For example, rates can be altered to encourage business activity, the development of vacant land or environmentally sustainable improvements in order to “Provide sustainable public infrastructure that serves the current and future needs of the community” as outlined in Goal 2.2 of the Strategic Community Plan 2017-2027.

3. ADMINISTRATIVE EFFICIENCY

The Council will endeavour to establish a rating system that:-

- a. Promotes simplicity, transparency and understanding; and
- b. Is efficient in administering, issuing of assessments, collection of rates, monitoring outcomes, debt recovery, and reduces the incidences of avoidance; and
- c. Reduces complexity; and
- d. Is open to scrutiny.

4. COMPLIANCE

The Council will apply its discretionary powers in compliance with the *Local Government Act 1995* and associated regulations, while seeking to maximise rate revenue within the adopted rating framework.

5. SUSTAINABILITY

The Council will make decisions that support the financial strategies for the delivery of infrastructure and services identified in the Strategic Community Plan and underpinned by the Long Term Financial Plan, the Asset Management Strategy and other informing plans and strategies.

APPLICATION OF PRINCIPLE

1. APPLICATION OF THE EQUITY PRINCIPLE

1.1. Differential Rating

The Council has a diverse mix of geographically located and land use properties. The Council therefore applies differential rating in accordance with s6.22 of the *Local Government Act 1995*, to ensure greater equity and contribution from rates according to land use, zoning or a combination of these.

1.1.1. Alignment with Shire of Wyndham East Kimberley Local Planning Scheme No. 9

As far as possible, an objective assessment of the predominant use of land will be utilised to determine the appropriate rating category for each property. This will be done in a manner whereby the community will be able to understand how and why a particular determination has been made and will therefore utilise the Shire of Wyndham East Kimberley Local Planning Scheme No. 9 (LPS9).

Where the zoning and land uses are amended in the Local Planning Scheme, or LPS9 is superseded, then this Policy will be reviewed, and the new zones and land uses will be considered when amending the rating system for the following financial year.

The symbols used in the cross reference in the Zoning Table (Appendix A) have the following meanings as defined in LPS9:

‘P’ means that the use is permitted provided it complies with the relevant development standards and the requirements laid down in the Scheme;

‘I’ means that the use is permitted if it is consequent on, or naturally attaching, appertaining or relating to the predominant use of the land and it complies with all relevant development standards or requirements of this Scheme;

‘D’ means that the use is not permitted unless the local government has exercised its discretion by granting development approval;

‘A’ means that the use is not permitted unless the local government has exercised its discretion by granting development approval after giving notice in accordance with clause 64 of the deemed provisions;

‘X’ means a use that is not permitted by the Scheme.

While Appendix A may indicate that a particular land use is not permitted in a particular zone by the Scheme, this Policy, as in the Local Planning Scheme, recognises non-conforming use rights whereby the rating differential category would be considered to be that applicable if the land use was permitted within the particular zone.

Where the land is being predominantly used for a purpose that is not specifically mentioned in the Zoning Table, the Shire will attempt to align it to a land use that is mentioned.

Any land listed as a Special Site in LPS9 will be aligned to the rating category that best defines its predominant use. For example, any land within the Airport Special Site Zone will be deemed to be operating commercially, and therefore be GRV Commercial rated.

1.1.2. Spot Rating

The Council may seek Ministerial approval for a spot valuation where there are a number of lots within a valuation area that are used for purposes that are inconsistent with the predominant use of land within that valuation area. For example, in a predominantly rural area valued on UV, there are a number of non-rural uses including service stations, road houses, tourist accommodation and small, commercial or industrial operations. The Council may, depending on the circumstances, seek Ministerial approval to apply a GRV to these properties.

The Council has determined that spot valuations can be effective in promoting rating equity by ensuring that properties with similar uses are rated on the same method of valuation regardless of their location within the district. However, the Council also recognises that they can be more labour intensive and less administratively efficient than other options, therefore each will be considered on a case by case basis.

1.1.3. Split Rating

Split rating non-rural uses on unimproved land is also permitted which effectively isolates the non-rural use from the remainder of the property, whereby one land parcel would reflect the rural use and the other land parcel would reflect the non-rural use. Council has determined not to implement split rating at this stage based on the cost of its implementation and ongoing administration.

1.2. Specified Area Rate

The Council is able to impose a Specified Area Rate to meet the cost of undertaking specific work, providing a service or facility if the Council considers that the ratepayers or residents within that area:

- Have benefited or will benefit from; or
- Have access to or will have access to; or
- Have contributed or will contribute to the need for,

that work, service or facility.

The Council will consider its options to set a Specified Area Rates, if appropriate, when developing its Rating Strategy.

1.3. Interim Rating

Subject to s6.28 of the *Local Government Act 1995* and in respect of valuations supplied by the Valuer-General for the purpose of interim valuations, the Shire of Wyndham East Kimberley will back rate or refund rates to property owners where ownership:

- Has not changed in a prior financial year to the effective date of the change as determined by the Valuer-General; or
- Has changed in a prior financial year, to the date of change of ownership.

For the purposes of this Policy, a change in ownership does not occur where there is a change in the structure of a body corporate (including name change) resulting in the change having no effect on altering the effectual control of the company.

1.4. Minimum Payments

The Council will establish and maintain a minimum payment structure in accordance with s6.35 of the *Local Government Act 1995*, to ensure all ratepayers contribute a minimum amount regardless of their property value.

The Council accepts that the adoption of a minimum payment amount is an adjustment to the blanket application of the equity principle. This adjustment is made to ensure property owners make a reasonable contribution to the non-exclusive services, facilities and infrastructure provided for the benefit of the whole district.

The exception to this statement applies to those properties classified as UV Exploration and Prospecting on the basis that both the rate in the dollar and the minimum payment reflects a similar methodology as that applied in the *Valuation of Land Act 1978* when determining the unimproved valuations.

1.5. Rates Exemptions

Council Policy *CP FIN-3208 Rates Exemptions for Charitable Organisations (Non Rateable Land)* provides an administrative framework for assessing any application for properties to be classified as non-rateable land on the grounds of being used for charitable purposes in accordance with s6.26 of the *Local Government Act 1995*. Such organisations are to make application in accordance with the application form and guidelines attached to the Policy. The properties will be reviewed a minimum of every three years for continued eligibility.

1.6. Rates Concessions

In accordance with s6.47 of the *Local Government Act 1995*, and subject to the *Rates and Charges (Rebates and Deferments) Act 1992*, the Shire may by resolution of Council at the time of imposing a rate or service charge or at a later date waive a rate or service charge or grant other concessions in relation to a rate or service charge.

1.7. Rates Discounts

Subject to the *Rates and Charges (Rebates and Deferments) Act 1992*, the Shire in accordance with the *Local Government Act 1995* and Regulations, does not offer a discount for the early payment of any rate or charge.

1.8. Payment Options

The Council will offer three rate payment options as follows:

- a. Payment in full 35 days after the date of service appearing on the rate notice; or
- b. Two instalments; or
- c. Four instalments.

There will be an administrative charge per instalment associated with the establishment and administering the instalment payment option, along with an interest charge to reflect the lost interest from investment opportunities that are not available due to the length of time taken to collect the payment.

1.9. Interest on Overdue Rates and Service Charges

Rates and service charges not paid in accordance with the three payment options will be subject to an overdue interest rate set by the Council in accordance with the *Local Government Act 1995*.

2. *APPLICATION OF THE INCENTIVE PRINCIPLE*

The Council will provide an incentive through a reduced rate in the dollar for GRV valued land that is improved in comparison to land that remains undeveloped in order to promote land development and assist in achieving Strategy 2.2.3 of the Strategic Community Plan 2017 to 2027 being to “Plan for the adequate supply of residential and commercial land to meet the requirements of the community”.

3. *APPLICATION OF THE ADMINISTRATIVE EFFICIENCY PRINCIPLE*

The Council will provide for changes in:-

- Level of rating; and
- Structure of its rating policy; and
- Application of its discretionary rating powers in a way that:-
 - a. Promotes simplicity, transparency and understanding; and
 - b. Is efficient in administering, issuing of assessments, collection of rates, monitoring outcomes, debt recovery, and reduces the incidences of avoidance; and
 - c. Reduces complexity; and
 - d. Is open to scrutiny.

4. *APPLICATION OF THE COMPLIANCE PRINCIPLE*

The Council will ensure compliance with the *Local Government Act 1995* and all associated regulations in the establishment of its rating structure and rating model.

5. *APPLICATION OF THE SUSTAINABILITY PRINCIPLE*

The Council will consider the four pillars of financial sustainability in the establishment of its rating structure and associated model:

- a. Strategic and Financial Planning;
- b. Income Diversification;
- c. Sound Administration and Finance;
- d. Own Income Generation.

OBJECTS OF AND REASONS FOR DIFFERENTIAL RATES

1. *GRV – RESIDENTIAL*

Rate in the Dollar: 0.1487
Minimum Payment: \$1,400

A differential rate is applied to GRV valued land within the townships, other than land zoned Rural Residential or Rural Smallholdings, which is used primarily for residential purposes with the exception of Workforce Accommodation (Transient Accommodation in previous scheme), as outlined in Appendix A.

2. GRV – OTHER VACANT

Rate in the Dollar: 0.2306
Minimum Payment: \$1,400

A differential rate is applied to GRV valued land within the townsites which is deemed to be vacant land (unimproved land).

Vacant land is defined in accordance with the *Valuation of Land Act 1978*, and outlined in the definitions section of this Policy.

Where the definitions are amended in the *Valuation of Land Act 1978*, those amendments will prevail. If the *Valuation of Land Act 1978* is superseded, then similar terms in the new Act will prevail (in accordance with any amendments to the *Local Government Act 1995*).

The vacant land differential is set to ensure that all rateable land makes an equitable financial contribution to the cost of carrying out the functions of the Shire particularly as there is a different method used for the valuation of vacant land.

It is also to signify that the Council prefers land to be developed. The encouragement of development is strategically important as it has a positive effect on local employment, economic diversity and further community returns from investment in the region.

3. GRV – COMMERCIAL

Rate in the Dollar: 0.1467
Minimum Payment: \$1,400

A differential rate is applied to GRV valued land which is used primarily for commercial purposes, and may include land uses such as caravan parks, fast food outlets, hotels, restaurants or veterinary centres as outlined in Appendix A.

The commercial sector generates high pedestrian and traffic volumes resulting in a greater impact on the provision of services, facilities and infrastructure. This sector should therefore contribute a greater share of the costs associated with economic development and marketing programs which assist and facilitate economic growth in the region; road construction; maintenance and refurbishment including road drainage systems; roadside sweeping; landscaping; verge maintenance and street lighting.

4. GRV – INDUSTRIAL

Rate in the Dollar: 0.1426
Minimum Payment: \$1,400

A differential rate is applied to GRV valued land which is used primarily for industrial purposes as outlined in Appendix A.

This sector generates higher traffic volumes with heavier loads. This sector should therefore contribute a greater share of the costs associated with road construction, maintenance and refurbishment including road drainage systems.

5. GRV – RURAL RESIDENTIAL

Rate in the Dollar: 0.1487
Minimum Payment: \$1,400

A differential rate is applied to GRV valued land that is zoned Rural Residential Rural Smallholdings which is used primarily for or capable of being used primarily for rural residential purposes.

6. UV – RURAL RESIDENTIAL

Rate in the Dollar: 0.0134
Minimum Payment: \$1,400

A differential rate is applied to UV valued land located outside the gazetted townsites that is zoned Rural Residential or Rural Smallholdings which is used primarily for or capable of being used primarily for rural residential purposes.

7. UV – PASTORAL

Rate in the Dollar: 0.0570
Minimum Payment: \$1,400

A differential rate is applied to UV valued land located outside the gazetted townsites which is used primarily for or capable of being used primarily for pastoral purposes. Properties such as these have the characteristics of a commercial operation in an undeveloped and sparsely populated area.

Pastoral purposes have the same meaning as defined in the *Land Administration Act 1997* which states:-

“pastoral purposes” means the purposes of -

- (a) the commercial grazing of authorised stock; and
- (b) agricultural, horticultural or other supplementary uses of land inseparable from, essential to, or normally carried out in conjunction with the grazing of authorised stock, including the production of stock feed; and
- (c) activities ancillary to the activities mentioned in paragraphs (a) and (b).

Due to the pastoral valuation being based generally on a lease value, the result is a low valuation over an extensive land area. The sector uses proportionately a greater portion of the Shire road infrastructure with higher traffic volumes and heavier loads, and should therefore contribute a greater share of the costs associated with road construction, maintenance and refurbishment.

8. UV – COMMERCIAL/INDUSTRIAL

Rate in the Dollar: 0.0079
Minimum Payment: \$1,400

A differential rate is applied to UV valued land located outside the gazetted townsites which is used primarily for or capable of being used primarily for commercial, industrial and/or tourism purposes.

This sector also uses a greater proportion of the road infrastructure with higher traffic volumes and heavier loads. This sector should therefore contribute a greater share of the costs associated with road construction, maintenance and refurbishment including road drainage systems and other infrastructure required, along with other costs associated with marketing and economic development.

9. *UV – AGRICULTURE*

Rate in the Dollar: 0.0119
Minimum Payment: \$1,400

A differential rate is applied to UV valued land located outside the gazetted townsites that is zoned Agriculture – State or Regional Significance or Rural which is used primarily for or capable of being used primarily for extensive agriculture, agroforestry and/or horticulture purposes.

It is recognised that this sector also utilises a greater proportion of the road infrastructure and has a greater impact with the heavier loads that it generates. This sector should therefore contribute a greater share of the costs associated with road construction, maintenance and refurbishment including road drainage systems and other infrastructure required.

This differential rating category will also be utilised for land where the land meets the objectives outlined above, but is based on a percentage of the overall lot size for which the other portion of the lot is non rateable land.

10. *UV – HORTICULTURE*

Rate in the Dollar: 0.0104
Minimum Payment: \$1,400

A differential rate is applied to UV valued land located outside the gazetted townsites that is zoned Local Horticulture which is used primarily for or is capable of use primarily for intensive agriculture and/or horticulture purposes.

This sector does have a high impact on infrastructure, but not to the extent of those properties zoned Agriculture – State or Regional Significance. Properties within the Local Horticulture zone should therefore also contribute a greater share of the costs associated with road construction, maintenance and refurbishment including road drainage systems and other infrastructure required.

11. *UV – MINING*

Rate in the Dollar: 0.2813
Minimum Payment: \$1,400

A differential rate is applied to UV valued land located outside the gazetted townsites which is used primarily for mining purposes and encompasses mining leases, petroleum exploration permits and general purpose mining leases.

The mining sector activities require a greater level of non-exclusive services than pastoral activities in the same location and their impact on the community is of a much greater intensity, particularly given the haulage of heavy machinery through the town and its impact on associated infrastructure and the provision of rest/truck parking areas. The sector should therefore contribute to a greater share of the costs of providing infrastructure across the Shire.

Many of the mining tenements have very small values. In order to not only achieve compliance in relation to the number of properties on minimum payments, but to ensure that the minimum payment is reflective of the overall cost of providing services to the community a higher rate in the dollar is imposed.

12. UV MINING – EXPLORATION AND PROSPECTING

Rate in the Dollar: 0.1406
Minimum Payment: \$390

A differential rate is applied to UV valued land located outside the gazetted townsites which is used primarily for mining purposes and encompasses exploration and prospecting licences.

Exploration and prospecting licences are considered to have a minimal impact on the cost of providing services, facilities and infrastructure across the Shire and could be considered to be vacant land. Only when minerals are discovered is it anticipated that the property holder would seek to convert the property into a mining lease.

Many of the mining tenements for exploration and prospecting have very small values and with exploration licences, it is understood that there is a requirement for the licence holder to return half of the land back to the State each year, however there is no such requirement for prospecting licences. In order to ensure that there is some equity in the application of the rate in the dollar to these licences, a 50% reduction in comparison to the UV Mining rate in the dollar has been applied.

13. UV – OTHER

Rate in the Dollar: 0.0067
Minimum Payment: \$1,400

A differential rate is applied to UV valued land located outside the gazetted townsites which is not otherwise rated as Rural Residential, Pastoral, Commercial/Industrial, Agriculture, Horticulture, Mining or Mining - Exploration and Prospecting to ensure that all property owners contribute to the provision of services, facilities and infrastructure.

EXPLANATORY NOTES:

BACKGROUND

This Policy has been developed within the context of the Shire of Wyndham East Kimberley's Strategic Community Plan and Corporate Business Plan. In setting rates, the Council considers the long term vision for the Shire, strategic directions, financial sustainability and the likely impacts on the community.

Rates are based on property values and are therefore a property tax. Under the *Valuation of Land Act 1978*, the Valuer-General must maintain valuation rolls of rateable and taxable land throughout Western Australia. These rolls are periodically provided to the Shire for rating purposes. On behalf of the Valuer-General, Property & Valuations Services, Landgate (the Western Australian Land Information Authority), conducts general valuations (revaluations) and makes interim valuations as required.

The types of values made are:

1. Unimproved Value (UV), and
2. Gross Rental Value (GRV).

The unimproved value and gross rental value are defined within the *Valuation of Land Act 1978* and have been outlined in the definitions section of this Policy.

The Shire has no role in the process of determining the valuations attributed to each property. All land within the Shire is rateable except for land specifically exempt under s6.26 of the *Local Government Act 1995* as outlined above and the Council Policy *CP FIN-3208 Rates Exemption for Charitable Organisations (Non-Rateable Land)*.

The Council determines the amount of revenue required from rates collections each year to meet its financial, strategic, operational and statutory responsibilities for the coming financial year.

Valuations are not the sole factor in determining the rates income of the Shire, and as a result, valuation increases or decreases do not necessarily cause a rate rise or reduction.

RISK:

Risk: Failure to adequately resource and manage funding requirements which meet the needs of the Shire's service delivery requirements and strategic objectives.

Control: Implementation of LTFP and Annual Budget.
Policies updated in accordance with schedule and operational requirements.