

## Objects of and Reasons for Proposed Differential Rates and Minimum Payments for the 2019-20 Financial Year

### Overall Objective

The purpose of levying rates is to meet a local governments' budget deficiency in each financial year in order to deliver services and facilities as detailed in the Strategic Community Plan and Corporate Business Plan.

The Shire of Murchison is in a unique position of being the only shire without a town, therefore having no residential, commercial or industrial rate base to draw upon. It does, however, have an important responsibility for the maintenance of a vast network of inland roads, as well as providing support for travellers and locals through the provision of fuel services, a caravan park, recreational services, power, water and an aerodrome.

Historically, the Shire of Murchison has imposed differential rates on the basis of whether land is used for pastoral purposes, mineral exploration or mining, as it considers that this is more equitable than a flat rate, drawing more revenue from those enterprises that may cause degeneration of infrastructure through higher use.

### Reasons

Council is satisfied that the services and facilities it provides are managed efficiently and effectively and that it is appropriate to rate differentially in order to meet the budget deficiency.

As part of its drive to ensure efficiency and transparency within the organisation, Council recently completed its review of the 2019-20 budget to ensure income and expenditure targets will be met for the 2019-20 year. Also, it recently reviewed the appropriateness and effectiveness of its risk management, internal control and legislative compliance as required under Local Government (Audit) Regulations 1996 and reviews the appropriateness and effectiveness of the financial management systems and procedures of the Shire as per regulation 5 (2) (c) of the Local Government (Financial Management) Regulations 1996.

For consistency, Council has ensured that properties that are used for the same purpose are rated in the same way and has considered the rates charged by neighbouring councils in its deliberations. The rates in the \$ for both Pastoral UV and Exploration UV are currently well below that of most surrounding Shires and it is proposed to increase them at a higher rate this year than Mining UV.

It should be noted that the proportion of total rates paid by each sector has not varied significantly from 2018-19.

| Rating category    | Budget 2018-19 | % of total | Budget 2019-20 | % of total |
|--------------------|----------------|------------|----------------|------------|
| Pastoral UV        | 50,426         | 11.3       | 50,016         | 10.8       |
| Mining UV          | 342,077        | 82.0       | 380,960        | 82.1       |
| Exploration        | 28,020         | 6.8        | 33,068         | 7.1        |
| Total rates budget | 420,523        | 100        | 464,044        | 100        |

The Shire of Murchison's reasons for differentially rating according to land use are shown below:

### **UV – Pastoral**

Pastoral UV applies to any land that currently has a pastoral lease granted. While recognising reduced viability caused by many years of droughts and floods and the devastation caused by the wild dog problem this category is rated to reflect the infrastructure maintenance cost to the Council as well as increased operational costs to address issues such as vermin control, fire mitigation and enhanced accessibility to pastoral properties. It also recognises the long-term commitment of pastoralists to the region and their stewardship of Crown Land. Further, an annual biosecurity rate is linked to the valuations provided by the Valuer General. This biosecurity rate is payable by the pastoral sector only, even though the mining/exploration sectors pose a significant biosecurity risk.

**UV – Mining**

Mining UV applies to land for which a mining lease has been granted. The mining sector tends to be transitory in nature and benefits from established Shire services and infrastructure which is maintained in the long term by those rate payers who are established long term in the region. The purpose of setting the UV - Mining rate at a higher level than the benchmark UV – Pastoral is to ensure that the mining sector's contribution towards the maintenance of that infrastructure is proportionate to the advantage it gains.

**UV – Exploration/Prospecting**

Exploration/Prospecting UV applies to land for which an exploration/prospecting lease has been granted. As with the UV – Mining sector, the UV - Exploration/Prospecting sector tends to be transitory and the category has been rated to reflect that exploration lease holders are significant beneficiaries of established Shire services and infrastructure and is also in recognition of the future benefits that accrue to exploration lease holders though they contribute very little or no enterprise to the community.