



SHIRE OF DENMARK

Where the Forest meets the Sea – South Coast - Western Australia

DIFFERENTIAL RATING IN THE SHIRE OF DENMARK and STATEMENT OF OBJECTS AND REASONS

2013/2014

The Shire of Denmark provides services to a diverse region consisting of many different land zones and uses. In order to reflect this diversity and ensure that rating levels are fair and equitable, Council has amended its method of rating by introducing an expanded differential rating system for all properties within the Shire.

The Differential Rating System [“the rating system”], prepared in accordance with Section 6.35 of the Local Government Act 1995, imposes different rating charges for different types of properties to ensure the Shire of Denmark is able to provide various facilities, services and infrastructure to electors, residents and property owners.

The rating system was initially designed on a revenue neutral basis, in that total rating revenue was not increased before setting the relative level of the differential general rate categories, which are presented later in the document. Finally, adjustments were made to reflect movements in valuations and to increase total rating revenue by 4.98%, in the 2013/2014 Municipal Budget and financial year.

BASIS OF RATING

RATING POLICY

Rating within the Shire of Denmark is imposed as per the following Council Policy, as amended at the Special Meeting of Council on 30 July 2013:

P030101 COUNCIL RATING EQUITY POLICIES

In implementing suitable rating systems and procedures, Council seeks to observe the principles of objectivity, fairness and equity, consistency, transparency, and administrative efficiency. To achieve this:

- 1. Where the land is used predominantly for rural purposes, the Unimproved Valuation (UV) of the land will be used as the basis of rating; and,*
- 2. Where the land is used predominantly for non-rural purposes, the Gross Rental Valuation (GRV) of the land will be used as the basis of rating.*

To give effect to these broad principles the Council’s administration is required to:

- a) Ensure that rural (UV) properties, which are less than 20 hectares (both existing and those newly created through subdivision), are assessed to determine whether the use of the land parcel/s is/are “predominantly rural”. Those properties that are considered to be predominantly used for non-rural purposes are to be referred to the Minister for Local Government with sufficient information to allow a determination on the basis of rates to be made;*
- b) Advise applicants, who propose a significant non-rural development on a rural (UV) land parcel (note – this does not include housing for personal use), that*

Council will, on completion of the development, review the method of valuation for that land parcel by determining, in consultation with the landowner, the land parcel's predominant use (eg. a boutique brewery or processed food production factory on an otherwise predominantly rural produce property);

- c) *Subject to the determination of the Minister for Local Government, spot rate using the GRV on rural (UV) land parcels which are used predominantly for non-rural purposes, or assess the viability of split rating those UV land parcels which have significant non-rural activity being conducted on the land, but that non-rural activity is not the predominant use of the whole land parcel (for example a cellar door/winery that sources little of its source grapes from that same property);*
- d) *Consider seeking a change to the method of valuation of any land parcel rated UV, to GRV, immediately upon its rezoning from a rural zoning to a non-rural purpose zoning (with effect from the date of that rezoning) (for example rural to special rural); and,*
- e) *Ensure that appeal rights are made clear to affected landowners.*

The rating system complements Council Policy P030101 "Council Rating Equity Policies".

DEFINITIONS

Improved and Improved Use and Developed

Have the same meaning as "improvements" as defined by the Valuation of Land Act 1978, namely:

- *"improvements" in relation to land means the value of all works actually effected to land, whether above or below the surface, and includes fixtures, but does not include –*
 - *machinery, whether fixed to the land or not; or*
 - *any below ground works used in the extraction of minerals or petroleum.*
- *"land" means lands, tenements and hereditaments, and any improvements to land, and includes any interest in land.*

Vacant and Vacant Use

Have the same meaning as "vacant land" as defined by the Valuation of Land Act 1978, namely:

- *"vacant land" means land on which there are no improvements other than merged improvements.*
- *"merged improvements" means any works in the nature of draining, filling, excavation, grading or levelling of the land, retaining walls or other structures or works for that purpose, the removal of rocks, stone or soil, and the clearing of timber, scrub or other vegetation.*
- *"land" means lands, tenements and hereditaments, and any improvements to land, and includes any interest in land.*

Where the definitions of "Improved" and "Vacant" are amended in the Valuation of Land Act 1978, those amendments will prevail. If the Valuation of Land Act 1978 is superseded, then similar terms in the new act will prevail (in accordance with any amendments to the Local Government Act 1995).

Holiday and Holiday Use

Have the same meaning as the following definitions in the Shire of Denmark Town Planning Scheme No. 3 ["TPS3"] and its associated Policies, namely:

- *"Holiday Home (standard)" – means a single house (excluding ancillary accommodation), which may also be used for short stay accommodation for no more than six people (but does not include a bed and breakfast, guesthouse, chalet and short stay accommodation unit).*
- *"Holiday Home (large)" – means premises conforming to the definition of holiday home (standard) with the exception that the premises provide short stay accommodation for more than six people but not more than 12 at any one time.*
- *"Holiday Accommodation" – means one or more dwellings on one lot which by way of trade or business, are made available for occupation by persons other than the proprietor for holiday purposes and includes those premises known as bed and breakfast but does not include a dwelling that is used as a rental property for tenancing for residential accommodation or Holiday Home (standard) or Holiday Home (large).*
- *"Boarding House" – means a building in which provision is made for lodging or boarding more than six persons, exclusive of the family of the keeper, for hire or reward, but does not include
 - *premises the subject of a Hotel, Limited Hotel or Tavern Licence granted under the provision of the Liquor Act 1970 (as amended);*
 - *premises used as a boarding school approved under the Education Act 1928 (as amended);*
 - *a single house or grouped dwelling;*
 - *any building that is the subject of a strata title issued under the provisions of the Strata Titles Act 1985 (as amended)."**

Where the definitions shown above are amended in the TPS3, then those planning amendments will prevail in the context of implementing the rating system. Due to the recent adoption of the Local Planning Strategy, a new scheme (Local Planning Scheme No. 4) is proposed to be introduced, a process likely to take several years, with the rating system to be reviewed at that time.

Residential, Special Residential, Special Rural, Landscape Protection, Rural, Commercial, Industrial, Professional Office, Tourist

Have the same meaning as the purpose and intent of the zones in the TPS3. Where the zones are amended in the TPS3, or where the TPS3 is superseded, then this document will be reviewed, and the new zones will be used to amend the rating system.

Where the land parcel is designated more than one zone, as shown in the Scheme Maps to the TPS3, then the predominant use of the land parcel will be assessed by the Shire of Denmark, and, using the purpose and intent of the zones in the TPS3, the appropriate Zone will be used for the purposes of the rating system.

Local Scheme Reserve

Has the same meaning as the purpose and intent of the reserves in the TPS3. Where the reserves are amended in the TPS3, or where the TPS3 is superseded, then this document will be reviewed, and the new reserves will be used to amend the rating system.

No Zone

Where no zone is designated for a land parcel, as shown in the Scheme Maps to the TPS3, then this term applies. Where the zones are amended in the TPS3, or where the TPS3 is superseded, then this document will be reviewed, and the new zones will be used to amend the rating system.

Other Zones

Where a land parcel's zone is not provided for in the rating system, then this term applies.

Rural Use

Has the same meaning as the following definitions in the TPS3 and its associated Policies, which relate to the Rural Zone in the TPS3, namely:

- “permitted uses”
 - *One Residential Dwelling*
 - *Two Residential Dwellings (over 10ha)*
- “rural pursuit” - means the use of land for any of the purposes set out hereunder and shall include such buildings normally associated therewith:
 - *the growing of cereals or food crops except for domestic purposes*
 - *the rearing or agistment of goats, sheep, cattle, deer or beasts of burden*
 - *the stabling, agistment or training of horses*
 - *the growing of trees, plants, shrubs, or flowers for replanting in domestic, commercial or industrial gardens*
 - *the sale of produce grown solely on the lot*

but does not include the following except as approved by the Council:

- *the keeping of pigs*
- *poultry farming*
- *the processing, treatment or packing of produce*
- *the breeding, rearing or boarding of domestic pets*

Rural Use also includes the following Additional Use Classes, as listed in Table 1 – Zoning Table of the TPS3, and defined in the TPS3 Appendix I – Interpretations, where such uses have been approved by Council upon the subject land:

- *aquaculture*
- *horticulture*
- *private tree plantation*
- *kennels*

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- *cottage industry*
- *extractive industry*
- *feedlot farming*
- *home occupation*
- *market*
- *office*
- *piggery*
- *poultry farming*

Where the definition of “Permitted Uses”, “Rural Pursuit” and the Additional Use Classes listed above are amended in the TPS3, those amendments will prevail. If the TPS3 is superseded, then similar terms in the new scheme will prevail.

Non-Rural Use

All approved and, if applicable, licenced*** activity on rural land which is not listed above under the term “Rural Use” is not considered a Rural Use, for the purposes of the rating system. Due to their size, nature and relative impact on Council services, all activities listed hereunder with a hash [#] are considered to represent two non-rural uses, and 1 to 2 chalets is equal to one non-rural use, 3 to 4 chalets is equal to two non-rural uses and so on. The following table provides examples of how the number of approved and, if applicable, licenced activities are equivalent to the number of non-rural uses for the purposes of the rating system:

Activity	Number Approved/Licensed	Equivalent Number of Non-Rural Uses
Arts and Craft	1	0 – such activity will not be considered a non-rural use
Bed and Breakfast	1	1
Boarding House/Lodging House/Hotel/Motel #	1	2
Café	1	1
Cellar Door	1	1
Chalet	1 to 2	1
	3 to 4	2
	5 to 6	3
	7 to 8	4
Holiday Home Standard	1	1
Holiday Home Large #	1	2
Winery #	1	2
Restaurant #	1	2
Other uses not listed	1	Assessed on a case-by-case basis

*** the terms “approved” and “licensed” and “licenced” relate to Planning Approvals, Environmental Health Licences and Registrations, and Building Permits, from the Shire of Denmark, where applicable to the activity being undertaken

Additional Use 1

Where there is one (1) Non-Rural Use occurring on the property, as approved and, if applicable, licensed by the Shire of Denmark, then this term applies. Examples may include (subject to the TPS3): 1 cellar door; OR 1 to 2 chalets.

Additional Use 2

Where there are two (2) Non-Rural Uses occurring on the property, as approved and, if applicable, licensed by the Shire of Denmark, then this term applies. Examples may include (subject to the TPS3): 3 to 4 chalets; OR 1 Winery; OR 1 restaurant; OR 1 cellar door and 1 to 2 chalets.

Additional Use 3

Where there are three (3) Non-Rural Uses occurring on the property, as approved and, if applicable, licensed by the Shire of Denmark, then this term applies. Examples may include (subject to the TPS3): 5 to 6 chalets; OR 1 cellar door and 1 winery; OR 1 restaurant and 1 to 2 chalets.

Additional Use 4

Where there are four (4) or more Non-Rural Uses occurring on the property, as approved and, if applicable, licensed by the Shire of Denmark, then this term applies. Examples may include (subject to the TPS3): 7 to 8 chalets; OR 1 to 2 chalets and 1 cellar door and 1 winery; OR 1 restaurant and 1 cellar door and 3 to 4 chalets.

SPLIT RATING

The Local Government Act 1995 permits the Shire of Denmark to “split rate” non-rural uses on unimproved value land and effectively isolate that activity from the remainder of the property and rate that activity on a separate land parcel; one land parcel reflecting the rural use and the other land parcel reflecting the non-rural use/s. Council has elected not to implement split rating due to the cost of implementation and administration. Council has implemented the rating system described above, as a more readily understood and efficient method of ensuring fairness and equity in rating.

DIFFERENTIAL RATING

The rating system uses the following list of Differential General Rating Categories. Each category contains a number of rate codes according to zoning and use.

Category #	Category Title (including Rate Code #'s and Titles)	Rate (cents/\$ of valuation)	Minimum Payment	% Variance	Objects and Reasons
Land on Gross Rental Valuation					
1	GRV Residential Developed <i>(Improved Base)</i> <ul style="list-style-type: none"> • 11 GRV Residential Zone Improved Use • 18 GRV No Zone Improved Use • 81 GRV Local Scheme Reserve Improved Use 	9.7970	860	Base Rate for all GRV categories	Consists of properties located within an urban area, excluding lifestyle and rural zoned properties, which are used for residential purposes. Is considered by Council to be the base rate in the \$ and minimum payment by which all other GRV rated properties are assessed.
2	GRV Business/Commercial Developed <ul style="list-style-type: none"> • 56 GRV Rural Zone Production Facility Use • 57 GRV Rural Zone Caravan Park Use • 61 GRV Commercial Zone Improved Use • 63 GRV Industrial Zone Improved Use • 65 GRV Professional Office Zone Improved Use • 67 GRV Tourist Zone Improved Use • 85 GRV Local Scheme Reserve Business Use 	9.9195	1,015	Rate in \$ 1.25% Minimum 18.02% Variance to Category # 1	Consists of properties that have business activity taking place with the premium of 1.25% on the base rate in the \$ reflecting the additional cost of servicing commercial activity including CBD carparking, landscaping and other amenities, and in recognising the importance of tourism to these businesses, the development of tourist related services and infrastructure and promotion of the district to attract more visitors. The premium of 18.02% on the base minimum payment reflects the relatively low value of many commercial properties and is imposed to ensure all commercial properties pay a fair and equitable contribution to Council services, relative to other property types, and also to the investment made by Council in the local economy, described in detail above.
3	GRV Lifestyle Developed <ul style="list-style-type: none"> • 21 GRV Special Residential Zone Improved Use • 31 GRV Special Rural Zone Improved Use 	10.0419	880	Rate in \$ 2.50% Minimum 2.33% Variance to Category # 1	Consists of larger residential properties, many located on the urban fringe, but which have little or no rural activity taking place, with the premium of 2.50% on the base rate in the \$ and 2.33% on the base minimum payment reflecting additional servicing costs associated with these lower density properties including ranger services, bushfire control and road maintenance.
4	GRV Rural Developed <ul style="list-style-type: none"> • 35 GRV Landscape Protection Zone Improved Use • 51 GRV Rural Zone Improved Use • 58 GRV Rural Multiple Occupancy Zone Improved Use 	10.0419	880	Rate in \$ 2.50% Minimum 2.33% Variance to Category # 1	Consists of predominantly non-rural properties, many located on the urban fringe, with the premium of 2.50% on the base rate in the \$ and 2.33% on the base minimum payment reflecting additional servicing costs associated with these lower density properties including ranger services, bushfire control and road maintenance.

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<p>5</p>	<p>GRV Holiday Use Developed</p> <ul style="list-style-type: none"> • 13 GRV Residential Zone Holiday Use • 23 GRV Special Residential Zone Holiday Use • 33 GRV Special Rural Zone Holiday Use • 37 GRV Landscape Protection Zone Holiday Use • 53 GRV Rural Zone Holiday Use • 60 GRV Rural Multiple Occupancy Zone Holiday Use • 83 GRV Local Scheme Reserve Holiday Use 	<p>10.7767</p>	<p>945</p>	<p>Rate in \$ 10.00%</p> <p>Minimum 9.88%</p> <p>Variance to Category # 1</p>	<p>Consists of predominantly residential properties that have received permission to be used for short-term holiday accommodation purposes with the premium of 10.00% on the GRV base rate in the \$ and 9.88% on the base minimum payment reflecting the additional costs associated with holiday use properties including noise complaints handling, ranger call outs, contributions to the tourism industry, the provision of tourism infrastructure within the Shire and the promotion of the district to attract more visitors. Excludes annual registration, which is charged for as a distinct inspection and certificate issuing service.</p>
<p>6</p>	<p>GRV Residential Vacant <i>(Vacant Base)</i></p> <ul style="list-style-type: none"> • 12 GRV Residential Zone Vacant Use • 19 GRV No Zone Vacant Use • 82 GRV Local Scheme Reserve Vacant Use 	<p>14.2595</p>	<p>770</p>	<p>Rate in \$ 45.55%</p> <p>Minimum -10.47%</p> <p>Variance to Category # 1</p>	<p>Consists of properties located within an urban area, zoned residential, or no zone, or are a local scheme reserve, and are currently vacant. The differential rate in the \$ and minimum payment reflects the different method used for the valuation of vacant residential land and the need to maintain a relative contribution towards total rating income from this category and ensure all property owners are paying a fair and equitable contribution to works and services.</p>
<p>7</p>	<p>GRV Business/Commercial Vacant</p> <ul style="list-style-type: none"> • 62 GRV Commercial Zone Vacant Use • 64 GRV Industrial Zone Vacant Use • 66 GRV Professional Office Zone Vacant Use • 68 GRV Tourist Zone Vacant Use 	<p>10.8600</p>	<p>910</p>	<p>Rate in \$ -23.84%</p> <p>Minimum 18.18%</p> <p>Variance to Category # 6</p>	<p>The lesser rate in the \$, by -23.84%, compared to the GRV vacant base rate in the \$, reflects the different method used for the valuation of vacant non-residential land and the need to maintain a relative contribution towards total rating income from this category and ensure all property owners are paying a fair and equitable contribution to works and services. Consists of vacant properties that are zoned for future business activity with the premium of 18% on the GRV vacant base minimum, whilst high in percentage terms, ensures a fair and equitable contribution is made towards the cost of servicing commercial activity, including CBD carparking and amenities and investment in tourism by Council, to the benefit of these future businesses.</p>

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8	GRV Rural Vacant <ul style="list-style-type: none"> • 52 GRV Rural Zone Vacant Use • 59 GRV Rural Multiple Occupancy Zone Vacant Use 	10.8600	910	Rate in \$ -23.84% Minimum 18.18% Variance to Category # 6	The lesser rate in the \$, of -23.84%, compared to the GRV vacant base rate in the \$, reflects the different method used for the valuation of vacant non-residential land and the need to maintain a relative contribution towards total rating income from this category and ensure all property owners are paying a fair and equitable contribution to works and services. Consists of vacant properties. The premium of 18%, compared to the GRV vacant base minimum, whilst high in percentage terms, ensures a fair and equitable contribution is made towards the cost of constructing and maintaining future and existing community assets for the economic benefit of these future subdivisions.
9	GRV Lifestyle Vacant <ul style="list-style-type: none"> • 22 GRV Special Residential Zone Vacant Use • 32 GRV Special Rural Zone Vacant Use • 36 GRV Landscape Protection Zone Vacant Use 	14.6160	790	Rate in \$ 2.50% Minimum 2.60% Variance to Category # 6	Consists of larger residential properties, many located on the urban fringe, but which are currently vacant, and contain little or no rural activity, with the premium of 2.50% on the GRV Vacant base rate in the \$ and 2.60% on the GRV Vacant base minimum payment reflecting additional servicing costs associated with these lower density properties including ranger services, bushfire management and road maintenance.
Land on Unimproved Valuation					
10	UV Base <ul style="list-style-type: none"> • 40 UV Rural Zone Rural Use only • 45 UV Landscape Protection Zone Rural Use only • 70 UV Rural Multiple Occupancy Zone Rural Use only • 90 UV Other Zones Rural Use only 	0.4142	1,050	Base Rate for all UV categories	Consists of properties that are exclusively for rural use and is considered to be the base rate by which all other UV rated properties are assessed.
11	UV Additional Use 1 <ul style="list-style-type: none"> • 41 UV Rural Zone Additional Use 1 • 46 UV Landscape Protection Zone Additional Use 1 • 71 UV Rural Multiple Occupancy Zone Additional Use 1 • 91 UV Other Zones Additional Use 1 	0.4556	1,155	Rate in \$ 10% Minimum 10% Variance to Category # 10	Consists of properties that are operating the equivalent of one non-rural use with the premium of 10% on the UV base rate in the \$ and minimum payment reflecting the additional cost to Council of servicing these properties, of which the predominant non-rural use is tourism-related, which attracts greater numbers of vehicle usage on Council roads, and this premium also ensures that such commercial activities contribute to the cost of Council providing tourism-related facilities and services. The premium also recognises the lower cost of operating commercial activities on these properties, in comparison to operating such activities on GRV land.

12	<p>UV Additional Use 2</p> <ul style="list-style-type: none"> • 42 UV Rural Zone Additional Use 2 • 47 UV Landscape Protection Zone Additional Use 2 • 72 UV Rural Multiple Occupancy Zone Additional Use 2 • 92 UV Other Zones Additional Use 2 	0.4970	1,260	<p>Rate in \$ 20%</p> <p>Minimum 20%</p> <p>Variance to Category # 10</p>	<p>Consists of properties that are operating the equivalent of two non-rural uses with the premium of 20% on the UV base rate in the \$ and minimum payment reflecting the additional cost to Council of servicing these properties, of which the predominant non-rural use is tourism-related, which attracts greater numbers of vehicle usage on Council roads, and this premium also ensures that such commercial activities contribute to the cost of Council providing tourism-related facilities and services. The premium also recognises the lower cost of operating commercial activities on these properties, in comparison to operating such activities on GRV land.</p>
13	<p>UV Additional Use 3</p> <ul style="list-style-type: none"> • 43 UV Rural Zone Additional Use 3 • 48 UV Landscape Protection Zone Additional Use 3 • 73 UV Rural Multiple Occupancy Zone Additional Use 3 • 93 UV Other Zones Additional Use 3 	0.5385	1,365	<p>Rate in \$ 30%</p> <p>Minimum 30%</p> <p>Variance to Category # 10</p>	<p>Consists of properties that are operating the equivalent of three non-rural uses with the premium of 30% on the UV base rate in the \$ and minimum payment reflecting the additional cost to Council of servicing these properties, of which the predominant non-rural use is tourism-related, which attracts greater numbers of vehicle usage on Council roads, and this premium also ensures that such commercial activities contribute to the cost of Council providing tourism-related facilities and services. The premium also recognises the lower cost of operating commercial activities on these properties, in comparison to operating such activities on GRV land.</p>
14	<p>UV Additional Use 4</p> <ul style="list-style-type: none"> • 44 UV Rural Zone Additional Use 4 • 49 UV Landscape Protection Zone Additional Use 4 • 74 UV Rural Multiple Occupancy Zone Additional Use 4 • 94 UV Other Zones Additional Use 4 	0.5799	1,470	<p>Rate in \$ 40%</p> <p>Minimum 40%</p> <p>Variance to Category # 10</p>	<p>Consists of properties that are operating the equivalent of four or more non-rural uses with the premium of 40% on the UV base rate in the \$ and minimum payment reflecting the additional cost to Council of servicing these properties, of which the predominant non-rural use is tourism-related, which attracts greater numbers of vehicle usage on Council roads, and this premium also ensures that such commercial activities contribute to the cost of Council providing tourism-related facilities and services. The premium also recognises the lower cost of operating commercial activities on these properties, in comparison to operating such activities on GRV land.</p>