

Statement of Objects and Reasons 2019/20



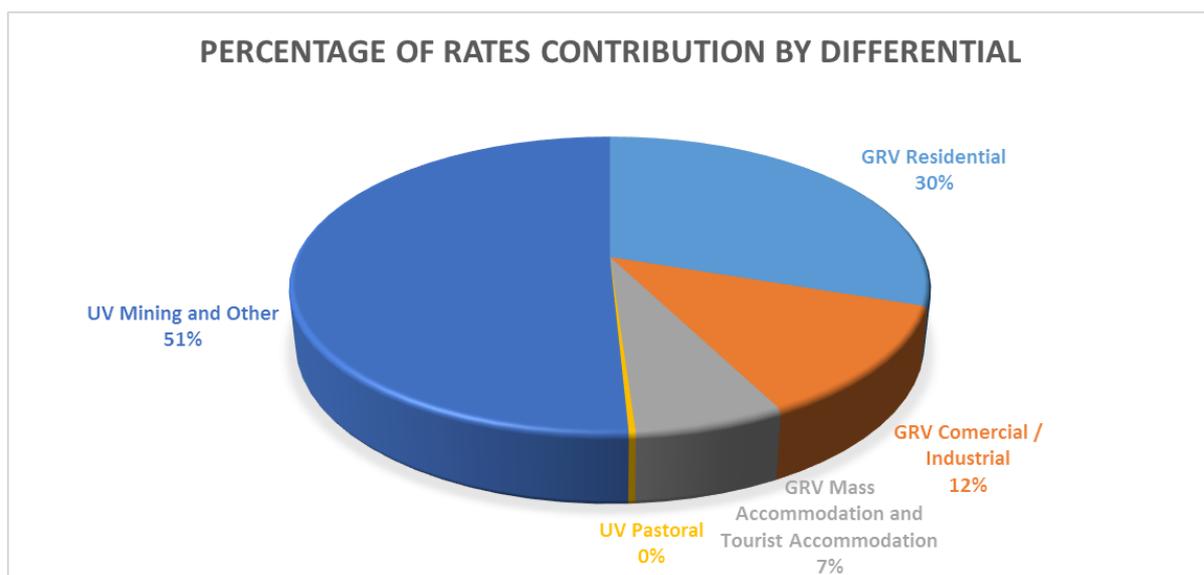
In accordance with section 6.36 of the *Local Government Act 1995* (the Act), the Town of Port Hedland is required to publish its Objects and Reasons for implementing Differential Rates.

Introduction and Objective

Rates are a tax levied on all rateable properties within the boundaries of the Town of Port Hedland Municipality in accordance with the Act. The overall objective of the proposed rates in the 2019/20 Budget is to provide for the net funding requirements of the Town's services, activities, financing costs and the current and future capital requirements of the Town. Council has determined its required rates yield after taking into account all revenue sources, expenditure and efficiency measures as part of budget deliberations.

Property valuations provided by the Valuer-General (Landgate Valuation Services) are used as the basis for the calculation of rates each year. Section 6.33 of the Act provides the ability to differentially rate properties based on zoning and/or land use as determined by the Town of Port Hedland. The application of differential rates maintains equity in the rating of properties across the Town, with consideration given to the key values contained within the Rating Policy Differentials Rates (s. 6.33) March 2016 released by the Department of Local Government, Sport and Cultural Industries being:

- Objectivity
- Fairness and Equity
- Consistency
- Transparency and Administrative Efficiency



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2019/20 Budget

The following are the proposed Differential General Rates and Minimum Payments for the Town of Port Hedland for the 2019/20 financial year, to be effective from 1 July 2019.

Rate Category	Rate in Dollar <i>(expressed as cents in the dollar)</i>	Minimum Payment	RiD Comparative %
GRV Residential	9.6289	\$1,300	100%
GRV Commercial / Industrial	9.6287	\$1,900	100%
GRV Mass and Tourist Accommodation	19.2093	\$1,900	199%
UV Mining and Other	19.7513	\$200	178%
UV Pastoral	11.0785	\$1,900	100%

The above rate model will yield \$43,181,128.79 in rate revenue before concessions and other doubtful debt and risk considerations are applied.

GROSS RENTAL VALUATION (GRV)

The Act determines that properties of a non-rural purpose within a Townsite boundary 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 Town of Port Hedland every three years. The current general valuation is effective from 1 July 2018. Properties are grouped according to Town Planning Scheme zonings and predominant land use with each having a separately calculated rate in the dollar to achieve greater equity across all sectors.

The GRV is determined by collecting rental evidence to determine the fair rental value for each property. Interim valuations are provided regularly to Council by the Valuer-General for properties where changes occur (i.e. subdivisions or strata title of property, amalgamations, building constructions, demolition, additions and/or property rezoning). In such instances, Council recalculates the rates for the affected properties and issues interim rates notices.

In addition, section 6.28 (1) (2) of the Act allows the Minister to determine valuation of land to be used for the basis of rating. Section 6.29(3) allows for where capital improvements on any land located under UV rating, the Minister under application from the Town of Port Hedland can determine UV amendment to GRV rating.

UNIMPROVED VALUATION (UV)

Properties that are predominantly of a rural purpose or used for mining, resource processing, stock piling, or salt mining and predominately located outside the Townsite boundary are assigned an Unimproved Value (UV). Council has adopted differential rates in its UV area for Mining leases, Pastoral leases, all other lease and licences and privately owned land.

Unimproved values are determined annually by the Valuer-General with a valuation roll provided to local governments. Interim valuations are provided monthly to Council by the

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Valuer-General for properties where changes have occurred. For example but not limited to - Mining Tenements and changes to Land Leased or Licence. In such instances, Council recalculates the rates for the affected properties and issues interim rates notices.

The current unimproved rental valuation is effective from 1 July 2019.

Differential General Rates and General Minimum Payments

Following are the objects and reasons for each of the differential rates:

GRV RESIDENTIAL

Means any land that is predominately used for:

- singular and multi-dwellings and is zoned Residential/Rural Residential approved by the Town of Port Hedland planning department under the Town of Port Hedland Local Planning Scheme;

OR

- which is vacant of any construction and is zoned Residential/Rural Residential under the Town of Port Hedland Local Planning Scheme.

OBJECT & REASONS: Revenue derived from this category assists funding to operate efficiently the service levels expected of the community, achieving the Strategic Community Plan 2018/2028 and the standard of performance to which the Council will be measured by the Residents of Port Hedland, State Government and others.

GRV COMMERCIAL / INDUSTRIAL

Means any land:

Identified land being used for either commercial or industrial operations or is vacant and undeveloped under the Town of Port Hedland Local Planning Scheme for Commercial & Industrial zoning. This includes but is not limited to the town centre, commercial business precincts, mixed business, shopping centres, airports, Wedgefield Industrial Estate and strategic industry, industrial, transport and light industry uses.

OBJECT & REASONS: The object of this differential rate is to apply rates to all income producing facilities, raising revenue to fund costs associated with the service provided to these properties, and to encourage commercial and industrial land owners to develop vacant land. Vacant land is often unsightly and unkempt, and is at risk of being used for illegal dumping of rubbish and other illegal purposes which can be a financial and personal burden on the Business Sector of the Town.

The Town of Port Hedland also considers the development of vacant land to be in the best interests of the community. Vacant land alone does not contribute to the economy. However development will increase the street appeal, vibrancy of town centres and encourage local

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businesses to continue with growth and further improving and strengthening the economy at the same time also minimising and preventing land banking.

Furthermore, the differential acknowledges costs associated with the provision and maintenance of infrastructure used by commercial or industrial businesses including road structure, lighting and drainage, car parking, landscaping and higher costs in relation to infrastructure and regulatory services

GRV MASS ACCOMMODATION and TOURIST ACCOMADATION

Means any land:

- whereby any approved transient workforce accommodation facilities are located;
- OR
- approved and predominantly used for providing large scale accommodation for visitors to the Town as identified in the Town of Port Hedland Local Planning Scheme: Holiday Accommodation, Hotel, Lodge, Motel, Tourist Development and Tourism Resort.

OBJECT & REASONS: The object of this differential rate is to ensure that rates are distributed equitably between residents and non-residential workers, who spend a significant portion of the year in Port Hedland.

Patrons and employees of these premises are consumers of services and facilities, however unless they are also property owners within the Town, they are not contributing to the costs of providing the services and facilities. Mass Accommodation properties have the potential to have a greater impact on Council services and assets than other properties due to their number of occupants in a relatively small land parcel.

Although not submitted as rationale for the basis of the above rate in the dollar, nor rates proposed to be levied, it should be stated that Council remains committed to a philosophy that the operational workforce(s) associated with resource interests centralised around mining, construction, maintenance and access to the Port, should be housed in normal residential properties within the town boundaries. It is only through this that the town benefits from an integrated and normalised residential workforce and thereafter the community and society benefit from greater participation in community activities, including sporting and cultural bodies, and higher participation rates in volunteerism and sport.

Furthermore, this differential recognises the costs associated with tourism and economic development activities, as well as the use of these properties predominately for business travel. The additional income from this rate in the dollar will be utilised to support the Town of Port Hedland's investment into Tourism infrastructure and visitor facilities. The rate for this differential has been reduced in line with the normalisation of the economic circumstances of the Town and the reduced reliance on these facilities as a Transient Workforce Accommodation.

UV MINING and OTHER

This rating category covers:

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- all Mining Leases and Licences, Exploration Licences, Prospecting Licences, Retention Licences, General Purpose Leases, Special Prospecting Licences for Gold and Miscellaneous Licences as defined under the Mining Act that has been granted;

OR

- predominately used for the purpose of resource processing;

OR

- predominately used for the purpose of stock piling;

OR

- does not have the characteristics of any other UV differential rate category.

OBJECT & REASON: The object of this differential rate is to reflect and raise revenue to manage the impact on the Town by mining and resource sectors.

The impact on utilisation of urban and rural infrastructure by heavier transport and higher traffic volumes associated with resource sector operations supports the large investment that the Town of Port Hedland makes in road and road drainage infrastructure. This services remote mining activities on rural roads throughout the municipality and reflects the extra maintenance, impacts and frequency that is required to ensure a minimum level of serviceability is achieved. Along with additional costs associated with monitoring and managing the effects of environmental impacts relating to noise, dust, air pollution and smell, which are all considered here.

In addition, these properties have access to all other service facilities provided by Council. Properties with a land use UV often have a State or Regional significance, some of which are subject to legacy State Agreements that limit the methods of valuation to UV restrictive formulae for calculation of valuation. The differential rate for this category is considered to levy a proportional comparative with their impact on local community (ie: Heavy haulage vehicle movement, environmental health and strategic planning).

UV PASTORAL

Means any land:

- that has been granted a pastoral leases under the repealed *Land Act 1933*;

OR

- renewal of pastoral leases (administered by the Department of Lands);

OR

- land predominately used for pastoral activities as defined in the *Land Administration Act 1997*.

OBJECT & REASONS: The object of this differential rate is to be the base rate by which all other UV rated properties are assessed. Raised revenue is to provide for rural infrastructure and services in addition to the Town services, facilities and infrastructure which are available to be accessed by the properties in this category. The Town has a continuing focus on development and diversification of Pastoral Properties in the region, encouraging development of tourism and rangeland activities in conjunction with reforms being introduced by the State Government, to support the opportunity for live cattle trade (Strategic Community Plan 2018-2028), and associated activities from the Port to further diversify the local economy.

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TOWN'S RATING STRATEGY

The key points for the 2019/20 Rating Strategy:

- Raise sufficient yield to maintain current services and future infrastructure renewal to meet community expectations, as outlined in the adopted Strategic Community Plan 2018 – 2028 and ensuring a balanced budget;
- Review of the number and type of rating differential categories and move towards uniform rating across all differentials;
- Distribute the rates burden more objectively and equitably by introducing uniform rating for GRV Mass and Tourist Accommodation and UV Mining and Other differentials. Uniform rating will also improve transparency, administrative efficiency and reduce compliance costs;
- Continue to phase in reductions and reduce reliance on Mass Accommodation and Tourism Accommodation consistent with the uniform rating strategy;
- Critical analysis of the yield generated by each differential category as a percentage of the total yield, comparing to the contribution by each category, the valuation % of each category, and the services consumed;
- Provide a level of certainty and consistency for ratepayers with a stable long term rates model, while providing financial sustainability for the Town;
- Properties are rated according to Town Planning zonings and predominant land use with each having a separate calculated rate in the dollar and established minimums to achieve greater equity across all sectors and ensure a base level contribution.

Impacts from rate reductions in prior years, as well as significant decreases in available grant funding has had a flow on effect to how the Town continues to meet ongoing asset management and service levels. A straight-line increase of 4% has been applied across all differential categories, excluding GRV Mass and Tourist Accommodation and UV Mining and Other to continue in line with the Town's rating strategy identified above. The table below shows the total yield derived from each differential category aim to reflect a more equitable rate burden per category, reflecting that Port Hedland is an industrial port town.

Rate Category	Yield	Burden %
GRV Residential	\$13,062,454	30%
GRV Commercial / Industrial	\$5,292,484	12%
GRV Mass and Tourist Accommodation	\$2,774,084	6%
UV Mining and other	\$21,925,937	51%
UV Pastoral	\$125,805	0%

The above rate model will yield \$43,181,129 in rate revenue. Uniform rating strengthens relativity (between the zoning and land use categories) and continue to reflect an equitable distribution of the rate burden while ensuring the Town can continue to deliver services and asset renewal.

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The Town of Port Hedland will also be continuing its review of all rateable properties in the 2019/20 financial year to ensure that all rateable properties are captured with an emphasis on the following:

- Industrial and Commercial properties;
- All assessments covered by lease, licence and State agreements;
- Mining tenements; and
- GRV spot rating for in-situ infrastructure on resource projects.

MINIMUM RATES

The Town imposes consistent minimum rates across the rating categories, excluding GRV Residential and UV Mining and Other, ensuring all properties contribute an equitable rate amount to non-exclusive services. The minimum rate recognises that all ratepayers have an equal opportunity to enjoy the facilities and services provided by Council, regardless of the value of their property.

Regarding the UV Mining and Other differential, the lower minimum is applied to ensure that the rate burden is distributed equitably between all property owners. A lesser minimum of \$200 has been applied for all categories of Mining Tenements to reflect recent State Government amendment to the *Valuation of Land Act 1978* with the objective of providing some minor rate relief to small tenement owners.

SUBMISSIONS

Submissions were invited from any elector or ratepayer with respect to the proposed rates, and any related matter. Submissions closed on 22 May 2019 and were considered as part of the final rating strategy.

DAVID PENTZ

CHIEF EXECUTIVE OFFICER