



STATEMENT OF RATING OBJECTS AND REASONS

FOR THE 2017/18 RATING YEAR

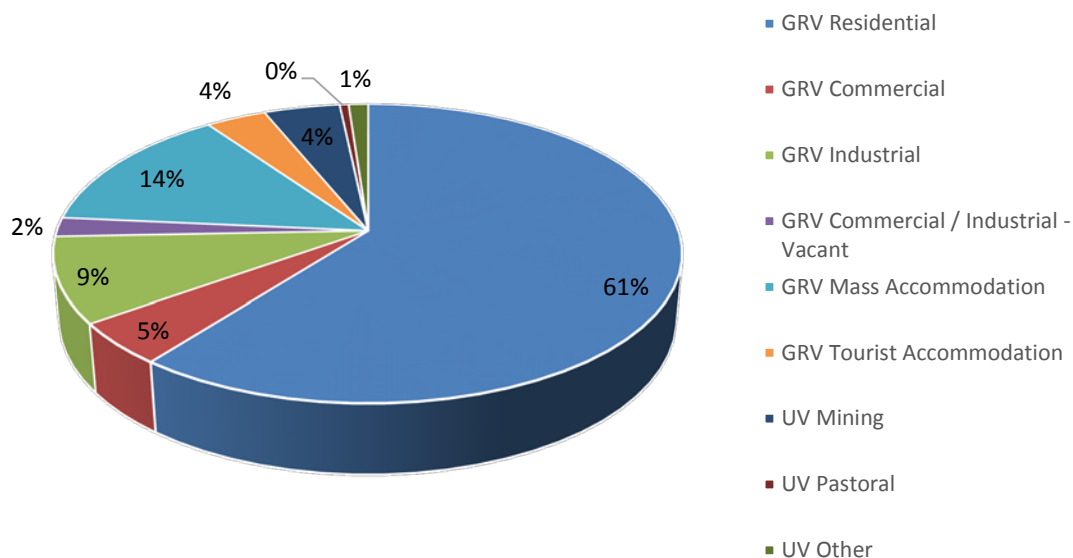
In accordance with section 6.36 of the *Local Government Act 1995* and the Council's "Notice of Intention to Levy Differential Rates and Minimum Payments", the following information details the objectives and reasons for those proposals.

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 *Local Government Act 1995*. The overall objective of the proposed rates in the 2017/18 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 *Local Government Act 1995* 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, enabling Council to provide facilities, infrastructure and services to the entire community and visitors.

Indicative Percentage of Rates Contribution by Differential



LOCAL GOVERNMENT ACT 1995 – RATING PROVISIONS

The *Local Government Act 1995* sets out the basis on which differential general rates may be based as follows:

Section 6.32 (1) of the *Local Government Act 1995* states:

- (1) When adopting the annual budget, a local government –
 - a. in order to make up the budget deficiency, is to impose* a general rate on rateable land within its district, which rate may be imposed either –
 - i. uniformly; or
 - ii. differentially

DIFFERENTIAL RATES

6.33. Differential general rates

- (1) A local government may impose differential general rates according to any, or a combination, of the following characteristics –
 - a. (a) the purpose for which the land is zoned, whether or not under a local planning scheme in force under the Planning and Development Act 2005;
 - b. a purpose for which the land is held or used as determined by the local government;
 - c. whether or not the land is vacant land; or
 - d. any other characteristic or combination of characteristics prescribed.
- (2) Regulations may –
 - a. specify the characteristics under subsection (1) which a local government is to use; or
 - b. limit the characteristics under subsection (1) which a local government is permitted to use.
- (3) In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.
- (4) If during a financial year, the characteristics of any land which form the basis for the imposition of a differential general rate have changed, the local government is not to, on account of that change, amend the assessment of rates payable on that land in respect of that financial year but this subsection does not apply in any case where section 6.40(1) (a) applies.
- (5) A differential general rate that a local government purported to impose under this Act before the Local Government Amendment Act 2009 section 39(1) (a) came into operation 1 is to be taken to have been as valid as if the amendment made by that paragraph had been made before the purported imposition of that rate.

MINIMUM RATES

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 per cent of the total number of separately rated properties in the district; or
 - b. 50 per cent 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 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.
- (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;
 - b. to land rated on unimproved value; and
 - c. to each differential rating category where a differential general rate is imposed.

2017/18 BUDGET PROPOSAL

The following are the proposed Differential General Rates and Minimum Payments for the Town of Port Hedland for the 2017/18 financial year, to be effective from 1 July 2017.

Rate Category	Rate in Dollar (expressed as cents in \$)	Minimum Payment
GRV Residential	5.5426	\$1,350
GRV Commercial	4.1897	\$2,000
GRV Industrial	3.4411	\$2,000
GRV Commercial & Industrial - Vacant	11.0852	\$2,000
GRV Mass Accommodation	26.0000	\$2,000
GRV Tourist Accommodation	11.7197	\$2,000
UV Mining	37.9250	\$270
UV Other	21.0000	\$2,000
UV Pastoral	10.5449	\$2,000

The above rate model will yield \$25,469,708 in rate revenue which is to provide for the net funding requirements of the Town's services, activities, financing costs and the current and future capital requirements.

GROSS RENTAL VALUATION (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. Council has adopted differential rates in its GRV area for Residential properties, Commercial properties, Industrial properties, Mass Accommodation properties and Tourist Accommodation properties utilising property valuations supplied by the Valuer General. 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 2015.

Properties are grouped according to Town Planning 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. The rental value for a house or other GRV property will be influenced by factors such as age, construction, size, car shelters, pools and locations. As the GRV is currently assessed every three years, despite possible changes to the rental market, the GRV generally remains fixed until the next general valuation (July 2017). Interim valuations are provided monthly to Council by the Valuer General for properties where changes have occurred (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.

UNIMPROVED VALUATION (UV)

Properties that are predominantly of a rural purpose are assigned an Unimproved Value (UV). Council has adopted differential rates in its UV area for Mining leases, Pastoral leases and Other leases.

Unimproved values are determined annually by the Valuer General with a valuation roll provided to local governments. The Town has completed rates modelling based on the provisional valuations provided with a date in force of 1 July 2016.

PROPOSED DIFFERENTIAL GENERAL RATES AND GENERAL MINIMUM PAYMENTS

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

GRV RESIDENTIAL

The residential category covers properties that are used for singular and multi-dwellings and are zoned Residential under the Town Planning Scheme.

OBJECT: The object of this differential is to ensure that all residential ratepayers make a reasonable contribution towards the services and facilities provided and maintained by the Town for the benefit of residents.

REASONS (why the rate differs from other categories): Revenue derived from this category to assist funding the service levels expected of the community, achieving the Strategic Community Plan and minimum standards of performance to which the Council will be measured by the State Government and others.

GRV COMMERCIAL

The commercial category covers the town centre, commercial business precincts, mixed business, shopping centres and the airport. All properties rated under this category are zoned Commercial under the Town Planning Scheme.

OBJECT: The object of this differential rate is to apply rates to all income producing facilities including carparks, raising revenue to fund costs associated with the service provided to these properties.

REASONS (why the rate differs from other categories): Additional costs associated with servicing commercial activity including car parking, landscaping and other amenities. Other costs associated with tourism and economic development activities have a benefit to these ratepayers. Lower RiD compared to residential to reflect the economic circumstances associated with doing business in the Pilbara and Port Hedland. This will encourage retention of commercial activities during current economic circumstances, providing diversification of the economy and opportunity for local employment.

GRV INDUSTRIAL

The industrial category covers the Wedgefield Industrial Estate and all general and light industry uses. This category applies to all properties zoned Industrial under the Town Planning Scheme.

OBJECT: This rate is considered to be the base rate above which all other GRV rated properties are assessed.

REASONS (why the rate differs from other categories): An increase to the Industrial RiD is consistent with additional works and maintenance required on road structure, lighting and drainage, as well as higher costs associated with infrastructure and regulatory services. A lower RiD compared to Residential and Commercial for this differential provides continued relief for businesses in the category that are most directly affected by the downturn in the construction and mining sectors to ensure the retention of business and in-turn, local employment and a stronger and a more diverse economy.

GRV COMMERCIAL & INDUSTRIAL - VACANT

The Commercial and Industrial – Vacant category covers all land identified as vacant for properties zoned as commercial or industrial under the Town Planning Scheme.

OBJECT: The object of this differential rate is to encourage commercial and industrial land owners to develop vacant land.

REASONS (why the rate differs from other categories): The reason is 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 burden on the residents of the Town. Town of Port Hedland considers the development of vacant commercial and industrial land to be in the best interests of the community as it will increase the street appeal and vibrancy of town centres and encourage local businesses further improving and strengthening the economy.

GRV MASS ACCOMMODATION

The GRV mass accommodation rating category covers transient workforce accommodation facilities.

OBJECT: The object of this differential rate is to ensure that non-residential workers who spend a significant portion of the year in Port Hedland contribute to services and facilities within the community.

REASONS (why the rate differs from other categories): 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/assets than other properties due to their number of occupants in a relatively small land parcel.

This differential rate is intended to maintain the relativity comparative to residential rates and provides an average rate per accommodation unit of less than Council's proposed minimum payment. It is estimated that there are circa 5249 available TWA beds that are utilised by FIFO workers annually, all of whom are entitled to the utilisation of the Town's facilities and services. The average rates per accommodation unit (\$575) remain less than the minimum rate applicable to a residential property by more than half (\$1,350). The rate in the dollar for this category is in Council's view supported on the following additional rationale;

- Based on available beds, the revenue generated through rate income in the 2017/18 financial year forecast (based on current valuations) will be \$3,017,040. If there are 5249 beds available that equates to \$575 per bed per annum; or less than half the household minimum of \$1350, which would be based on an average small 2 bedroom house paying minimum rates. This equates to a 43% discount to that example. The argument for the large discount available to a TWA room, compared to a minimum 'house', is submitted on the basis that whilst occupants may only spend a portion of their time in Port Hedland as a FIFO, (albeit that rooms can be occupied 100% of the time) they still enjoy and have access all of the amenity, rights and benefits of the Town of Port Hedland's facilities and services, including predominantly those that the Town derives little to no revenue from, such as roads, footpaths, foreshores and parks, and;
- All of the camps currently in this category are within the townsite boundary and it can be demonstrated through the Town of Port Hedland's surveys and analysis that the workers, contractors and employees indeed do access those facilities regularly, notwithstanding certain amenity exists within some of the camps.
- The Transient Workforce Accommodation Facilities provide for (indicatively at any time) approximately 16% of the population, however unlike the residential population, which has a large number of persons below the age of 17 and over the age of 65, all of the TWA residents are income earning employees (adults). It is not unreasonable to expect that this percentage (or approximate) be reflected with the rates revenue generated

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.

GRV TOURIST ACCOMMODATION

The GRV tourism accommodation rating category covers hotels, motels and caravan parks that provide large scale accommodation for visitors to the Town of Port Hedland. This rate category includes ten (10) hotels, motels and caravan parks that were previously rated under Mass Accommodation. This category applies to all properties exceeding 80sqm within the district boundaries, approved and predominantly used for the following activities as identified in the Town Planning Scheme; Holiday Accommodation, Hotel, Lodge, Motel, Tourist Development and Tourism Resort.

OBJECT: The object of this differential rate is to raise additional revenue to fund the costs associated with tourism and economic development activities, as well as the higher reliance on Council resources.

REASONS (why the rate differs from other categories): Heavier use of infrastructure and other Council Assets and Services in addition to contribution toward tourism promotion activities. The additional income from this rate in the dollar (above residential) will be utilised to support the Town of Port Hedland's investment into Tourism infrastructure and visitor facilities and assist to transition and diversify the economy from being so heavily reliant on the mining sector in accordance with the principles established the Pilbara's Port City Growth Plan and the Town of Port Hedland's Strategic Community Plan. With the downturn in the construction and mining sectors, these accommodation providers have seen a change in use of tourist accommodation, with less accommodation required for the non-residential workforce and more of tourism purposes.

UV MINING

This rating category covers all Mining Leases, Exploration Licenses, Prospecting Licenses, Retention Licenses, General Purpose Leases, Special Prospecting Licenses for Gold and Miscellaneous Licenses as defined under the *Mining Act*.

OBJECT: The object of this differential rate is to raise additional revenue to fund cost impacts to the Town of the mining sector.

REASONS (why the rate differs from other categories): Supports the large investment that the Town of Port Hedland makes in road and road drainage infrastructure to service 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 above that normally required to meet the needs of pastoralists (UV Pastoral). Additional costs associated with monitoring of environmental impacts of clearing, noise, dust and smell.

UV PASTORAL

This rating category applies to all pastoral leases that have been granted under the repealed *Land Act 1933*. Renewal of pastoral leases is administered by the Department of Lands.

OBJECT: The object of this differential rate is to be the base rate by which all other UV rated properties are assessed.

REASONS (why the rate differs from other categories): Raise revenue 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 the reforms being introduced by the State Government and to support the opportunity for live cattle trade and associated activities from the Port to further diversify the local economy from the effects of the downturns associated with mining activity.

UV OTHER

This rating category applies to crown leases located outside of the Town's boundaries and are assessed as rural pursuant to the Local Government Act 1995.

OBJECT: The object of this differential rate is to recognise a lower servicing cost requirement for rural properties which are not classified as Mining.

REASONS (why the rate differs from other categories): Crown land has a lower cost associated compared to Mining.

TOWN'S RATING STRATEGY

The key points for the 2017/18 Rating Strategy:

- Review of the number and type of rating categories;
- Review Statement of Objects and Reasons for Differential Rates to provide clear definitions of rate categories;
- Reduce the Rate in the Dollar comparative percentage by increasing the lowest rate in the dollar (GRV Industrial)
- Spread the rates burden more equitably across the rating differential categories to more effectively reflect consumption of Council resources, services and infrastructure
- Establish a new differential for Commercial and Industrial Vacant land to encourage vacant land development
- Raise sufficient yield to fund the current services provided and infrastructure renewal required to maintain service levels

For the last two years (2015/16 and 2016/17) Council has provided a reduction in rate yield with the net effect of these decisions seeing the Towns' rate yield **reduce by just over 9% in that period**. The effect is even greater, if one was to take into account modest inflation rates. This has had a flow on effect to how the Town continues to meet ongoing asset management and service levels.

Rate Category	% Increase/Decrease in Rate in the Dollar
GRV Residential	2.5%
GRV Commercial	2.5%
GRV Industrial	25%
GRV Mass Accommodation	10%
GRV Tourist Accommodation	2.5%

UV Mining	2.5%
UV Other	0%
UV Pastoral	2.5%

The above rate model will yield \$26,009,364 in rate revenue. Rate increases do however maintain relativity (between the zoning and land use categories) and continue to recognise the need to retain an equitable distribution of the rate burden.

The Town of Port Hedland will also be continuing its review of all rateable properties in the 2017/18 financial year to ensure that all rateable properties are captured with an emphasis on the following:

- Industrial and Commercial properties;
- All assessments covered by State Agreement Acts to determine foregone revenue attributable to State Agreement Acts and;
- GRV spot rating for in-situ infrastructure on resource projects.

MINIMUM RATES

The Town imposes a varied minimum rates across the rating categories, 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 category, the lower minimum is applied to ensure that the rate burden is distributed equitably between all property owners. A lesser minimum of \$270 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 are invited from any elector or ratepayer with respect to the proposed rates, and any related matter, within a minimum 21 days of the date of this notice. Submissions should be addressed to the Chief Executive Officer, Town of Port Hedland, PO Box 41, Port Hedland WA 6721 and clearly marked Submission – Differential Rating 2017/18.

All submissions should be received no later than 12.00pm on 24 May 2017.

DAVID PENTZ
CHIEF EXECUTIVE OFFICER