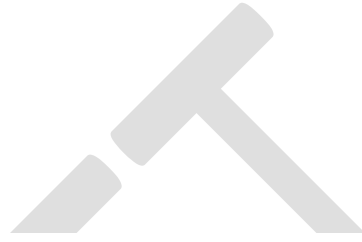


Town of
Port Hedland



RATING STRATEGY



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OBJECTIVES

The objective of the Rating strategy is to:

- Provide a robust and considered framework for Rates categories, Minimum Rates, and Differential Rates that incorporates the principles of:
 - Objectivity;
 - Fairness and Equity;
 - Consistency;
 - Transparency; and
 - Administrative efficiency
- Ensure a stable rates revenue stream for the Town from year to year; and
- Deliver a stable rating price path for our community.

WHAT ARE RATES?

Rates are levied on all rateable properties within the boundaries of the Town of Port Hedland Municipality in accordance with the *Local Government Act 1995*. Rates are a tax, not a fee-for-service; as such they need to be set in accordance with principles of taxation – equity, efficiency, simplicity, sustainability and policy consistency.

The overall objective of the proposed rates in the 2014/15 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, after taking into account all other forms of revenue.

The formulation of a rating system is about achieving a means by which Council can raise sufficient revenue to pay for the services it provides. Throughout Australia, the basis of using property valuations has been found to be the most appropriate means of achieving rating equity; however, the achievement of a wholly equitable rating system for all properties, in all areas, is a difficult task if it is based on the property valuations alone. For this reason there are refinement options made available, such as differential rating, the Town of Port Hedland has elected to use.

In Western Australia land is valued by Landgate Valuation Services (Valuer-General's Office – a state government agency) and those values are forwarded to each Local Government.

Two types of values are calculated - Gross Rental Value (GRV) which generally applies for urban areas; and Unimproved Value (UV) which generally applies for rural land. Two types of rates may be imposed – Minimum Rates; and Differential Rates.

WHAT DO RATES PAY FOR?

Rates revenue represents a significant percentage of the Town's operating income each year, and is an income stream that the Town has a substantial degree of control over. This reliability and control is an

important consideration in terms of the Town's financial flexibility. General rates revenue supports a broad range of Municipal infrastructure and services, including building control; animal control; community services; active and passive open space; roads, bridges, footpaths and drainage; libraries; youth centres; Swimming Pools; community events; town planning; governance and corporate support; cemeteries; emergency management; public conveniences; economic development; and tourism and regional promotion. Rates are also used to service debt.

Rates do represent a high proportion of the Town's annual income, and our annual planning processes will continue to assess the community's capacity and willingness to pay rates. However we will first always seek to maximise alternative revenue streams such as grant funding, and user pays fees and charges.

As discussed in further detail below, the Town's ratepayers have experienced significant rating increases over recent years, largely driven by the operational impact of new or refurbished recreational facilities such as Wanangkura Stadium, Marquee Park, JD Hardie, and SHAC. As part of this Strategy, the Town's objective is to achieve a stable rating price path for our community over the term of the Long Term Financial Plan (LTFP). Where new major projects or initiatives are likely to place an increased burden on ratepayers beyond the price path of the LTFP, increased community consultation, and demonstrated community support for such increases must be achieved.

OTHER SIGNIFICANT REVENUE SOURCES

The Town generates approximately 30% to 35% of its annual operating revenue from Rates. This equates to approximately 32% of operating expenditure. The greater this rates coverage ratio, the more financial flexibility the Town has, as its reliance on grants or discretionary user charges and fees is reduced. However we will first always seek to maximise alternative revenue streams such as grant funding, and user pays fees and charges.

FEES & CHARGES

Many of the facilities and services provided by the Town are offered on a full or partial user pays basis. The Town has endorsed a Pricing Principles framework that applies to the setting of fees and charges, as follows:

Public Benefit – Zero to Partial Cost Recovery

The service provides a broad community benefit. Partial cost recovery may apply in some circumstances.

Private Benefit – Full Cost Recovery

The service benefits particular users, for example by making a contribution to their individual income, welfare or profits generally without delivering broader benefits to the community.

Shared Benefit – Partial Cost Recovery

The service provides a mix of community benefit and a private benefit.

Regulatory

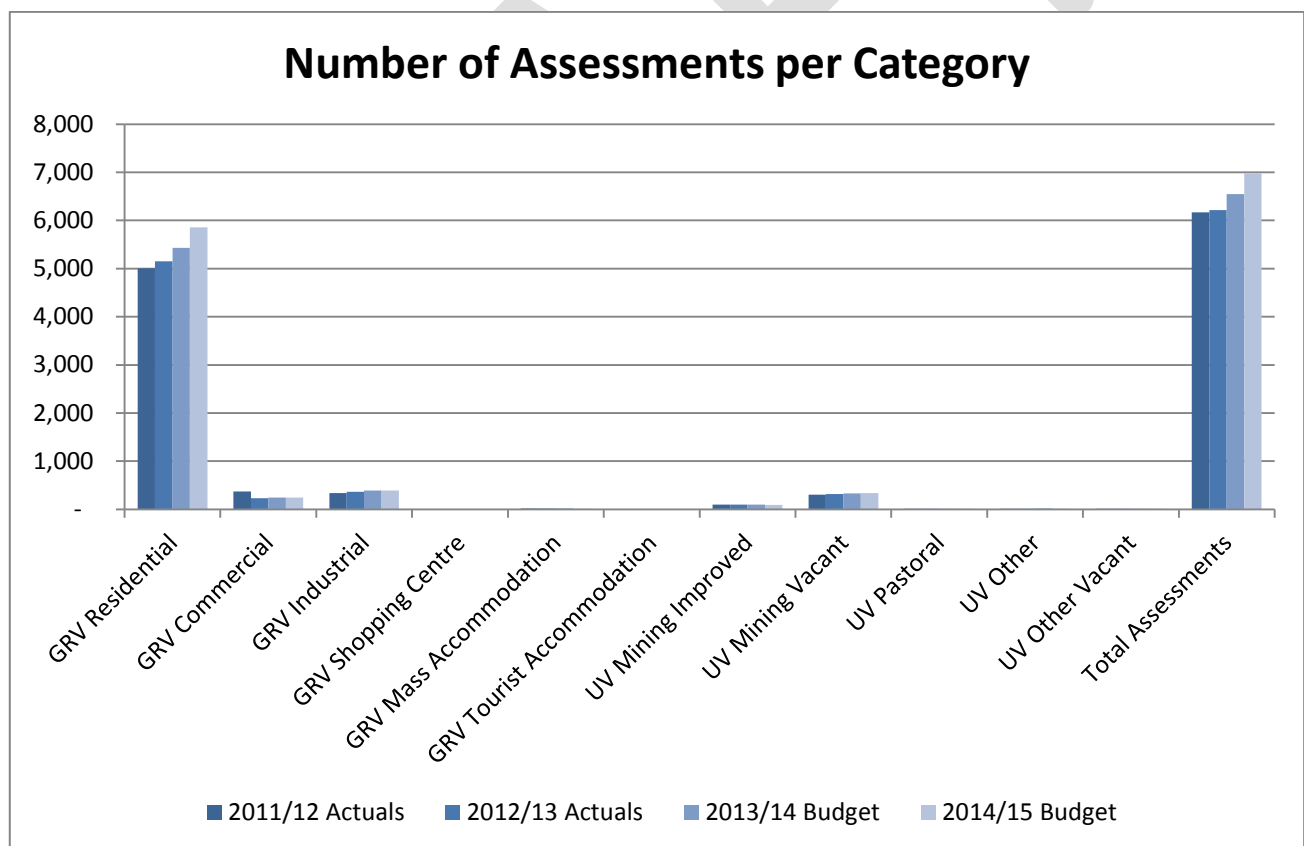
The fee or charge governing a service or function of the Town is fixed by legislation

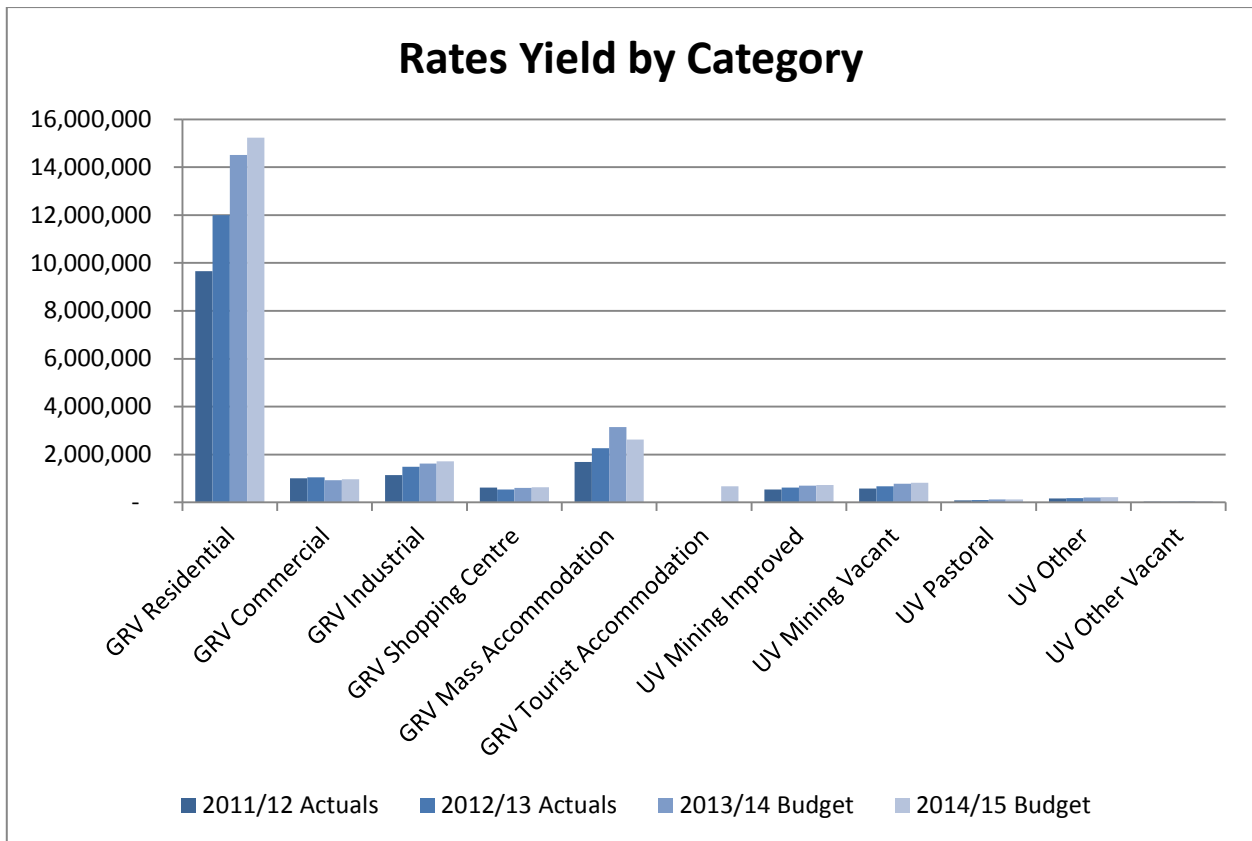
GRANTS, CONTRIBUTIONS AND SUBSIDIES

A number of services provided by the Town to the community are only possible because of specific grant funding from State and Federal Government. In preparing future year financial plans, we have assumed that the Town will continue to receive such grants. Should the level of grants and subsidies be reduced, the Town’s ability to provide the related services will be impacted, as a greater reliance on rates revenue would likely be required.

CURRENT RATING FRAMEWORK

The Town’s current rating framework includes both Minimum Rates and Differential Rates. The Town currently has 6,981 rateable properties, across 11 different rating categories. The number of assessable properties has increased by 13% from the end of 2011/12 to the start of 2014/15. Across the same period, the Town’s total rates yield has increased by 35%. Whilst it should not be a driver for rates increases, it is worth noting that the value of rateable land in the Town has increased by 97% over that period.





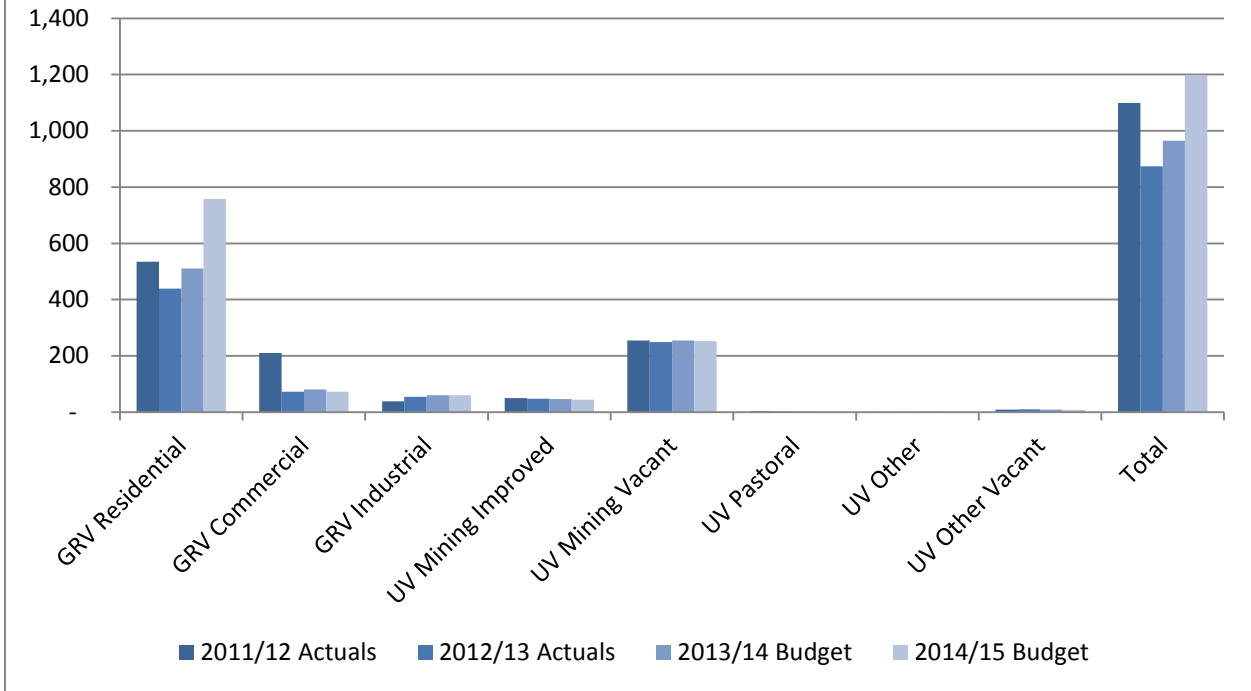
MINIMUM RATES

The Town imposes one general minimum rate that applies to all rateable properties within the boundaries of the municipality. The Town provides over \$53 million in operating expenditure on Municipal Fund services and infrastructure each year, and a minimum rate has been established to ensure that all rateable properties, regardless of their value, are making a contribution to those services and infrastructure.

\$	2011/12 Actuals	2012/13 Actuals	2013/14 Budget	2014/15 Budget
Minimum Rate	1,000	1,040	1,165	1,223

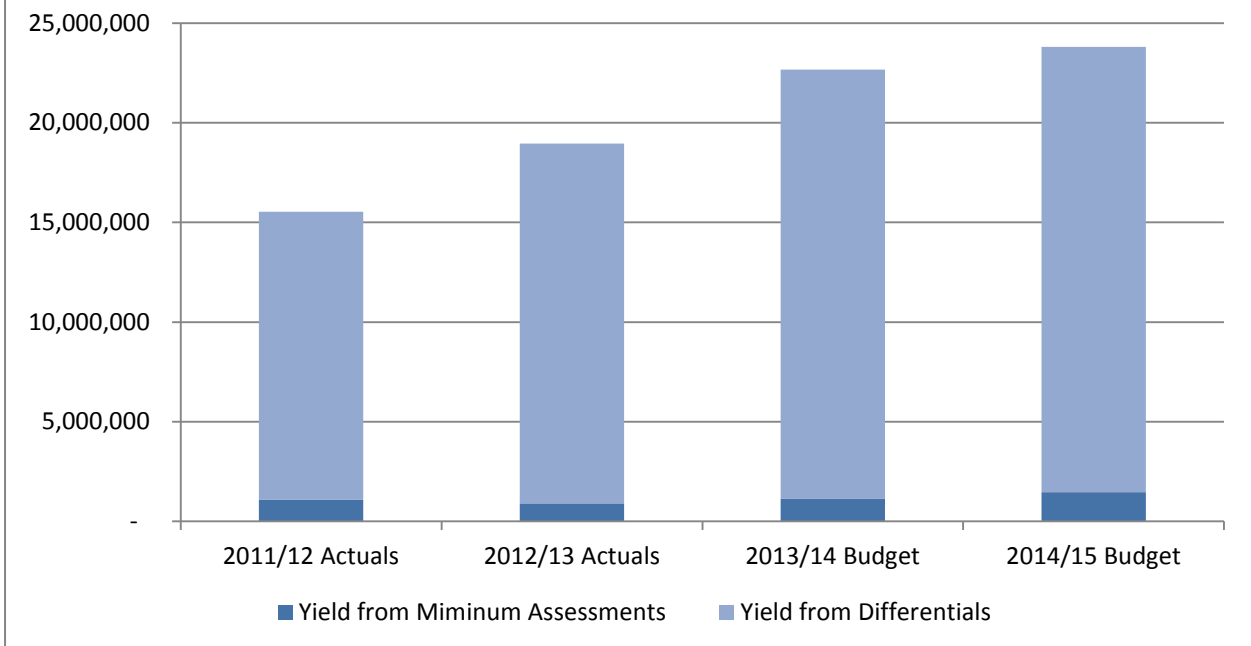
The percentage of assessments that are on the minimum rate has varied between 14% and 18% over the past three years. GRV Residential and UV Mining Vacant have the greatest number of properties falling into the minimum rates bracket, whilst UV Mining Vacant and UV Vacant Other have the highest proportions of minimums versus differentials. The cut-off value for Residential assessments to fall into minimum rates is \$34,799.

Number of Minimum Assessments



For 2014/15, a projected 1,198 assessments will be levied on the Minimum Rate. This represents 17% of the total number of rateable properties, and will generate approximately 6%, or \$1.465 million, of the Town's total rates yield. This is consistent with previous periods, where the proportion of rates yield generated from Minimum Rates has been in the 5% to 7% range.

Yield Composition

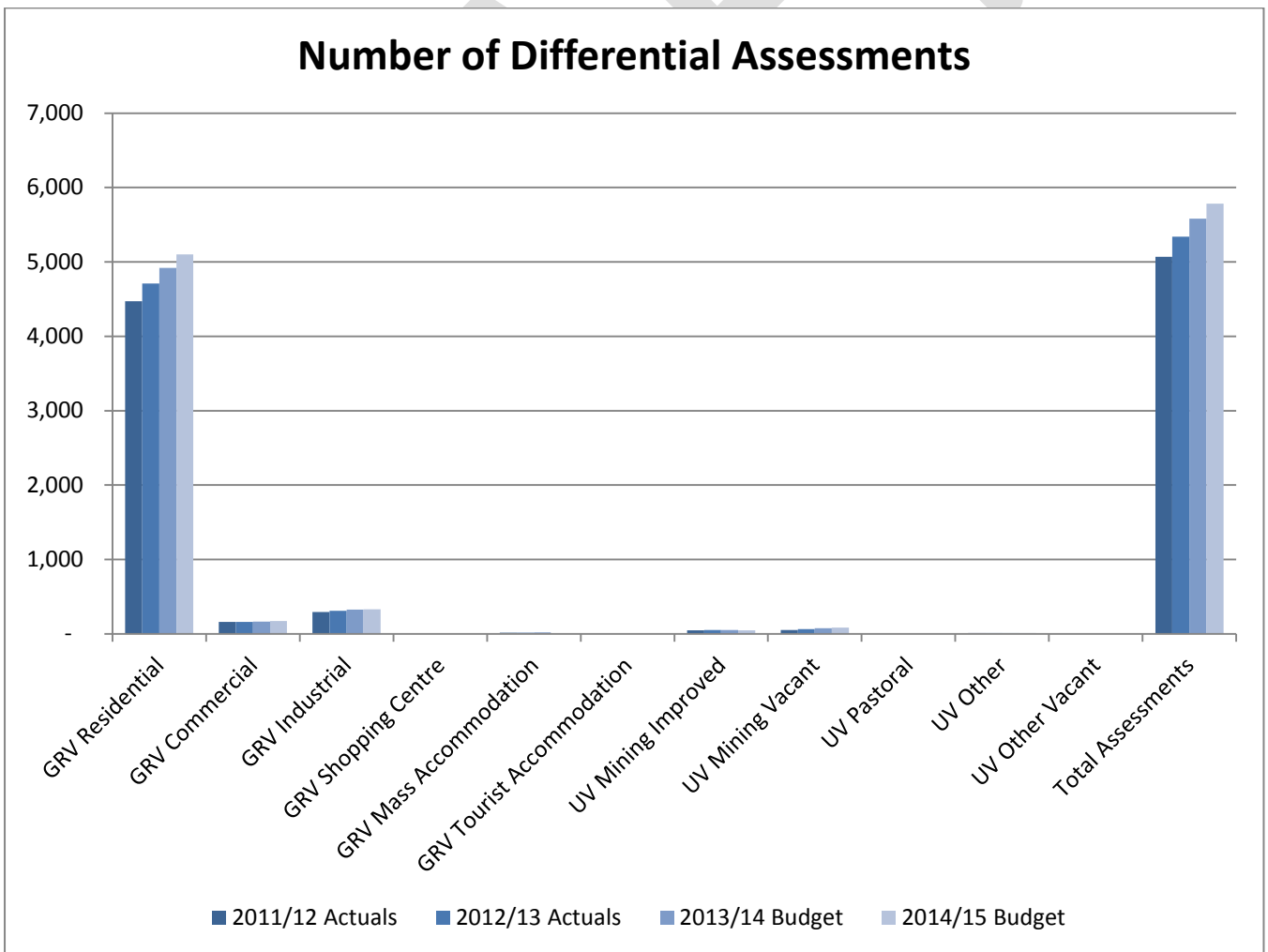


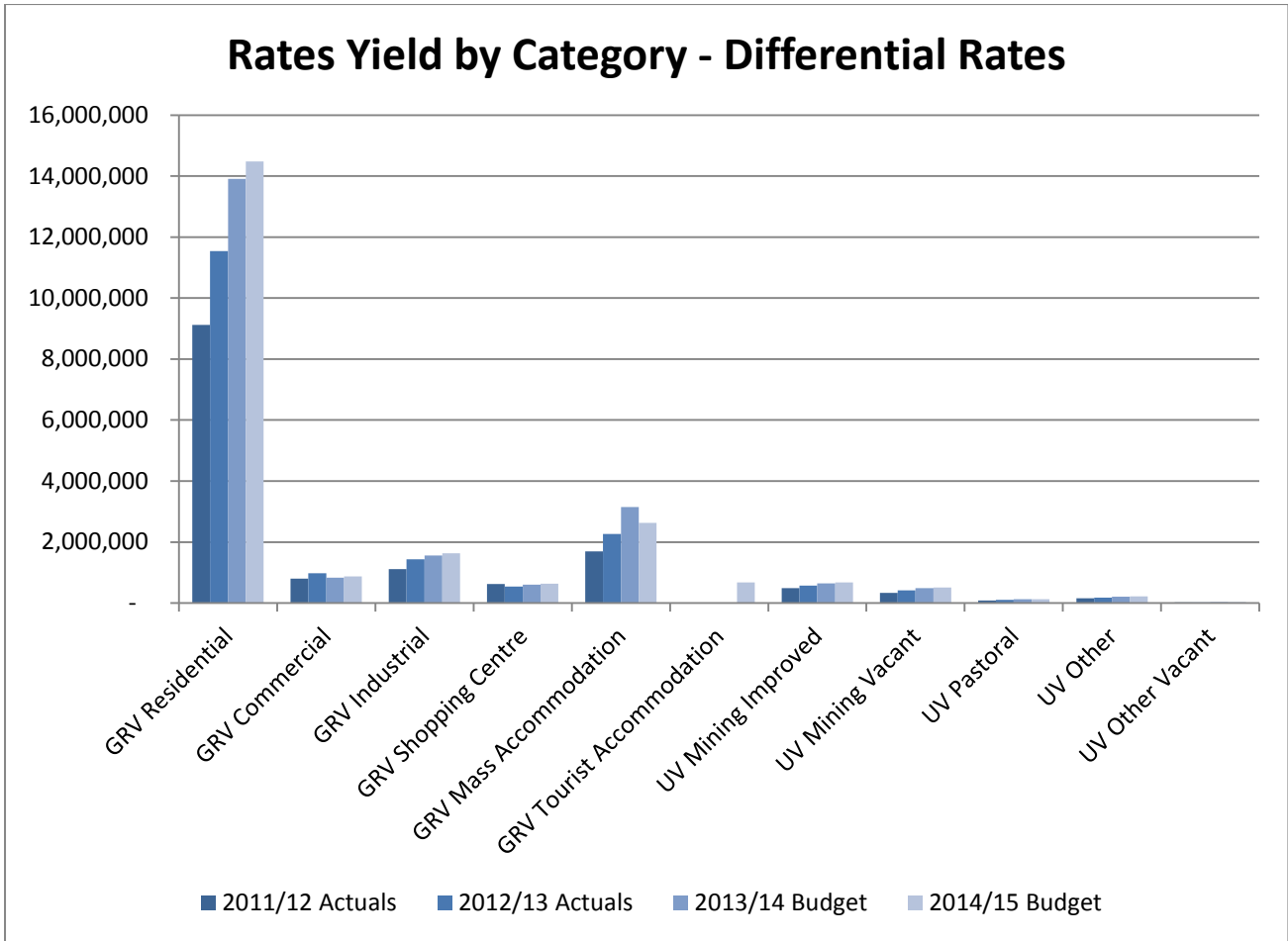
DIFFERENTIAL RATES

A differential rate occurs when categories of property within the UV or GRV land valuation methods are rated differently. The imposition of differential rates represents a policy decision of the Town to redistribute the rates burden in its local government area by imposing a higher rate on some ratepayers by comparison to others. In doing so, the Town gives consideration to the principles of objectivity; fairness; consistency; transparency; and administrative efficiency. The Town will also give appropriate bearing to the capacity of particular categories of ratepayers to pay. The objects and reasons for each of the differential rates categories are set out in Appendix B of this document.

As property rates are a form of value or wealth tax, it is not possible to ensure equity between individual property owners, since not all properties will be assessed at the same value. Therefore our objective is to endeavour to ensure that each rating category bears its fair and reasonable share of the cost of providing local government services.

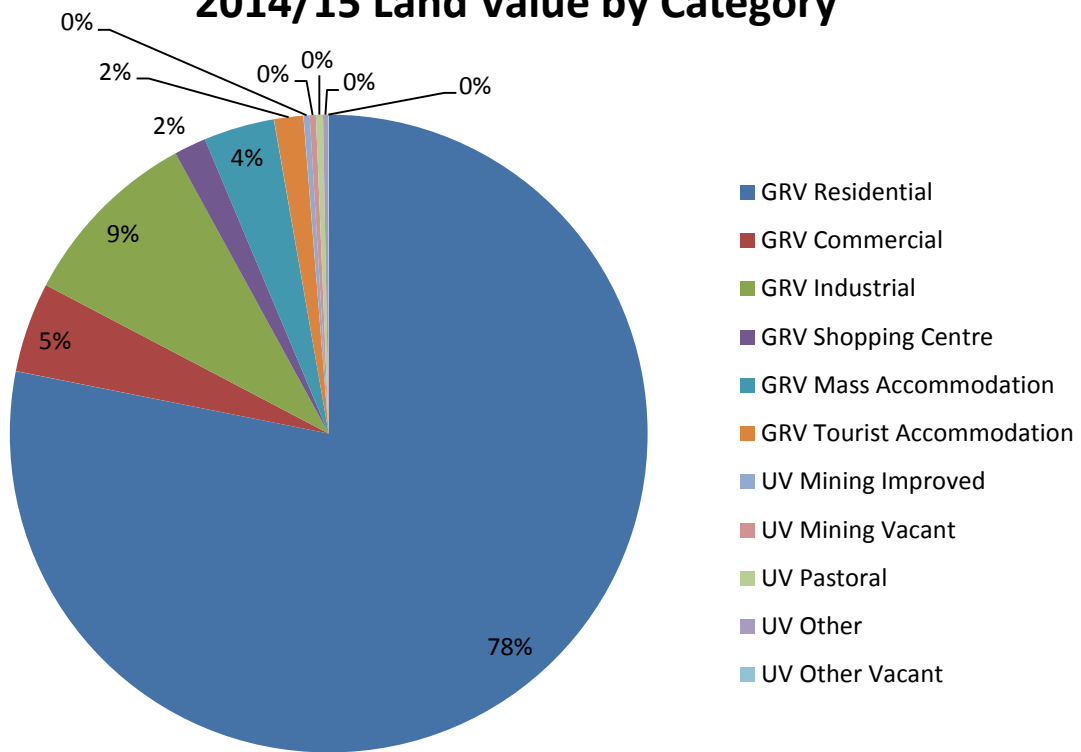
Typically, the number of properties subject to differential rates represent between 82% to 86% of total rateable properties. Those properties generate between 93% to 95% of the total rates yield each year.



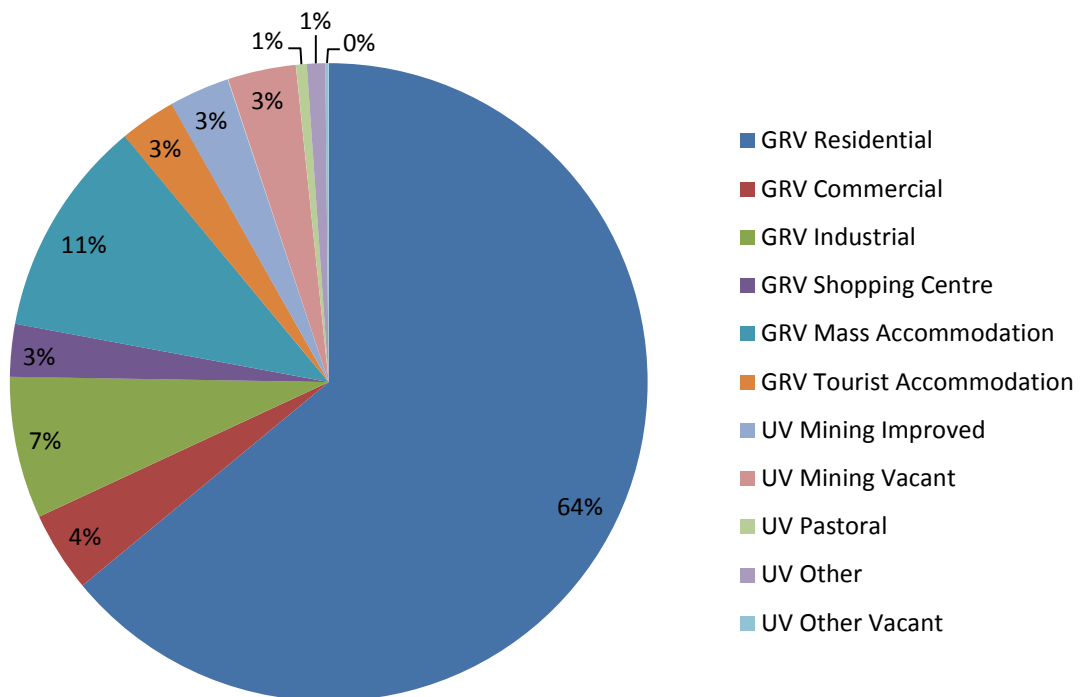


The two pie charts set out on the following page provide a graphical representation of the composition of land values across categories, and the proportion of total rates yield generated by each category. This demonstrates that the contribution to total rates yield for each category is largely consistent with the proportion of land value represented by each category.

2014/15 Land Value by Category



2014/15 Yield by Category



APPROVAL OF THE RATING STRUCTURE

The current framework for rates at the Town of Port Hedland necessitates the Town to seek Ministerial approval each year, prior to the making of the rates. Approval is necessary for two reasons, the first being because more than 50% of rateable properties within the UV Mining Vacant and UV Other Vacant categories fall into the Minimum Rate, and the Town's Minimum Rate is greater than the prescribed amount of \$200. With Ministerial approval, this is a permissible rating structure, since both UV Mining Vacant and UV Other Vacant are subject to a differential rate on the basis that the land is vacant.

Secondly, the Town's highest Differential Rates in both UV and GRV (UV Mining Improved and GRV Mass Accommodation) are more than twice its lowest Differential Rate (respectively UV Pastoral and GRV Residential).

LONG TERM FINANCIAL PLANNING

Our forecast financial planning will be based on annual yield increases of 4% on top of prior year yield. Of the 4% increase in yield, 2.5% will be absorbed within general purpose revenue, and 1.5% dedicated wholly to Asset Management Initiatives.

The Draft Rating Strategy, and the Long Term Financial Plan which it informs, were both prepared on the basis of a 5% increase in rate yield per annum – 3.5% for general purpose, and 1.5% specific purpose for Asset Management Initiatives. In light of feedback from ratepayers, Elected Members, and in consideration of current economic conditions, the annual rate yield increase as set out in the Rating Strategy has been reduced to 4%. The future year budgets and LTFP will be amended at the next review point to include a 4% pricing path.

Annual increases will be based on the prior year's estimated yield, plus any interim rates levied across the course of that year. This means that should a property change in status from rateable to non-rateable, the rates revenue lost as a result will be recouped across the balance of rateable assessments, either within that category or more broadly distributed. In pursuing this strategy, the Town recognises the importance of generating a stable rate yield year on year in helping to achieve long term financial stability.

The Town has historically derived revenue from the levying of interim rates across the course of a financial year. Given the degree of uncertainty surrounding interim rates, and the budgetary impact of failing to achieve estimated amounts of interim rates yields, the Town's policy is not to budget for any interim levies. Any material variances achieved from Interim's will be recognised and reported to Council through the Quarterly Budget Review process. The income realised from interim rates will form part of the base amount for calculating the proposed yield to be generated from rates in the next financial year. To illustrate:

Year 1 Budget Yield	Year 1 Actual Interims	Total Year 1	Proposed Increase Year 2	Year 2 Budget Yield
\$20,000,000	\$500,000	\$20,500,000	4%	\$21,320,000

However, the Town's LTFP does include population growth projections and their associated impact on rates yield for the outlying years beyond the 4 year budget. This gives an indication of our best estimates of what the total rate yield will be, following the philosophy with respect to interims as set out above. It is important

that interims form part of the base for the following years' calculations, as population growth necessarily has an impact on the Towns operating costs.

PROPOSED RATES YIELD PATH

The Town's rating strategy of taking the prior year's estimated yield, plus any interim rates levied across the course of that year and adding a total of 4% (2.5% general purpose; 1.5% asset management) will generate the following yields:

\$'000	14/15 Budget	15/16 Budget	16/17 Budget	17/18 Budget	18/19 Budget	19/20 Budget	20/21 Budget	21/22 Budget	22/23 Budget	23/24 Budget
Projected Yield	23,799	24,751	25,741	26,771	27,842	28,955	30,114	31,318	32,571	33,874
Annual Increase @ 4%	was 5% 2014/15	952	990	1,030	1,071	1,114	1,158	1,205	1,253	1,303
Allocation to Asset Mgmt	338	695	1,066	1,452	1,854	2,272	2,706	3,158	3,627	4,116

Note that the Transfer to Asset Management is cumulative, ie the annual transfer will be the 1.5% from prior years, plus the current years' 1.5%.

ALTERNATIVE SCENARIOS

NEW MAJOR PROJECTS AND INITIATIVES

It is the Town's intention to provide a stable rating price path for the community, and a stable revenue stream for the Town, based on 4% per annum increases in yield. The Town's strategy is formulated using the best available information at this point in time. Into the future, the Town may consider major projects or initiatives that have the potential to expand the Town's operating base, placing increased pressure on Rates. Major projects need to be properly assessed with due regard given to the impact on the Town's LTFP. Where an increased burden on rates is demonstrated, the Town is committed to undertaking adequate community consultation, and obtaining evidence of substantial community support for an increase in rates in order to achieve the delivery of that particular major project or new initiative.

For illustrative purposes, the Town, at the community's behest considers the development of a new Community Centre at \$5 million construction, with an estimated \$250,000 per annum of net operating expenditure for the new facility, commencing 2019/20. The Town proposes to loan fund the Community Centre, requiring an additional \$415,000 per annum for loan repayments. The projected yield for 2019/20 assuming a 4% increase will be \$28,955,000. As the Town will be incurring a further \$665,000 of expenditure (\$250,000 operations + \$415,000 loan servicing), a one-off rate increase beyond the adopted 4% would be required.

2018/19 Rates Yield	\$27,842,000
4% increase as per Strategy	\$1,071,000
Additional increase to fund new project	\$665,000
2019/20 Rates Yield Required	\$29,578,000

As the additional revenue to fund the increased expenditure now forms part of the rates base, the 2020/21 rates increase would revert back to the adopted strategy of 4%. At the time that the associated loan matured, the Town would need to consider the potential for a one-off rates “reduction” to return the \$415,000 back to the community.

Prior to committing to the project, the Town would need to test levels of community support for the proposal including the impact on rates.

SPECIFIED AREA RATES

Local government may impose a separate additional rate over a specified area to fund a service or facility which benefits the ratepayers and residents of that specified area. This provision is increasingly being used by councils to fund maintenance of landscaping and canals within new subdivision estates, sewerage, fire breaks, security, drainage, CBD marketing and the construction of jetties.

As the Town works towards the Pilbara Cities vision, we are actively working in partnership with developers to encourage higher quality subdivisions. Where subdivisions are developed to a higher specification than our minimum requirements, for example by providing additional public open space or canal style waterfront development, the Town subsequently inherits assets that necessarily require a higher than typical level of service. In such circumstances, the Town could seek to impose a specified area rate for the purpose of meeting the cost of the provision of specific works, services or facilities.

VALUATIONS

In Western Australia land is valued by Landgate Valuation Services (of the WA Valuer General's Officer) and those values are forwarded to each Local Government for rating purposes.

Two types of values are calculated - Gross Rental Value (GRV) which generally applies for urban areas; and Unimproved Value (UV) which generally applies for rural land. GRV general valuations are currently carried out on a triennial basis in the Perth metropolitan area and every 3-5 years in country areas of the State. UV's are determined annually.

The date of valuation in relation to a general valuation is fixed by the Valuer General. Values are then determined relative to sales and rentals that are negotiated in the marketplace at or close to the date of valuation, which is set at 1 August each year. The date of valuation is not the same as the date that the GRV or UV comes into force. The date in force is the date from which the values must be used by the rating and taxing authority. For GRV's it is 1 July each year whereas for UV's it is 30 June.

Town of Port Hedland is included in Landgate's General Valuation program for 2014/15 with new valuations coming into effect on 1 July 2015.

GRV 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 was liable for all rates, taxes and other charges thereon and the insurance and other outgoings necessary to maintain the value of the land. The GRV normally

represents the annual equivalent of a fair weekly rental. For instance a GRV of \$52,000 represents a weekly rental of \$1,000.

Given the strong nexus between GRV and rental, property owners and the Town are exposed to the potential for large variations in land values from one valuation cycle to the next (97% change in total rateable land value between 2011/12 and 2014/15). It is very important for both ratepayers and Council to recognise that changes in land values do not automatically drive changes to rates englobo. In seeking to achieve a stable rates revenue path for the term of its LTFP, the Town will amend its rates-in-the-dollar, and review the relative rates burden placed on each category, to ensure that it achieves its strategy of prior year rates estimates plus interims plus 4%.

To illustrate, if all other things remain equal:

	Year 1	Year 2	Year 3
Desired Rates Yield	20,000,000	20,800,000	21,632,000
Land Value	100,000,000	120,000,000	95,000,000
Rate in the Dollar	0.200	0.173	0.228

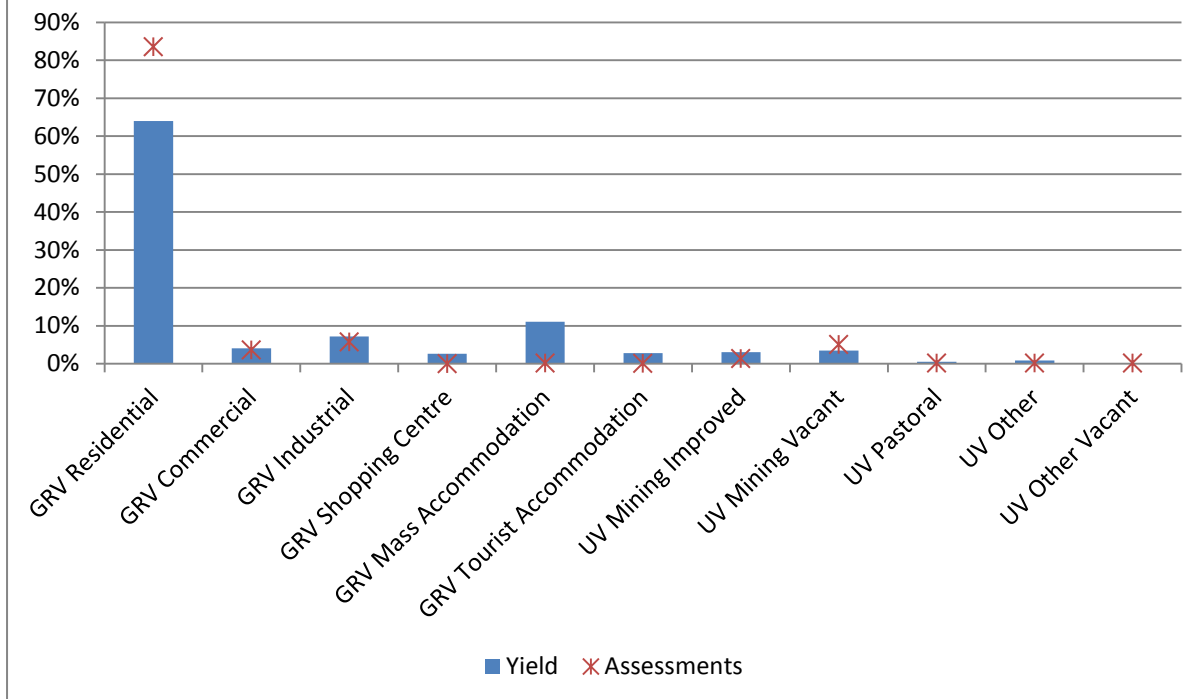
As demonstrated above, the relevant rate in the dollar is adjusted such that the yield remains unaffected. This is because it is levels of service and infrastructure provided by the Town in response to community expectations that determines the amount of rates revenue required to be generated, as opposed to the value of land at any point in time. To allow total rates yield to fluctuate in proportion with land values would expose the community and the Town to significant variations in both service provision and rates bills on a yearly basis, and compromise the long term financial sustainability of the Town.

Similarly, the Town’s strategy in relation to properties that revert from rateable to non-rateable is focussed on maintaining the total desired rates yield. This means that where a property falls out of the rate base during the course of a financial year, or effective from the start of the following financial year, that “lost” rates revenue will be redistributed across the balance of the assessments within the category from which the loss arose. An example of this would be where the Crown grants a lease to a third party for the operation of a mass accommodation facility. Once the lease expires, the land reverts to the Crown, and is no longer rateable. This lost revenue would be redistributed across the balance of assessments within the mass accommodation category.

In pursuing this strategy, the Town will assess the burden that the redistribution places on remaining assessments within the affected category, and determine whether a broader distribution method (eg across all assessments) is a more equitable outcome.

Clearly the highest risk to the Town is those categories with higher average rates, that is, categories that contribute a high percentage of rate yield in comparison to the percentage of assessments in that category. Further exacerbating the risk is the fact that a number of these properties are rateable only because they have been leased by Government to third parties.

Yield vs Number of Assessments



RATING IMPROVEMENT PLANS

The Town is committed to achieving best practice in relation to its implementation and administration of Rates. To that end, a number of key focus areas for improvements have been identified, and are set out below:

2014/15

- Review of the number and type of rating categories
 - Including whether GRV Shopping Centre remains as stand-alone category or part of a broader Commercial rate category
- Review Statement of Objects and Reasons for Differential Rates to provide very clear definitions of the Differential General Rate categories,
 - Particular emphasis on GRV Mass Accommodation and GRV Tourist Accommodation
- Review of the rating categorisation for each individual assessment
 - Focus on UV Other, UV Other Vacant
- Review of the yield to be derived from each category
 - Particular emphasis on Differential General Rate and Minimum Rate for UV Mining Improved and UV Mining Vacant
- Implementation of a revised Rates Incentive program
- New GRV valuations to be undertaken effective for rates levy from 1 July 2015
- Undertake an audit of properties to ensure all rateable properties are captured
 - Emphasis on Industrial and Commercial

- Rating of mining related land
 - Identify all assessments covered by State Agreement Acts
 - Compare current UV (as per State Agreement Act) with otherwise calculated UV (as per Valuation of Land Act) to determine foregone rate revenue attributable to State Agreement Act
 - Review GRV spot rating for onsite infrastructure

2015/16

- Review of the rating categorisation for each individual assessment
 - Remaining categories
- Review of the yield to be derived from each category
- Undertake an audit of properties to ensure all rateable properties are captured

2016/17

- Review of the yield to be derived from each category
- Undertake an audit of properties to ensure all rateable properties are captured

BENCHMARKING

A limited comparison of the Town's GRV rating structure compared to other local governments in the region has been undertaken. However, the rating structure of each local government is a reflection of their individual circumstances, including policy decisions, community aspirations, mix of properties, and service and infrastructure levels. As such, without delving into each these aspects, a comparison of rates with other local government entities will only be of limited value.

LGA*	Category	2013/14 Rate in Dollar	2013/14 Minimum Rate
Shire of Ashburton	GRV Residential	3.6637	550
	GRV Tourism	4.5788	550
	GRV Industrial	4.5788	550
	GRV Commercial/Industrial	4.5788	550
	GRV Community Groups General	3.6637	550
	GRV Other	4.5788	550
Shire of Broome	GRV Residential	8.0653	1,131
	GRV Residential Vacant	14.7494	1,131
	GRV Commercial	9.3794	1,131
	GRV Tourism	11.7902	1,131
Shire of East Pilbara	GRV Industrial	1.6516	650
	GRV Transient Workforce	3.1729	650
	GRV Town Centre	3.9931	650
	GRV Town Centre - Nullagine	7.1047	400
	GRV Other	1.7169	650
Shire of Roebourne	GRV Residential	2.7223	1,300
	GRV Commercial/Tourism/Town	5.3450	1,300

	GRV Strategic Industry	9.7030	1,300
	GRV Transient Workforce	11.0890	1,300
Town of Port Hedland	GRV Residential	3.3507	1,165
	GRV Commercial	3.3847	1,165
	GRV Industrial	3.3507	1,165
	GRV Mass Accommodation	9.9212	1,165
	GRV Shopping Centre	6.9496	1,165
Statewide	GRV Highest	38.1100	1,660
	GRV Lowest		150
	GRV Average	7.9412	768

*Source: *West Australian Local Government Rates Comparison 2013/14 Rate Year, UHY Haines Norton*

CONCLUSION

The Rating Strategy has been formulated to provide insight into the legislative framework surrounding rates in WA local government; the existing rating structure imposed by the Town of Port Hedland; and the Town's strategy with regard to future rate movements. The key objective is to levy rates so as to provide a stable price path for the community, and certainty around the Town's primary revenue source in a fair and equitable manner, having due regard to objectivity; consistency; transparency; and administrative efficiency.

APPENDIX A 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; and
 - b. may impose* on rateable land within its district –
 - i. a specified area rate; or
 - ii. a minimum payment; and
 - c. may impose* a service charge on land within its district.
- (2) Where a local government resolves to impose a rate it is required to –
 - a. set a rate which is expressed as a rate in the dollar of the gross rental value of rateable land within its district to be rated on gross rental value; and
 - b. set a rate which is expressed as a rate in the dollar of the unimproved value of rateable land within its district to be rated on unimproved value.
- (3) A local government –
 - a. may, at any time after the imposition of rates in a financial year, in an emergency, impose* a supplementary general rate or specified area rate for the unexpired portion of the current financial year; and
 - b. is to, after a court or the State Administrative Tribunal has quashed a general valuation, rate or service charge, impose* a new general rate, specified area rate or service charge.
- (4) Where a court or the State Administrative Tribunal has quashed a general valuation the quashing does not render invalid a rate imposed on the basis of the quashed valuation in respect of any financial year prior to the financial year in which the proceedings which resulted in that quashing were commenced.

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.

SPECIFIED AREA RATES

- (1) A local government may impose a specified area rate on rateable land within a portion of its district for the purpose of meeting the cost of the provision by it of a specific work, service or facility if the local government considers that the ratepayers or residents within that area —
 - a. have benefited or will benefit from; or
 - b. have access to or will have access to; or
 - c. have contributed or will contribute to the need for,that work, service or facility.
- (2) A local government is required to —
 - a. use the money from a specified area rate for the purpose for which the rate is imposed in the financial year in which the rate is imposed; or
 - b. to place it in a reserve account established under section 6.11 for that purpose.
- (3) Where money has been placed in a reserve account under subsection (2)(b), the local government is not to —
 - a. change the purpose of the reserve account; or
 - b. use the money in the reserve account for a purpose other than the service for which the specified area rate was imposed,and section 6.11(2), (3) and (4) do not apply to such a reserve account.
- (4) A local government may only use the money raised from a specified area rate —
 - a. to meet the cost of providing the specific work, service or facility for which the rate was imposed; or
 - b. to repay money borrowed for anything referred to in paragraph (a) and interest on that money.
- (5) If a local government receives more money than it requires from a specified area rate on any land or if the money received from the rate is no longer required for the work, service or facility the local government —
 - a. may, and if so requested by the owner of the land is required to, make a refund to that owner which is proportionate to the contributions received by the local government; or

- b. is required to allow a credit of an amount proportionate to the contribution received by the local government in relation to the land on which the rate was imposed against future liabilities for rates or service charges in respect of that land.

(6) Where —

- a. before the coming into operation of the Local Government Amendment Act 2012 Part 2 Division 5, a specified area rate was imposed, or purportedly imposed, under this section by a local government for the purpose of the provision of underground electricity; and
- b. the underground electricity was not, or will not, be provided, or not wholly provided, by the local government,

the rate is, and is taken always to have been, as validly imposed under this section as it would have been if, at the time of the imposition of the rate, the local government were to provide the underground electricity.

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APPENDIX B OBJECTS AND REASONS FOR 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. The residential rate in the dollar of GRV is relatively low to offset the comparatively high gross rental values in Port Hedland.

GRV COMMERCIAL

The commercial category covers the town centre, commercial business precincts, tourism, mixed business and the airport. The commercial rate in the dollar of GRV is similar to the GRV residential rate.

GRV INDUSTRIAL

The industrial category covers the Wedgefield Industrial Estate and light industry. The proposed industrial rate in the dollar of GRV is comparative to the residential GRV rate and commercial GRV rate.

GRV SHOPPING CENTRE

This rating category applies to two rateable assessments being the shopping centre complexes in Port and South Hedland.

The positive differential rate for these properties is in order to fund the additional costs of servicing these types of properties. The shopping centres generate high volumes of pedestrian and traffic movements, resulting increased road and streetscape maintenance requirements, additional onsite parking needs and the requirement to install additional traffic treatments. The Town is also required to provide additional litter collection services to these areas.

GRV EX GRATIA

There are currently no rateable properties under this rate category. This category often refers to arrangements with Co-operative Bulk Handling Limited or land leased from the Crown or a statutory authority and the company has agreed in writing to make a contribution to the local government.

GRV MASS ACCOMMODATION

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

The Mass Accommodation category was established in 2010/11 to include all properties exceeding 80sqm within the district boundaries, approved and predominantly used for the following activities, as identified in Town Planning Scheme No. 5; Holiday Accommodation, Hotel, Lodge, Motel, Transient Workforce Accommodation, Tourist Development and Tourism Resort. T11% of the total rate yield is generated from mass accommodation rates. The Town has utilised statistics from the 2011 ABS census which indicate that 22% of the Town's population resides in Hotels, Motels, Bed and Breakfast accommodation and staff quarter's accommodation. A factor of 50% has been applied for mass accommodation facilities. It is not unreasonable to expect that this percentage should be reflected within the rates revenue generated.

Patrons and employees of these facilities are consumers of municipal services but unless they are property owners within the Town, are not contributing to the costs of services used by them in the Town of Port Hedland.

GRV TOURIST ACCOMMODATION

This rating category covers hotels and motels that provide large scale accommodation for visitors to the Town of Port Hedland. These properties were previously rated under Mass Accommodation in 2013/14 and this new category has been established for 2014/15. The positive differential rate reflects the higher servicing costs in road maintenance, streetscape, traffic treatments, litter control, and provision of public open space and amenities. The Town invests heavily in Tourism and Area Promotion (approximately \$500,000 per annum), and properties falling within this rating category are significant beneficiaries of that investment.

UV MINING IMPROVED

This rating category covers mining leases that have improvements on the land. All of these mining leases are located in the vicinity of Port Hedland. The mining rate in the dollar of UV is comparatively high to offset the relatively low property valuations (mining leases may be subject to the State Agreement Act) in this rating category. The higher differential rates for UV Mining Improved are reflective of the additional costs incurred by the Town. The mining activity causes higher road infrastructure maintenance costs to Council as a result of frequent heavy vehicle use on Town of Port Hedland roads. The Town has significantly increased its investment into roads infrastructure for 2014/15, driven largely by the impact of mining related vehicle movements.

UV MINING VACANT

This rating category covers all other mining tenements including exploration, prospecting and general purpose leases. The mining vacant rate in the dollar of UV is comparatively high to offset the relatively low property valuations in this rating category. The higher differential rates for UV Mining Vacant are reflective of the additional costs incurred by the Town. The mining activity causes higher road infrastructure maintenance costs to Council as a result of frequent heavy vehicle use on Town of Port Hedland roads. The Town has significantly increased its investment into roads infrastructure for 2014/15, driven largely by the impact of mining related vehicle movements.

UV PASTORAL

This rating category applies to all pastoral leases that have been granted under the repealed *Land Act 1933* and expire on 30 June 2015. Renewal of pastoral leases is administered by the Department of Lands. The rate in the dollar of UV is comparatively low to offset the relatively high property valuations in this rating category.

UV OTHER

This rating category applies to crown leases which are assessed as rural. The rate in the dollar of UV is comparatively low to offset the relatively high property valuations in this rating category.

UV OTHER VACANT

This rating category applies to all other vacant land in the non-urban area that is not used for pastoral, mining or rural purposes. The positive differential compared to the UV Pastoral base rate is in part due to the higher relative valuations for pastoral properties. This rating category applies to nine rateable assessments, eight of which receive the minimum payment. All properties are owned by mining companies, and whilst not directly subject to a mining tenement, play an important role in supporting the mining activities undertaken in the Town boundaries, and thus impose a burden on the Town comparable with UV Mining/UV Mining Vacant.

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