



AGENDA

SPECIAL MEETING OF COUNCIL

07 JULY 2022

SHIRE OF WAGIN
NOTICE OF MEETING

Dear President and Councillors,

The next Special Meeting of Council will be held

ON: Tuesday 07 JULY 2022

WHERE: Council Chambers, Shire Office

AT: 6:00pm



Bill Atkinson
CHIEF EXECUTIVE OFFICER

Note: That, under section 5.65 of the Local Government Act 1995, care should be exercised by all councillors to ensure that a 'financial interest' is declared and that they refrain from voting on any matters which are considered that may come within the ambit of the Act.

DISCLAIMER

No responsibility is implied or accepted by the Shire of Wagin for any act, omission or statement or intimation occurring during Council or committee meetings.

The Shire of Wagin disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or committee meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or committee meeting does so at that person's or legal entity's own risk.

In particular and without detracting in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by any member or officer of the Shire of Wagin during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Wagin

The Shire of Wagin advises that anyone who has any application lodged with the Shire of Wagin shall obtain and should only rely on **WRITTEN CONFIRMATION** of the outcome of the application, and any conditions attaching to the decision made by the Shire of Wagin in respect of the application.

Bill Atkinson
CHIEF EXECUTIVE OFFICER

SHIRE OF WAGIN

Agenda for the Special Meeting of Council to be held in the Council Chambers, Wagin on
Tuesday 07 July 2022 commencing at 6 pm

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1. OFFICIAL OPENING

The Presiding Member, Cr Phillip Blight opened the meeting at _____pm.

2. DECLARATION OF PURPOSE OF MEETING

The purpose of this meeting is for Council to consider a proposal to impose Differential Rates on Gross Rental Values applying to the Residential, Commercial and Industrial Properties within the townsite of Wagin.

3. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

3.1 ATTENDANCE

Cr Phillip Blight
Cr Greg Ball
Cr Dale Lloyd
Cr Sheryll Chilcott
Cr Bronwyn Hegarty
Cr Bryan Kilpatrick
Cr Wade Longmuir
Cr Ann O'Brien
Bill Atkinson
Ian McCabe
Jenny Goodbourn

Shire President
Deputy Shire President

Chief Executive Officer
Acting Deputy Chief Executive Officer
Manager of Finance

3.2 APOLOGIES

3.3 APPROVED LEAVE OF ABSENCE

Cr Geoff West

3.4 VISITORS

4. PUBLIC QUESTION TIME

Council conducts open Council Meetings. Members of the public are asked that if they wish to address the Council that they state their name and put the purpose of their address as precisely as possible. A minimum of 15 minutes is allocated for public forum. The length of time an individual can speak will be determined at the President's discretion.

5. PETITIONS/DEPUTATIONS/PRESENTATIONS

6. DISCLOSURE OF FINANCIAL AND OTHER INTERESTS

6.1 DISCLOSURE OF FINANCIAL INTEREST – Local Government Act Section 5.60a

6.2 DISCLOSURE OF PROXIMITY INTEREST – Local Government Act Section 5.6

6.3 DISCLOSURE OF IMPARTIALITY INTEREST – Administration Regulation Section 34c

7. REPORTS TO COUNCIL

7.1 ACTING DEPUTY CHIEF EXECUTIVE OFFICER

7.1.1 RATING STRATEGY: DIFFERENTIAL RATES FOR GROSS RENTAL VALUE PROPERTIES; OBJECTIVES AND REASONS.

PROPONENT:	Not Applicable
OWNER:	Not Applicable
LOCATION/ADDRESS:	Not Applicable
AUTHOR OF REPORT:	Acting Deputy Chief Executive Officer
SENIOR OFFICER:	Chief Executive Officer
DATE OF REPORT:	5 July 2022
PREVIOUS REPORT(S):	Not Applicable
DISCLOSURE OF INTEREST:	NIL
FILE REFERENCE:	RV.VA.1; RV.VA.3
ATTACHMENTS:	1. Objectives and Reasons for Differential Rates in 2022/23.

OFFICER RECOMMENDATION

Moved Cr

Seconded Cr

- 1. That Council endorse a rating strategy that utilises differential rates for properties that are valued by Gross Rental Values (GRV) and categorises these as Non-Commercial / Industrial; and Commercial / Industrial;**
- 2. That Council adopt the Statement of Objectives and Reasons for Differential Rates in 2022/23 as attached to this item;**
- 3. That pursuant to sections 6.32, 6.33 and 6.35 of the Local Government Act 1995, adopt an increase to rate yield of 4.9% across all categories to meet the proposed rate setting for the 2022/23 budget as detailed below:**

Proposed rate categories 2022/23:				
General Rates:	Rate in \$	Number of Properties	Rateable Value	Projected Income
GRV Non-Commercial / Industrial	0.08775	675	8,705,858	763,939
GRV Commercial/ Industrial	0.116	65	1,594,034	184,908
Unimproved Value (UV)	0.005738	297	266,695,016	1,530,296
Sub-Total:		1,037		2,479,143
Minimum Rates:		Number of Properties	Min. Rate \$	Projected Income
GRV Non Commercial / Industrial		137	630	86,310
GRV Commercial / Industrial		13	630	8,190
Unimproved Value (UV)		84	630	52,920
Sub-Total:		234		147,420
Totals:		1,271		2,626,563
And:				
4. That local Public Notice be given for a period of at least 21 days to allow for public submissions to be considered by Council.				
Carried 0/0				

BRIEF SUMMARY

Preparation of the 2022/23 budget indicates a budget deficiency requiring an increase in rates yield of 4.9% (+\$0.123 million).

Section 6.26 (1) of the Act states: 'Except as provided, all land within a district is rateable land.' The Minister determines the method for valuation of land and Council determines a rate based on that valuation that will make up any budget deficiency.

The Local Government Act 1995 provides for rates applied uniformly or differentially. Differential rates recognise land use is not the same in all cases and categorises properties according to like use. Land may be unimproved (generally agricultural) or Gross Rental Value (GRV).

Differential rates support the principles of objectivity; fairness and equity; consistency; transparency; and administrative efficiency by comparing like properties.

Two GRV categories are proposed: Non-Commercial / Industrial; and, Commercial / Industrial.

This decision requires an absolute majority and public notice of the proposed change is mandatory with at least 21 days allowed for submissions. Any submission is to be considered by Council when making decisions to impose a rate.

BACKGROUND/COMMENT

The Local Government Act 1995 ('the Act') requires the local government to prepare an annual budget (refer to s. 6.2(1)), which is to incorporate 'detailed information about rates and services charges which will apply to land in the district (s. 6.2 (4)). Local governments impose rates to raise revenue to fund services and facilities. Rates generally provide less than half of the revenue required with the balance funded by state and federal grants.

Guidance in this comes from Division 6 of the Act which discusses rates and services charges, including:

- a) What is rateable land and the basis of rates;
- b) How the valuation of land is made;
- c) Categories of rates, including differential rates;
- d) How rates are imposed and what records are kept; and,
- e) How decisions can be reviewed.

What is rateable land? Section 6.26 (1) of the Act states: 'Except as provided, all land within a district is rateable land.' Exceptions may include land held by the Crown or local government; land held for charitable purposes; or land declared by the Minister as exempt from rates.

How is the value of land determined? The Minister determines the method for valuation of land; primarily this is the land's unimproved value for land used for rural purposes (generally agricultural); and, where the land is predominantly used for non-rural purposes, the gross rental value of the land (refer s. 6.28 (2), Local Government Act 1995).

Further, that section at (4) and (5) specifies that the valuation to be used by the local government is that determined by the Valuation of Land Act 1978 and in force as of 1 July in each financial year. Section 31A of that legislation specifies that the Valuer-General (within Landgate) makes valuations for the purpose of the Local Government Act 1995. Valuations are required to be evidential and may be based on leases, real estate listings, land transactions, economic data, survey or interview.

The calculation of land valuation occurs periodically with unimproved land valuations (UV) provided annually and Gross Rental Value usually each three to six years. Disruption due to the COVID-19 pandemic has meant the Valuer General last provided valuations for Gross Rental Values in the Shire of Wagin in 2015. In the interim there has been significant changes to all property markets with increased rental values for many residential properties.

Categories of rates. Section 6.32 of the Local Government Act 1995 provides for the application of rates, either uniformly (that is, the calculation of a rate in the dollar will apply to all affected land in the district), or differentially.

Differential rates recognise that the use of the land is not the same in all cases and that categories of land usage exist, such as (for example), residential properties, industrial land and commercial properties. Categorising land usage means that like properties are grouped with similar properties, such as, residential properties are grouped with other residential properties. When property values or rental values for some properties in the category change, it is more likely that property values will have changed for all similar properties.

If unlike properties of different uses are categorised together, such as retail outlets and residential houses, there is an increased likelihood that the different uses will have different

rental markets with different market demands and values. Demand for rental houses may not be reflected in the demand for commercial properties and vice versa. This variability could mean the value of a grouped category of unlike properties will be skewed by one type of land use. Significant value change even for a small number of properties could affect **all** properties in the category with consequential impact on rate calculations.

This can be addressed by the application of differential rates – the calculation of rates for specific categories of property – which means only like properties are considered when calculating the rate for that type of property. The local government may have a different rate for each category or it may strike a similar or the same rate for categories depending on the budget for the district or service needs for that category of land use.

How rates are imposed and records. The determination of rates is set out in section 6.2 (2) of the Local Government Act 1995: the local government prepares a budget; estimates all expenditures and income independent of rates; and then identifies the budget deficiency which is to be collected by rates. A rate in the dollar of the valuations of all property in the district is calculated that will make up that deficiency. For example, a rate for a GRV property is the rate (a proportion of cents in the dollar) times the gross annual rental value of the property as assessed by the Valuer-General.

The Local Government (Financial Management) Regulations 1996 sets out how rates and service charges are to be managed. This includes the characteristics prescribed for differential rates (reg. 52A); minimum payments; rates notice contents; rates records; instalments; interest and overdue rates; concessions; and the relationship to land titles.

How decisions can be reviewed. Section 32 of the Valuation of Land Act 1978 provides for objections to valuations to be lodged with the Valuer-General (V-G). Decisions of the V-G are subject to review by the State Administrative Tribunal. All objections to valuations must be made in writing (s. 32(1)). These processes do not alter the collection of rates by the local government or the liability of the rate payer to make such payments (s. 6.81 of the Act refers).

Where a local government makes a public notice regarding the budget or proposed changes to how rates may be struck for the district, property owners and electors of the district may contribute to decision making by making written submissions in support or objection to any such proposal. These will be considered by Council along with any advice or other evidence in making decisions. How public notices are made is set out at s. 1.7 of the Act and will be for minimum periods as required by the matter to be considered, such as 21 days.

Section 6.76 (6) of the Act allows for objections on the basis of errors in a rates record or objection to the characteristics of land use in a rates notice to be given in writing within 42 days of issue of the notice. The local government will review and provide reasons for its decision which can be appealed to the State Administrative Tribunal (s. 6.77, etc.).

Principles in applying rates. All land in the district is rateable land and therefore all rateable landowners contribute to the objectives and activities of the local government through the payment of rates.

The application of rates should be **objective** and will be based on land use, zoning and whether it is vacant. Similarly, the local government undertakes comprehensive reviews of services, projects, revenues and costs to consider the efficient delivery of services to the

community. In determining what services will be delivered and how rates are applied to pay for them, the local government applies the values of **fairness and equity**.

Thirdly, the application of rates should be **consistent** with the rates for similar properties used for similar purposes assessed in the same way.

Finally, the calculation, application and management of rating should be **transparent and contribute to administrative efficiency** so ratepayers can understand the process, are able to make submissions about the strategy and the collection of rates process is cost-effective and administratively efficient. Calculating a rate for dis-similar land uses within one category can be administratively more complex and lack transparency.

Differential Rates. Section 6.33 of the Local Government Act 1995 provides that ‘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....;
- (b) A purpose for which the land is held or used....;
- (c) Whether the land is vacant land; or
- (d) Any other characteristic or combination of characteristics prescribed.’

The principle of differential rates is **objective** because it is based on land use; it allows for **fairness and equity** and promotes **consistency** in rate application because like properties are categorised; and it is **transparent** because applying a rate to like properties is well understood and will result in less variability. Administratively, rating like properties in a category removes the skewing of rate calculation where anomalies may potentially create issues of fairness and equity requiring additional administration.

Imposition of differential rates from 2022/23 financial year. Preparation of the 2022/23 budget indicates a budget deficiency requiring an increase in rates yield of 4.9% (+\$0.123 million). Valuations have been received from the Valuer-General for unimproved value (UV) properties and those assessed on the basis of Gross Rental Value (GRV).

The portfolio of properties in the UV category have increased in value by 15.6% to \$272.5 million with close to uniform change across all properties. A rate in the dollar of \$0.005738 will generate \$1.583 million (an increase of \$0.074 million), being equitable to all properties while maintaining the proportion of rates generated by UV (60.3% of total rates revenue), as follows:

	Budget	Budget			Proportion	
Fin. Year:	2021/22	2022/23	Var. \$	Var. %	2021/22	2022/23
GRV	994,193	1,043,347	49,154	4.9%	39.7%	39.7%
UV	1,509,295	1,583,216	73,921	4.9%	60.3%	60.3%
Totals:	2,503,488	2,626,563	123,075	4.9%	100.0%	100.0%

The portfolio of properties in the GRV category (which currently includes commercial, industrial and residential properties) increased in value by 27.5%. Within the GRV category, non-commercial (mainly residential) properties increased in value by \$2.217 million (an average of 33%). Conversely, the average gross rental value of commercial properties increased by 5% in the same period (+\$0.076 million to \$1.595 million), demonstrating greater economic pressure and variability in the type, size and activity within commercial entities.

Since the GRV portfolio was last assessed in 2015 there has been significant changes in location for some businesses as well as scale of activity. Residential property values and rents have also been affected by the pandemic and changes in the economy. This is further complicated by the nature of value change having different characteristics for commercial and residential properties. The categorising together of these different types of land use into a single pool could affect equity and fairness in calculating rates. Properties with differing land use and valuation characteristics could mean some properties will have greater increases to rates while others have a lower increase than would be the case otherwise.

To address the issue of anomalies it is recommended that Council approve a system of differential rates characterised by land use. It is proposed to apply differential rates from the 2022/23 financial year by creating the following differential rates categories and differential rates for GRV properties:

Category 1 – GRV - Non-Commercial / Industrial at \$0.08775 cents in the dollar;

and.

Category 2 – GRV – Commercial / Industrial at \$0.11600 cents in the dollar.

Rate Category	Rate in the \$	Minimum Payment
GRV – Non-Commercial/Industrial	\$0.08775	\$630
GRV – Commercial/Industrial	\$0.11600	\$630
UV General	\$0.005738	\$630

Public Notice. Local public notice is required where differential rates are proposed to be introduced. Should Council approve the proposal to apply differential rates, local public notice will be given in accordance with s. 1.7 of the Local Government Act 1995 for a period of at least 21 days and a report prepared for Council summarising any submissions.

CONSULTATION/COMMUNICATION

Full Council; Mr W. T. Atkinson, Chief Executive Officer; Ms J. Goodbourn, Manager of Finance.

STATUTORY/LEGAL IMPLICATIONS

Division 6 of the Local Government Act 1995; Valuation of Land Act 1978; Local Government (Financial Management) Regulations 1996;

POLICY IMPLICATIONS

While there are no direct implications under current policy, there is strategic relevance to policy F.10 Rate Concession Incentives – Commercial Properties.

FINANCIAL IMPLICATIONS

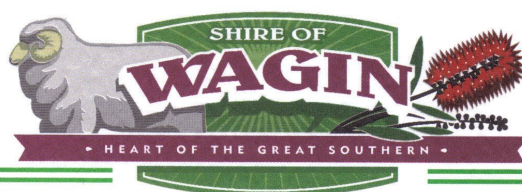
This recommendation does not impact the revenue of the local government.

STRATEGIC IMPLICATIONS

This proposal will provide Council with greater flexibility in strategic and financial decision making.

VOTING REQUIREMENTS

Absolute Majority



Objectives and Reasons for Proposed Differential Rates for the 2022/2023 Financial Year.

In accordance with Section 6.36 of the Local government Act 1995, the shire of Wagin is required to publish its Objectives and Reasons for the implementing of differential rates.

The Shire of Wagin intends to impose differential general rates and minimum payments for the 2022-23 financial year as summarised in the following table:

Rate Category	Rate in the \$	Minimum Payment
GRV – Non-Commercial/Industrial	\$0.08775	\$630
GRV – Commercial/Industrial	\$0.11600	\$630
UV General	\$0.005738	\$630

Overall Objective

The purpose of the levying of rates is to meet Councils budget requirements in each financial year in order to deliver services and community infrastructure. Property valuations provided by the Valuer General 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 Shire of Wagin. The application of differential rating maintains equality in the rating of the properties across the Shire, enabling the Council to provide facilities, infrastructure and services to the entire community and visitors.

Gross Rental Value (GRV)

The Local Government Act 1995 determines that properties of a non-rural purpose be rated using Gross Rental Valuation (GRV) as the basis for the calculation of annual rates. The Value General determines the GRV for all properties within the Shire of Wagin every five to six years and assigns a GRV. A revaluation was recently carried out and the valuation is effective from 1 July 2022. Interim valuations are provided monthly to Council by the Valuer General for properties where changes have occurred. In these instances, Council recalculates the rates for the affected properties and issues interim rate notices.

The following categories of GRV are proposed for the 2022/23 financial year:

GRV – Non-Commercial/Industrial

This rating category consists of properties which have a predominantly residential use. The object of the rate for this category is to be the base by which all other GRV rated properties are assessed. The reason is to ensure that all ratepayers make a reasonable contribution towards works, services and facilities within the Shire.

The proposed rate in the dollar for this category is 8.775 cents, with a minimum rate of \$630.00

GRV- Commercial/Industrial

This rating category consists of properties used predominantly for Commercial or Industrial purposes that are located within the townsites. The object of the rate for this category is to raise additional revenue to fund the costs associated with the higher level of service provided to the properties in this category. The reason is that the Shire incurs higher costs to service these areas including carparking, landscaping and other amenities. In addition, costs associated with tourism and economic development activities are incurred by council that also have a benefit to these ratepayers.

The proposed rate in the dollar for this category is 11.6 cents, with a minimum rate of \$630.00.

Unimproved Value (UV)

Properties that are predominantly of a rural purpose are assigned an Unimproved Value that is supplied and updated by the Valuer General on an annual basis

UV

The Shire of Wagin has one UV category. Included in this category are properties that are used exclusively for rural use – either residential or commercial and mining tenements. The reason for this rating category is to ensure that all ratepayers make a reasonable contribution to the cost of providing works, services and facilities within the Shire. The proposed rate in the dollar for this category is 0.05738 cents, with a minimum rate of \$630.00

Summary

In arriving at the proposed rates in the dollar Council has attempted to balance the need for revenue to fund essential services, facilities and infrastructure to the entire community.

Any submissions by electors or ratepayers in respect of the proposed Differential Rates and Minimum Payments should be addressed to the Chief Executive Officer, Shire of Wagin and lodged by 4.00pm Friday 5 August 2022.

All submissions may be sent to PO Box 200 WAGIN WA 6315 or hand delivered to the shire administration 2 Arthur Rd WAGIN or shire@wagin.wa.gov.au

Ratepayers are welcome to contact the Shire Finance Department regarding the differential rating categories on 9861 1177 or email mfcs@wagin.wa.gov.au

8. CLOSURE