



SPECIAL COUNCIL MEETING

AGENDA

**NOTICE IS HEREBY GIVEN that an
Special Meeting of Council will be held
in the Council Chambers, Welcome Road, Karratha,
on Tuesday, 5 June 2018 at 5 pm
to consider the following items:**

- 2017/18 Final Forecast and Carry Forward
Budget Amendments; and**
- 2018/19 Differential Rates**

A handwritten signature in black ink, appearing to read "Chris Adams", is positioned above a horizontal line.

**CHRIS ADAMS
CHIEF EXECUTIVE OFFICER**



No responsibility whatsoever is implied or accepted by the City of Karratha for any act, omission or statement or intimation occurring during Council or Committee Meetings. The City of Karratha 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.

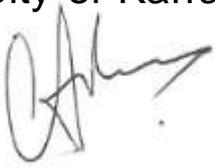
Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or Committee Meeting does so at that persons or legal entity's own risk.

In particular, and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a license, any statement or intimation of approval made by any member or Officer of the City of Karratha during the course of any meeting is not intended to be and is not taken as notice of approval from the City of Karratha.

The City of Karratha warns that anyone who has any application lodged with the City of Karratha must obtain and should only rely on

WRITTEN CONFIRMATION

of the outcome of the application, and any conditions attaching to the decision made by the City of Karratha in respect of the application.

Signed: 
Chris Adams - Chief Executive Officer

DECLARATION OF INTERESTS (NOTES FOR YOUR GUIDANCE) (updated 13 March 2000)

A member who has a **Financial Interest** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest:

- (a) In a written notice given to the Chief Executive Officer before the Meeting or;
- (b) At the Meeting, immediately before the matter is discussed.

A member, who makes a disclosure in respect to an interest, must not:

- (c) Preside at the part of the Meeting, relating to the matter or;
- (d) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the *Local Government Act 1995*.

NOTES ON FINANCIAL INTEREST (FOR YOUR GUIDANCE)

The following notes are a basic guide for Councillors when they are considering whether they have a **Financial Interest** in a matter. I intend to include these notes in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the *Local Government Act 1995* but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.
4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
 - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the *Local Government Act*; or
 - 6.2 Where the Minister allows the Councillor to participate under s5.69 (3) of the *Local Government Act*, with or without conditions.

INTERESTS AFFECTING IMPARTIALITY

DEFINITION: *An interest that would give rise to a reasonable belief that the impartiality of the person having the interest would be adversely affected, but does not include an interest as referred to in Section 5.60 of the 'Act'.*

A member who has an **Interest Affecting Impartiality** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest;

- (a) in a written notice given to the Chief Executive Officer before the Meeting; or
- (b) at the Meeting, immediately before the matter is discussed.

IMPACT OF AN IMPARTIALITY CLOSURE

There are very different outcomes resulting from disclosing an interest affecting impartiality compared to that of a financial interest. With the declaration of a financial interest, an elected member leaves the room and does not vote.

With the declaration of this new type of interest, the elected member stays in the room, participates in the debate and votes. In effect then, following disclosure of an interest affecting impartiality, the member's involvement in the Meeting continues as if no interest existed.

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AGENDA

1 OFFICIAL OPENING

Cr Long acknowledges the traditions of the Ngarluma people, on whose land we are gathered here today.

2 PUBLIC QUESTION TIME

3 RECORD OF ATTENDANCE / APOLOGIES

Councillors: Cr Peter Long [Mayor]
Cr Grant Cucel [Deputy Mayor]
Cr Garry Bailey
Cr Margaret Bertling
Cr Georgia Evans
Cr George Levissianos
Cr Pablo Miller
Cr Kelly Nunn
Cr Daniel Scott
Cr Evette Smeathers
Cr Joanne Waterstrom Muller

Staff: Chris Adams Chief Executive Officer
Phillip Trestrail Director Corporate Services
Mark Casserly Director Community Services
Ryan Hall Director Development Services
Simon Kot Director Strategic Projects & Infrastructure
Linda Phillips Minute Secretary

Apologies:

Absent:

Members of Public:

Members of Media:

4 DECLARATIONS OF INTEREST

5 CORPORATE SERVICES

5.1 2017/18 FINAL FORECAST AND CARRY FORWARD BUDGET AMENDMENTS

File No:	FM.19
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Management Accountant
Date of Report:	30 May 2018
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s)	Detailed Budget Amendments by Account

PURPOSE

For Council to consider a final review of the 2017/18 budget versus actuals, which has been completed as part of the preparation of the 2018/19 Budget. This report identifies accounts that are expected to have material or confirmed variances compared to the current budget in determining the final surplus/ (deficit) carried forward.

BACKGROUND

The budget process includes establishing if there is a budget deficit or surplus to be carried forward restricted. It is necessary to review Council's entire budget in order to forecast the projected surplus / (deficit) for the year ending 30 June 2018. The review has been completed including consideration of current commitments and carry forward capital programs that require inclusion in the 2018/19 budget.

The amendments identified below will result in the Current Budget Surplus / (Deficit) of Nil being replaced with a Proposed Estimated Carry Forward Budget Surplus of \$2,493,705. The current position is as follows:

Original Budget Surplus/ (Deficit)	\$932,532
Current Budget Surplus/ (Deficit) as per amendments to 30 April 2018	\$0
Final Forecast as a result of the 17/18 Carry Forward Amendment	\$2,581,014
Less: Restricted Balance - Pilbara Underground Power	\$1,019,841
Proposed Estimated Budget Unrestricted Surplus/ (Deficit)	\$2,493,705

A detailed list of the proposed amendments attributing to this surplus are included as an attachment to this report. A summary of the key changes follows:

Major Amendments to Revenue	Description	Amount
Revenue Increase: Financial Assistance Grant	50% of 18/19 FAG paid in advance.	(543,562)
Revenue Increase: Local Road Grant	50% of 18/19 Local Road Grant paid in advance.	(436,690)
Revenue Increase: Refunds and Reimbursements	Sholl Street Roebourne insurance proceeds.	(493,093)

Major Amendments to Revenue	Description	Amount
Revenue Reduction: Contributions – Red Earth Arts Precinct	Due to negotiation of extension of time for completion date the payment of the claims have been put on hold, anticipate receiving in 18/19	300,000
Revenue Reduction: Transfer From Infrastructure Reserve – REAP	Adjustment of transfer from reserve for Red Earth Arts Precinct due to timing of project expenditure	980,833
Revenue Reduction: Industrial/Commercial Refuse Disposal Fees	Commercial waste deliveries did not reach expectations.	259,895
Revenue Reduction: Transfer From Waste Facilities Reserve-Landfill Operations	Balance of Waste operations.	1,440,552
Revenue Reduction: Transfer From Infrastructure Reserve-Depot Improvements	Budgeted capital expenditure on depot.	1,471,698
Revenue Increase: Contributions - Effluent System Upgrades	Contribution of works carried out from LandCorp for Effluent Reuse Scheme.	(515,000)
Revenue Reduction: KTA Airport Revenue - Reimbursement Recoverables	Power usage not as high as forecast, slightly lower PAX than forecast, Jetgo not commencing 1718FY.	349,500
Revenue Reduction: Transfer From Aerodrome Reserve	Balance of Airport operations.	1,707,821
Total		\$4,521,954

Major Amendments to Expenditure	Description	Amount
Expenditure Increase: Transfer to Carry Forward Reserve	Transfer to reserve for 18/19 FAG and LRG paid in advance.	980,252
Expenditure Increase: Contribution To Bayview - Searipple Road	Contribution to Bayview - Searipple Road reallocated from ERS budget.	114,000
Expenditure Reduction: Town Street Maintenance	Program cannot be completed due to resourcing.	(101,818)
Expenditure Reduction: City Centre Gardens Maintenance	Reallocation of resources.	(100,000)
Expenditure Reduction: Footpaths Portland Crescent	Footpath construction no longer in program.	(106,000)
Expenditure Increase: Upgrade Effluent Systems	Contributions of works carried out by LandCorp, offset by savings and reallocation to Bayview-Searipple Road works.	298,000
Expenditure Increase: Wickham Community Hub Carpark	Works brought forward, deduct from 18/19 budget	178,794
Expenditure Increase: Wickham Community Hub Not For Profit Building	Works brought forward, deduct from 18/19 budget	170,000
Total		\$1,433,228

Items to be Carried Forward	Description	Amount
Admin Building Carpark Works	Anticipated expenditure early 2018/19.	5,000
Office Expenses - Community Development	SROI for Grants - Anticipated expenditure early 2018/19.	60,000
Roebourne Entry Statement	Works to be completed in 2018/19.	94,000
Economic Development Initiatives	Destination Management Plan, project to be completed in 18/19 FY.	10,500
Bulgarra Tennis Courts	Anticipated expenditure early 2018/19.	422,620
Tambrey Pavilion Building	Anticipated expenditure early 2018/19.	15,000
Karratha Leisureplex - Rio Programs	Perth Glory program being delayed into 18/19.	50,000
Karratha Leisureplex -Pilbara Sports Academy Program	Pilbara Sports Academy not run this financial year, to be carried into 18/19.	24,500
Wickham Community Hub Building	Works to be completed in 2018/19.	228,077
Wickham Community Hub Splashpad	Works to be completed in 2018/19.	13,058
Wickham Community Hub Skatescape	Works to be completed in 2018/19.	124,857
Wickham Community Hub Client Expenses	Will not be used this FY.	200
Place Branding	Anticipated expenditure mid 2018/19	120,000
International Flights Setup Costs	Delay in commencement of international and domestic services	378,000
Inter Regional Air Travel	Procurement issues associated with the delivery of the service	200,000
Class III Cell Construction	Delays to Project due to quality issues with proposed liner.	1,807,500
WM-Design & Investigation	Completion of Waste audit and report in 18/19.	33,719
Depot Masterplan Stage 3 - Admin Bldg Refurb	Changed staging of works.	244,814
Depot Masterplan Stage 3 - Solar Power System	Commencement on site was delayed.	107,892
HHBSC Marina Contribution	HHBSC delayed in finalising drilling and geotech works.	30,000
Hearsons Cove Shade Structures	Anticipated expenditure early 2018/19.	157,648
Hearsons Cove Foreshore Mgmt Plan Works	Anticipated expenditure early 2018/19.	36,541
Pt Samson Beautification - Stage 1 Capital Works	Anticipated expenditure early 2018/19.	71,367
Pt Samson Foreshore Dev. - Stage 3 Viewing Platform/Jetty	Anticipated expenditure early 2018/19.	480,000
Ngurin Centre Carpark Construction	Project to extend into 18/19.	20,000
Ngurin Centre Sewerage Installation	Project to extend into 18/19.	75,000
Red Earth Arts Precinct	Savings in various areas to be transferred for use against Welcome Park and transition from Construction to Operations in 18/19.	1,280,833

Items to be Carried Forward	Description	Amount
Karratha Airport International Terminal Compliance Works	Delays due to waiting on ABF approvals.	923,717
Karratha Airport Chiller Upgrade	Anticipated expenditure early 2018/19.	53,614
Karratha Airport La31 Hangar Project	Delays due to Aspen lease sign off.	1,263,990
Total		\$8,332,447

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of high significance in terms of Council's ability to perform its role.

COUNCILLOR/OFFICER CONSULTATION

The Executive and Managers have been involved in regular reviews of the operational and departmental budgets and notifying the Financial Services team of trends and variances arising from their operational areas.

COMMUNITY CONSULTATION

No community consultation is required.

STATUTORY IMPLICATIONS

The prescribed format is in accordance with Regulation 33A of the *Local Government (Financial Management) Regulations 1996*. Pursuant to section 6.8 of the *Local Government Act 1995* changes to budget need to be authorised in advance by resolution.

POLICY IMPLICATIONS

The City's financial reporting is prepared in accordance with Accounting Policy CF1.

FINANCIAL IMPLICATIONS

The following table is a summary of the overall amendments required to the budget as a result of the Carry Forwards and Ordinary Council Meetings for 2017/18:

	Original Budget	Current Budget	Final Forecast 2017/18	Budget Amendments
Operating Expense	(99,213,358)	(100,814,559)	(99,906,926)	907,633
Operating Revenue	122,690,878	111,452,704	112,380,546	927,842
Non Operating Expense	(90,995,915)	(90,162,566)	(83,857,432)	6,305,134
Non Operating Revenue	44,933,681	52,940,766	47,363,862	(5,576,904)
Non Cash Items Included	19,457,953	20,566,037	20,496,037	(70,000)
Restricted PUPP Surplus BFWD 16/17	4,603,608	4,672,754	4,672,754	0
Unrestricted Surplus BFWD 16/17	490,434	2,364,705	2,364,705	0
Restricted PUPP Surplus CFWD	1,034,749	1,019,841	1,019,841	0
Surplus/ (Deficit) 17/18	932,532	0	2,493,705	2,493,705

The adjustment to Non Cash Items is due to a decrease in proceeds and realisation expected on sale of plant.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2016-2026 and Corporate Business Plan 2016-2021. In particular, the Operational Plan 2017-2018 provided for this activity:

Our Programs/Services: 4.c.1.1 Management Accounting Services
 Our Projects/Actions: 4.c.1.1.1 Conduct monthly and annual financial reviews and reporting

RISK MANAGEMENT CONSIDERATIONS

There are no risk management considerations applicable.

Category	Risk level	Comments
Health	N/A	Nil
Financial	Low	Regular Budget Review, along with astute financial management backed by strong internal controls, policies and monitoring ensure risks are assessed regularly and managed appropriately.
Service Interruption	N/A	Nil
Environment	N/A	Nil
Reputation	Low	Nil
Compliance	Low	Nil

IMPACT ON CAPACITY

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

RELEVANT PRECEDENTS

Two budget reviews were conducted during the 2017/18 financial year. The budget reviews were conducted in November 2017 based on the first quarter results and in March 2018 based on the second quarter results.

VOTING REQUIREMENTS

Absolute Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That Council by ABSOLUTE Majority pursuant to Section 6.8 of the *Local Government Act 1995* and Regulation 33A of the *Local Government (Financial Administration) Regulations 1996*, RESOLVES to ADOPT the Proposed 2017/18 Budget Amendments presented in the Carry Forwards Estimated Budget with the following changes:

1. _____
2. _____

CONCLUSION

The report considers the financial position of the Council to the end of April 2018 and proposes various amendments as determined by management to ensure the budget represents the most current reflection of Council's activities for the remainder of the 2017/18 financial year.

OFFICER'S RECOMMENDATION

That Council by **ABSOLUTE** Majority pursuant to Section 6.8 of the *Local Government Act 1995* and Regulation 33A of the *Local Government (Financial Administration) Regulations 1996* **RESOLVES** to **ADOPT** the attached 2017/18 Carry Forward Estimated Budget Amendments which result in a forecast 2017/18 Unrestricted Budget Surplus of \$2,493,705 as follows:

Carry Forward Items	\$8,332,447
Adjustments to Income/Expenditure	(\$5,838,742)
Reduction in Forecast 2017/2018 Restricted Surplus Carried Forward	\$0
Forecast 2017/2018 Unrestricted Budget Surplus	\$2,493,705

Operating Income Amendments

COA	Job	Description	Current Budget	Revision	Adjustment	Carry Forward to 18/19	Final Forecast	Comment
100711		Interim Rates	\$31,246	(\$72,321)	\$0		(\$41,075)	2 x new Burrup Peninsula Pipeline land parcels becoming rateable, partially offset by loss of Birra Birra camp.
100902		PUPP Late Payment Penalty Interest	(\$77,324)	\$0	\$64,432	\$0	(\$12,892)	Transfer of prior year interest reversals from Interest on Debtors account.
102700		Financial Assistance Grant	(\$472,328)	(\$543,562)	\$0	\$0	(\$1,015,890)	50% of 18/19 FAG paid in advance.
102701		Local Road Grant	(\$407,888)	(\$436,690)	\$0	\$0	(\$844,578)	50% of 18/19 Local Road Grant paid in advance.
102714		Investment Property - The Quarter	(\$1,737,976)	\$114,151	\$0	\$0	(\$1,623,825)	Refund of surplus funds from LandCorp for blinds in The Quarter.
110800		Interest on Debtors Accounts	(\$9,000)	\$0	(\$64,432)	\$0	(\$73,432)	Transfer of prior year interest reversals to PUPP Late Payment Penalty Interest account.
210772		Refunds and Reimbursements	(\$17,000)	(\$493,093)	\$0	\$0	(\$510,093)	Sholl Street Roebourne insurance proceeds.
362110		Contributions - Red Earth Arts Precinct	(\$14,380,000)	\$300,000	\$0	\$0	(\$14,080,000)	Due to negotiation of extension of time for completion date the payment of the claims have been put on hold. Should be resolved by EOFY and new Cashflow for 18/19FY to be proposed.
362111		Red Earth Arts Precinct - Program Income	\$0	(\$88,000)	\$0	\$0	(\$88,000)	Bring in line with actuals plus \$5K per week in kiosk sales x 8 weeks, 6 movies x \$2,500.
362112		Red Earth Arts Precinct - Hire Income	\$0	(\$5,000)	\$0	\$0	(\$5,000)	Bring in line with actuals plus projected to end of financial year.
362113		Red Earth Arts Precinct - Operating Grants	\$0	(\$50,000)	\$0	\$0	(\$50,000)	Lotterywest Access and Performance Grant.
402714		Income From Recycling	(\$79,000)	(\$62,257)	\$0	\$0	(\$141,257)	Recycling of ferrous metal more than anticipated.
404713		Industrial/Commercial Refuse Disposal Fees	(\$4,840,000)	\$259,895	\$0	\$0	(\$4,580,105)	Commercial waste deliveries did not reach expectations.
404716		Contaminated Waste Disposal Fees	(\$1,980,000)	\$199,535	\$0	\$0	(\$1,780,465)	Contaminated waste deliveries did not reach expectations.
432700		Contributions - Effluent System Upgrades	\$0	(\$515,000)	\$0	\$0	(\$515,000)	To recognise contribution of works carried out from LandCorp for Effluent Reuse Scheme.
460700		Grants & Contributions-Karratha Airport	(\$67,613)	(\$73,000)	\$0	\$0	(\$140,613)	Insurance proceeds not budgeted for.
460710		KTA Airport Revenue- Aviation Revenue	(\$12,660,702)	\$165,000	\$0	\$0	(\$12,495,702)	Increase \$30K due to larger helicopters, decrease \$180K PSC Jetgo domestic not started plus slightly lower PAX than forecast, decrease \$15K carparking down Jan and Feb 18.
460712		KTA Airport Revenue - Property Rental Revenue	(\$3,609,006)	\$23,000	\$0	\$0	(\$3,586,006)	Decrease \$95K Hertz booth included in rentals (\$72K), increase \$72K to include Hertz booth.
460770		KTA Airport Revenue - Reimbursement Recoverables	(\$3,963,644)	\$349,500	\$0	\$0	(\$3,614,144)	Decrease \$70K power usage not as high as forecast, decrease \$160K Jetgo domestic not started plus slightly lower PAX than forecast, reduce by \$119,500 Jnl from ED not required as Jetgo are not commencing 1718FY.
			(\$44,270,235)	(\$927,842)	\$0	\$0	(\$45,198,077)	

Operating Expenditure Amendments

COA	Job	Description	Current Budget	Revision	Adjustment	Carry Forward to 18/19	Final Forecast	Comment
110651		Project Management Costs Allocated	(\$1,355,744)	\$51,490	\$0	\$0	(\$1,304,254)	Project Management Costs allocated reduced.
302204		Tourism Development	\$100,000	(\$70,000)	\$0	\$0	\$30,000	\$30k for Environmental Studies at East Lewis Island will not be spent this FY. \$20k for Ngarluma Highway Signage will not be spent this FY. \$10K Airport tourism signage will not be delivered this year.
310010		Office Expenses - Community Development	\$141,800	\$0	\$0	(\$60,000)	\$81,800	SROI for Grants expected to run into July with final presentation in August to Council.
350202	635020	Rio Programs	\$50,000	\$0	\$0	(\$50,000)	\$0	Programme money not spent due to the Perth Glory program being delayed into 18/19 FY. Budget to be carried into 18/19.
350202	635022	Pilbara Sports Academy Program	\$30,000	\$0	\$0	(\$24,500)	\$5,500	Pilbara Sports Academy not run this financial year, budget to be carried into 18/19.
362000		Employment Costs - REAP	\$197,026	\$90,000	\$0	\$0	\$287,026	Based on pay period ending 16/5/18 additional \$30K for next 3 pay periods.
362010		Office Expenses - REAP	\$150,000	(\$30,000)	\$0	\$0	\$120,000	Reduce budget based on actual expenditure vs projected to 30th June 2018.
370212		Place Branding	\$200,000	\$0	\$0	(\$120,000)	\$80,000	Paid media portion of 17/18 budget carried forward to 18/19 budget (est. expenditure Dec 2018). Project administration expenditure on track.
370213	637006	Economic Development Initiatives	\$422,294	\$0	\$0	(\$10,500)	\$411,794	Destination Management Plan, project to be completed in 18/19 FY.
370213	637011	International Flights Setup Costs	\$1,154,546	\$0	\$0	(\$378,000)	\$776,546	Carry forward to 18/19 due to delay in commencement of international and domestic services.
370213	637013	Inter Regional Air Travel	\$200,000	\$0	\$0	(\$200,000)	\$0	Carry forward to 18/19, procurement issues associated with the delivery of the service.
404200	640400	Refuse Site Maintenance - 7 Mile (Dom/Comm)	\$4,939,370	\$0	\$67,360	\$0	\$5,006,730	Transferred from 408001 to be used for pond drop off area works.
408001		WM-Design & Investigation	\$132,000	\$75,000	(\$67,360)	(\$33,719)	\$105,921	75K waste audit less \$33,719k carried forward to 18/19 for the completion of the waste audit & report. (\$13,658 of the carry forward amount has already been included in Aug 18. Please add an additional amount of \$20,061 to the same month). Shredder trial costs less than anticipated and consultancy costs allocated to Class III Cell capital works. \$67360 transferred to 640400 to be used for pond drop off area.
420204	642017	Contribution To Bayview - Searipple Road	\$389,000	\$0	\$114,000	\$0	\$503,000	Increase in Contribution to Bayview - Searipple Road reallocated from ERS budget 432506
420205	642006	Unsealed Rural Road Mtce	\$411,262	(\$58,586)	\$0	\$0	\$352,676	Program cannot be completed due to reduced staff resources (long term injuries). Result reduction in wages, plant, O/H.
420207	642015	Shoulder Grading Various Roads	\$647,186	(\$88,212)	\$0	\$0	\$558,974	Program cannot be completed due to reduced staff resources (long term injuries). Result reduction in wages, plant, O/H.
420208	642009	Town Street Maintenance	\$1,008,563	(\$101,818)	\$0	\$0	\$906,745	Program cannot be completed due to reduced staff resources (long term injuries). Result reduction in wages, plant, O/H.

Operating Expenditure Amendments

424200	642418	P&G - City Centre Gardens Maintenance	\$488,210	(\$100,000)	\$0	\$0	\$388,210	Reallocation of resources.
438206		HHBSC Marina Contribution	\$45,000	(\$15,000)	\$0	(\$30,000)	\$0	Carryforward \$30K and saving \$15K, HHBSC delayed in finalising drilling and geotech works.
444201	644497	Ngurin Centre Carpark Construction	\$220,000	\$0	\$0	(\$20,000)	\$200,000	Project to extend into 18/19, \$10K savings and \$10K carry forward
444201	644498	Ngurin Centre Sewerage Installation	\$130,000	\$0	\$0	(\$75,000)	\$55,000	Project to extend into 18/19.
446401		Works - Less Allocated To Works	(\$867,466)	\$98,212	\$0	\$0	(\$769,254)	Adjustment to overheads due to the reduction in overhead costs.
448020		PG - Plant Operating Costs	\$303,119	\$30,000	\$0	\$0	\$333,119	Increase to end of year in line with current trend. Attributed to increased staff levels and plant equipment utilisation.
460030	646000	Kta Airport-Terminal Building-Op Cost	\$1,105,760	\$59,000	\$0	\$0	\$1,164,760	Increase \$34K costs in cleaning contract from April 18, increase \$25K excess paid for insurance claim.
460030	646011	Karratha Terminal Building-Mtce Costs (Kta Managed)	\$112,740	\$55,000	\$0	\$0	\$167,740	Increase \$40K plumbing and A/C maintenance since Feb 18, increase \$15K parts for PA, cameras, air curtains (NI).
460031	646003	Kta Airport - Car Park & Grounds Transport Op Exp	\$380,200	(\$50,000)	\$0	\$0	\$330,200	Decrease \$10K consumables, decrease \$40K MSS contract and contingency for other contractors not used.
460031	646009	Kta Airport - Wwtp Service & Mtce	\$335,090	\$30,000	\$0	\$0	\$365,090	Increase \$50K reactive maintenance, decrease \$20K full consumables budget not required.
460031	646013	Kta Airport - Baggage Handling System Mtce	\$50,000	\$4,000	\$0	\$0	\$54,000	Increase \$4K reactive maintenance.
460031	646014	Kta Airport - Checked Baggage, Passenger Xray & Screening Equipment Mtce	\$132,300	(\$5,000)	\$0	\$0	\$127,300	Reduce \$5K consumables not required.
460032	646005	Kta Airport - Airside Mtce Exp	\$220,000	(\$24,000)	\$0	\$0	\$196,000	Reduce \$30K reseal project less than budgeted, increase \$6K consumables.
520010	654001	Land Matters	\$6,000	\$30,000	\$0	\$0	\$36,000	Addition of Dampier Land Transfer Survey Project.
			\$11,478,256	(\$19,914)	\$114,000	(\$1,001,719)	\$10,570,623	

Non-Operating Income Amendments

COA	Job	Description	Current Budget	Revision	Adjustment	Carry Forward to 18/19	Final Forecast	Comment
338855		Transfer From Infrastructure Reserve - Pavilions & Halls	(\$132,809)	(\$24,000)	\$0	\$0	(\$156,809)	Bring reserve transfer in line with March Budget Review budget in 933810 Tambrey Pavilion.
362870		Transfer From Infrastructure Reserve - REAP	(\$16,272,335)	\$980,833	\$0	\$0	(\$15,291,502)	Adjustment of transfer from reserve for Red Earth Arts Precinct due to timing of project expenditure
404858		Transfer From Waste Facilities Reserve-Landfill Operations	(\$1,749,737)	\$1,440,552	\$0	\$0	(\$309,185)	Balance of Waste operations.
410856		Transfer From Infrastructure Reserve-Depot Improvements	(\$4,983,458)	\$1,471,698	\$0	\$0	(\$3,511,760)	Bring in line with budgeted capital expenditure on depot.
460851		Transfer From Aerodrome Reserve	(\$4,894,078)	\$1,707,821	\$0	\$0	(\$3,186,257)	Balance of Airport operations.
			(\$28,032,417)	\$5,576,904	\$0	\$0	(\$22,455,513)	

Non-Operating Expenditure Amendments

COA	Job	Description	Current Budget	Revision	Adjustment	Carry Forward to 18/19	Final Forecast	Comment
102571		Transfer to Carry Forward Budget Reserve	\$0	\$980,252	\$0	\$0	\$980,252	Transfer to reserve FAG and Local Road Grant, 50% of 18/19 paid in 17/18.
110502	911006	Red Earth Arts Precinct	\$29,913,022	\$0	\$0	(\$1,280,833)	\$28,632,189	Savings in various areas to be transferred for use against Welcome Park GL and for Opex GL for transition from Construction to Operations
110506	911051	Admin Building Carpark Works	\$660,436	\$0	\$0	(\$5,000)	\$655,436	Contract garden maintenance cost to be spent in 17/18
316507	931622	Roebourne Entry Statement	\$211,600	(\$61,268)	\$0	(\$94,000)	\$56,332	Job to be completed in 2018/19. Carry forward \$94K, \$44K for signage and \$50K for kerbing, line marking and landscaping. \$61,268 savings on the project.
334506	933444	Bulgarra Tennis Courts	\$522,025	\$0	\$0	(\$422,620)	\$99,405	70% payment on completion under contract. Expected completion end of July, hence final payment in July.
338502	933810	Tambrey Pavilion - Capital - Buildings	\$156,809	\$0	\$0	(\$15,000)	\$141,809	Final payment of CCTV installation due July.
360502		Capital-Buildings-Wickham Community Hub	\$4,420,691	\$0	\$0	(\$228,077)	\$4,192,614	Changed Staging of Works to be completed from 18/19FY.
360506	936000	Wickham Community Hub Splashpad	\$800,000	\$0	\$0	(\$13,058)	\$786,942	Remainder to be c/fwd to next FY for proposed expenditure on Shade sails with the remainder of the funding to come from the overall project contingency.
360506	936001	Wickham Community Hub Skatescape	\$124,857	\$0	\$0	(\$124,857)	\$0	Changed Staging of Works to be completed in 18/19FY.
360506	936002	Wickham Community Hub Carpark	\$0	\$178,794	\$0	\$0	\$178,794	Changed Staging of Works to be reduced from 18/19FY budget
360507	936010	Wickham Community Hub Client Expenses	\$53,505	\$0	\$0	(\$200)	\$53,305	Will not be used this FY, carry forward to 18/19FY
360507	936011	Wickham Community Hub - Not For Profit Building	\$111,273	\$170,000	\$0	\$0	\$281,273	Changed Staging of Works to be reduced from 18/19FY budget
404504		Purchase - Plant-Landfill Operations	\$1,705,144	(\$71,506)	\$0	\$0	\$1,633,638	Plant procurement less than anticipated.
404506	940467	Class III Cell Construction	\$2,638,804	\$0	\$0	(\$1,807,500)	\$831,304	Delays to Project due to quality issues with proposed liner.
410502	941003	Depot Masterplan Stage 3 - Admin Bldg Refurb	\$1,176,422	(\$199,723)	(\$141,130)	(\$244,814)	\$590,755	Changes moving from GL941003 to other GL's to accurately reflect expenditure area's and \$244,814 to be c/fwd to 18/19FY due to changed staging of works.
410502	941004	Depot Masterplan Stage 3 - Admin Bldg New	\$1,897,928	(\$104,672)	\$141,130	\$0	\$1,934,386	Variations to the contract \$141,130 to be moved from GL941003. Other changes within IE codes
410506	941047	Depot Masterplan Stage 3 - Carpark Upgrade	\$468,009	\$10,569	\$0	\$0	\$478,578	Trfr to cover costs that were done that are to be paid from Contingency held in GL941003.
410506	941048	Depot Masterplan Stage 3 - Solar Power System	\$385,000	\$0	\$0	(\$107,892)	\$277,108	Due to long lead-times on Materials work commencement on site was delayed by 2 months.
426506	942652	Upgrades And Replacement Of Stormwater Structures	\$50,000	(\$50,000)	\$0	\$0	\$0	Project cancelled.
428506	945849	Footpath Lighting Upgrade	\$716,666	(\$30,000)	\$0	\$0	\$686,666	Savings in solar lighting install.
428506	974288	Footpaths - Portland Crescent	\$106,000	(\$106,000)	\$0	\$0	\$0	Portland Crescent footpath construction no longer in program.
432506		Upgrade Effluent Systems	\$442,245	\$412,000	(\$114,000)	\$0	\$740,245	To recognise \$515k contribution of works carried out from Landcorp for Effluent Reuse Scheme. \$103K savings on project. Reallocate \$114K to Landcorp - Contribution to Bayview - Searipple Road.
438506	943814	Hearsons Cove Shade Structures	\$250,000	\$0	\$0	(\$157,648)	\$92,352	Toilet block completion end July.
438506	943815	Dampier Palms And Hampton Oval Redevelopment Project	\$131,500	\$11,148	\$0	\$0	\$142,648	Additional resourcing required.

Non-Operating Expenditure Amendments

438506	943816	Hearsons Cove Foreshore Mgmt Plan Works	\$250,000	\$0	\$0	(\$36,541)	\$213,459	Shade structure screens install end July.
442507	944212	Pt Samson Beautification - Stage 1 Capital Works	\$706,406	\$0	\$0	(\$71,367)	\$635,039	Works being completed in June (asphalting to car park and final items for boardwalk / concrete) will be paid in July.
442507	944215	Pt Samson Foreshore Dev. - Stage 3 Viewing Platform/Jetty	\$1,200,000	\$0	\$0	(\$480,000)	\$720,000	Project works extending into July on account of steel supply delay.
460502	946039	Karratha Airport - International Terminal Compliance Works	\$1,013,717	\$0	\$0	(\$923,717)	\$90,000	Delays due to waiting on ABF approvals.
460502	946040	Kia Airport Chiller Upgrade	\$63,250	\$0	\$0	(\$53,614)	\$9,636	Delivery and installation of the New chiller is expected in August.
460506	946042	Karratha Airport - La31 Hangar Project	\$1,382,000	\$0	\$0	(\$1,263,990)	\$118,010	Delays due to Aspen lease sign off.
			\$51,557,309	\$1,139,594	(\$114,000)	(\$7,330,728)	\$45,252,175	
		Total	(\$9,267,087)	\$5,768,742	\$0	(\$8,332,447)	(\$11,830,792)	

5.2 2018/19 DIFFERENTIAL RATES

File No:	FM.1
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Manager Financial Services/CFO
Date of Report:	31 May 2018
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Submissions received from ratepayers

PURPOSE

For Council to consider submissions and initiate the process for seeking Ministerial Approval regarding the 2018/19 differential rate model.

BACKGROUND

At a Special Council Meeting on 7 May 2018, Council resolved to advertise the following proposed differential rates for the 2018/19 financial year:

Differential Rates Categories 2018/19	Minimum Payment	Rate in the Dollar
Gross Rental Value (GRV)		
Residential	\$1,519	0.116284
Commercial	\$1,519	0.097836
Industrial	\$1,519	0.099413
Airport / Strategic Industry	\$1,519	0.153391
Transient Workforce Accommodation / Workforce Accommodation	\$1,519	0.379455
Unimproved Value (UV)		
Pastoral	\$319	0.101606
Mining/Other	\$319	0.136414
Strategic Industry	\$319	0.176005

The proposed rates in the dollar increases the total rates yield (i.e. the amount proposed to be collected by the Council) by 1%. While understanding the Council and the Community's desire to minimise rate reductions and/or reduce rates, achieving this without impacting on service levels is difficult as many of the City's costs are fixed with increasing costs expected including:

- Significant service contracts with local contractors with automatic CPI increase adjustments (which are higher than 1%);
- State Government increases in water tariffs (Up by 5.5%) and electricity tariffs (Up by 7%). These two items make cost the \$5.39M or 6% of the City's projected operating expenditure. Additionally, the State Government has increased the Emergency Services Levy payable by ratepayers by 10%; and

- The addition of several new facilities into the City's Asset base including community buildings (REAP and Wickham Community Hub) and new and improved public open spaces.

Benchmarking has been undertaken with neighbouring local governments the results of which are indicated in the following table:

Local Government	Proposed Rate Increase	Calculated Rate Increase
City of Karratha	2% predominant increase	1% increase in total yield
Shire of East Pilbara	3% predominant increase	4.3% increase in total yield
Town of Port Hedland	3.5% predominant increase	5.1% increase in total yield
Shire of Broome	1.78% predominant increase	2.05% increase in total yield

While the City's rate yield increase is relatively low, many of the City's proposed rates in the dollar (RID) are much higher than the corresponding 2017/18 RID's. This is due to the general revaluation undertaken by the State Government Valuer General as of 1 August 2017 with an effective date of 1 July 2018. Valuations have generally reduced since the last general revaluation completed three years ago but, because valuations do not determine the cost of providing local government facilities and services, the proposed rate in the dollar has been adjusted to ensure adequate rate income.

This adjustment is consistent with previous practice and is considered good practice as it eliminates wild variations in rate bills payable by property owners that would be apparent if the Rate in the Dollar stayed constant. By way of example, when rate valuations rose rapidly during the 'boom period' Council cut its Rate in the Dollar significantly to compensate for the rapid GRV increases. Conversely, with GRV valuations now dropping, it is prudent and proper for Council to increase the Rate in the Dollar to achieve approximately the same level of revenue.

While the overall valuation of all properties across the City has decreased by 34.5%, this decrease has not been evenly distributed across all properties. It should be noted that if Council opted to maintain the same rate yield as 2017/18 with no increase whatsoever, most ratepayers would still be impacted by changes in their rates payable with 40% receiving an increase in their bill and 40% receiving a decrease. This is due to the disparate movements in property valuations within each category. The following table highlights how many properties would receive a rates decrease or increase of varying levels:

Decrease	No Change (Min Rated)	0-2% Increase	2-5% Increase	5-10% Increase	10%+ increase
4,026	1,925	1,935	768	839	505

As part of the budget process, Councillors reviewed the projected changes in Operating Income and Expenditure, along with efficiency measures, proposed capital works, projects and new initiatives. Council's adopted Long Term Financial Plan includes a 2.1% increase in rate yield for 2018/19. This figure was the projected Local Government Cost Index (LGCI) for 2018/19. The LGCI is derived by WALGA and uses a 'basket of local government goods' as the basis for determining movements in pricing. As it is a local government specific measure it is a more appropriate benchmark than CPI as CPI measures impacts on households, not Local Governments.

Sound financial management means that Council is proposing a lower increase of 2% across each differential rating categories while achieving a 1% increase in the overall rate yield. The lower rate yield is due to changes in property numbers within various categories with fewer properties in the higher yielding rate categories and more in the lower yielding categories.

Advertising was undertaken in accordance with Section 6.36 of the *Local Government Act 1995* with the submission period for public comment of the proposed Differential Rates Model closing 30 May 2018.

At the close of submissions six hundred (600) submissions had been received, predominantly via email. The submissions covered 2,024 properties. While most submissions have objected to the rise in rates, it should be noted that 38% of the properties covered by a submission are receiving a reduction in their rates bill with a further 34% receiving an increase of 2% or less. The table below details the impact of the proposed 2% increase on all properties covered by a submission:

Properties with Submissions Received	Rates ↓	No Change	0-2%↑	2-5%↑	5-10%↑	>10%↑	Total
RTIO							
Residential	620	-	477	132	29	27	1,285
TWA	-	-	-	-	-	3	3
Total RTIO	620	-	477	132	29	30	1,288
Other							
Residential	113	-	191	165	82	48	599
Commercial	27	-	6	8	14	12	67
Industrial	2	-	6	4	24	22	58
Strategic Industry	-	-	-	1	-	-	1
TWA	1	-	-	-	-	6	7
UV Mining	-	-	2	2	-	-	4
Total Other	143	-	205	180	120	88	736
OVERALL TOTAL	763	-	682	312	149	118	2,024
	38%	0%	34%	15%	7%	6%	100%

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CG-8 Significant Decision Making Policy, this matter is considered to be of high significance in terms of Council's financial sustainability and ability to perform its role in delivering services to the Community.

COUNCILLOR/OFFICER CONSULTATION

Several Workshops have been held with Councillors and Officers to assist Council's consideration of the rate setting requirements for the 2018/19 financial year. Council also considered the proposed differential rates model at the Special Council Meeting held 7 May 2018.

COMMUNITY CONSULTATION

Significant community consultation has occurred regarding the City's proposed 2018/19 rates. This has included:

- Statutory Advertising: A notice of Intention to Impose Differential Rates was published in the West Australian on 9 May 2018 and in the Pilbara News on 16 May 2018. This notice was published on the Council's website and included on noticeboards at the City's Administration Office and libraries;
- Media Release: The City also distributed a media release on 15 May 2018 to media outlets and subscribed members of the public;

- Differentially Rated Properties (Direct Mail): Council officers wrote to all ratepayers in the Airport/Strategic Industry (GRV) and Transient Workforce Accommodation/ Workforce Accommodation differential rating categories to advise them of the proposed differential rates model and invite submissions as these categories both contain less than 30 properties;
- Most Affected Properties (Direct Mail) - Council officers also wrote to 2,471 ratepayers regarding some 3,800 properties with a proposed rates increase of more than the predominant 2%; and
- Social Media: Posts were made to the City's Facebook page encouraging residents/ratepayers to make submissions.

A summary of key themes raised within the 600 submissions received and a response from Council Officers is contained within the following table:

Category requiring Ministerial Approval

The Transient Workforce Accommodation/Workforce Accommodation differential rating category requires application for Ministerial approval. Rates levied for this category were subject to an application for Ministerial approval for 2017/18 on a similar basis.

TRANSIENT WORKFORCE ACCOMMODATION/WORKFORCE ACCOMMODATION RIO TINTO IRON ORE: CAJUPUT LODGE; WICKHAM VILLAGE; WICKHAM LODGE	
Key Themes	Officer's Comments
Query whether the overall reduction in TWA valuations of approximately 14% is a product of a revaluation of TWA facilities that will continue to operate in 2018/19, or whether it is due to a reduction in the number of TWA facilities or beds anticipated to operate in 2018/19 (compared to the current financial year)?	The rate in the dollar that has been determined has been based on properties in the TWA rating category that will continue to operate in 2018/19.
If it is based on a revaluation of continuing TWAs, what features of the revalued TWAs justify a reduction in GRV that does not exist at the Robe TWAs?	The overall decrease in valuation in the TWA rating category is primarily affected by Landgate's use of assessed value for some properties in lieu of GRV.
CHERRATTA LODGE; KARRATHA VILLAGE; KING VILLAGE; KING WAY TWA; KING WAY MOTEL	
We believe that the TWA differential rate is disproportionately high, especially compared to that applied to commercial, industrial and tourism zoned accommodation assets which also target transient workforce clients.	TWA properties are those that are zoned for TWA or predominantly used for TWA. All of the properties related to this submission meet these criteria. Tourism accommodation properties are not zoned TWA and are not predominantly used for TWA.
We do not believe the City's operational costs should be covered by landowners that have been severely impacted by falling property values.	Council cannot set a separate rate in the dollar for individual properties. Council is required to set the same rate in the dollar for all properties within a rating category. Given the disparate movements in valuations across each rating category, properties that have decreased the most in value will benefit from a rates decrease while those that have decreased the least in value will incur a rates increase.

<p>We believe that TWA properties have been improperly rated higher than other categories due to the greater impact on services and assets from the higher concentration of occupants on smaller parcels of land.</p>	<p>The concentration of occupants and potential for higher utilisation of Council facilities and services is the reason for the TWA differential rating category.</p> <p>The rate yield for the TWA category is set at a level that maintains relativity to the Residential differential rating category. The potential TWA population is 28% of the Residential population while the total TWA rate yield is 28% of the total Residential rate yield.</p> <p>Council's proposed rates model continues to maintain the average rate per TWA accommodation unit (\$843) at significantly less than Council's proposed minimum rate (\$1,519)</p>
<p>The VGO has not valued our properties as TWA villages, but has again used the same model that is used for hotels/motels and tourism business operators.</p>	<p>Once rates are levied, ratepayers will have the opportunity to lodge a valuation objection with Landgate.</p>
<p>We do not believe Council has applied the key values of Objectivity, Fairness and Equity, Consistency and Transparency and Administrative Efficiency as TWA land use owners continue to see rate rises with no consideration for market conditions.</p>	<p>Council has met the key values contained in the Policy while maintaining minimal rate increases and a consistent overall rate yield since 2014/15.</p>
NORTHERN DUST: KARRATHA LODGE	
<p>Our value over this period has dramatically decreased over the last three years we have only seen our rates increase even though our turnover has also reduced significantly.</p> <p>I'm all for paying rates and expect higher rates when businesses are doing well but for rates to continue to increase dramatically when businesses are struggling is not viable in anyone's books.</p>	<p>Council cannot set a separate rate in the dollar for individual properties based on profitability. Council is required to set the same rate in the dollar for all properties within a rating category.</p> <p>Given the disparate movements in valuations across each rating category, Council is unable to affect a standard increase for all individual properties in a general revaluation year.</p>

Categories not requiring Ministerial Approval

STRATEGIC INDUSTRY – EDL LNG (WA) PTY LTD	
Key Themes	Officer's Comments
<p>Other land administered by the Council should be rated higher than our property as other land consistently receives more Council services.</p>	<p>Rates are a form of a tax and are not a fee for service. All ratepayers are required to contribute to the cost of providing public facilities and services through rates.</p>
<p>Gross Rental Valuation (GRV) is an erroneous basis for the calculation of annual rates for my property.</p>	<p>Section 6.28(2) of the Local Government Act 1995 provides that and land used for non-rural purposes is to be rated on the basis of Gross Rental Valuation (GRV).</p>

<p>Our property has been erroneously categorised and should be rated differently given the lack of infrastructure servicing the property</p>	<p>Legislation provides for Council to differentially rate properties on the basis of zoning and land use. The level of utilisation of Council facilities and services is not a consideration in determining the appropriate differential rating category.</p> <p>Given the zoning and land use of this property along with the definitions in Council's objects and reasons, the property has been assessed as fitting within the Strategic Industry category.</p>
<p>It is not clear why the value of our property has declined by less than others in the same rating category</p>	<p>Valuations are provided to Council by the State Valuer General's Office. Based on the indicative valuations provided for 2018/19 a number of properties have decreased by more than the property while others have decreased by less.</p> <p>Once rates are levied, all ratepayers will have the opportunity to object to their valuation with Landgate if they believe it to be incorrect.</p>
<p>We believe our rates should decrease in line with the decrease in the value of our property.</p>	<p>Property valuations do not determine the cost of delivering City infrastructure and services, and therefore the amount of rates required. Rather they determine the relative contribution each property in a category is required to make.</p>
RESIDENTIAL – RIO TINTO IRON ORE	
<p>Key Themes</p>	<p>Officer's Comments</p>
<p>With respect to residential properties in Dampier, Karratha and Wickham, we also note that it is proposed that the residential rates bill for HI and Robe houses will increase approximately 6%, which is effectively three times the average for the pool of residential rates stated by the Council Minutes (at 2%).</p>	<p>Correspondence only captured properties with a proposed increase of greater than the predominant 2%. A significant number of other RTIO properties are proposed to have a rates increase of less than 2% or a rates decrease.</p>
<p>Based on the numbers quoted in the Council Minutes, we are concerned that we are actually shouldering a disproportionate burden for residential rates that is not fully aligned to the Council's objective of equity across and within rates categories.</p>	<p>Council achieves equity within rating categories by ensuring that all properties with the same characteristics that are used for the same purpose are rated in the same way, and achieves equity across rating categories by maintaining the same percentage of rate yield from each category year on year.</p> <p>Overall, Hamersley Iron and Robe River's portfolio of residential properties are proposed to have an overall decrease in rates of approximately 1%.</p>

OTHER RESIDENTIAL; COMMERCIAL; INDUSTRIAL	
Key Themes	Officer's Comments
Our property valuation has decreased significantly so our rates should decrease by the same amount.	Property valuations do not determine the cost of delivering City infrastructure and services, and therefore the amount of rates required. Rather they determine the relative contribution each property in a category is required to make.
Valuations have gone down over 40%, but Council has just put the rate in the dollar up so our rates do not come down.	<p>The rate in the dollar set by Council changes with valuation movements at each general revaluation in order to maintain a consistent source of revenue.</p> <p>As such, when valuations go down the rate in the dollar goes up, and when valuations go up the rate in the dollar goes down.</p> <p>For example, in 2009 when valuations increased significantly, Council lowered the rate in the dollar for Residential rates from 0.0835 to 0.0257.</p>
The rent we are getting/can get for our property is lower than what our proposed valuation is.	Valuations are provided to Council by the State Valuer General's Office. Valuations are based at a point in time, in this instance the valuation is based as at 1 August 2017 and effective 1 July 2018. Once rates are levied, ratepayers will have the opportunity to lodge a valuation objection with Landgate.
Businesses and property owners have had to decrease costs in tough times to survive, why is the City not decreasing its costs in order to decrease rates.	<p>Council has undertaken a number of efficiency measures over recent years to reduce operating costs while increasing the level of service provided to the community. These efficiency measures are detailed in the Objects and Reasons for Differential Rates document.</p> <p>As a result, Council's operating expenditure and rate yield has remained relatively consistent since 2014/15 despite increases in facilities and services.</p>
Why can't all properties receive the same rates increase?	<p>Council cannot set a separate rate in the dollar for individual properties. Council is required to set the same rate in the dollar for all properties within a rating category. This means each property in the same category with the same valuation pays the same rates.</p> <p>Given the disparate movements in valuations across each rating category, Council is unable to affect a standard increase for all individual properties in a general revaluation year.</p>

Wasn't Council's purchase of The Quarter supposed to lower our rates?	Council's investment in The Quarter HQ was made to diversify the City's revenue base and reduce the City's reliance on rates. Investment returns to date have been retained in Council's municipal funds and have reduced the required rates funding for 2018/19. Without the Quarter investment, additional funds would be required from other sources.
Ratepayers are 'doing it hard.' Council should give concessions to people and businesses who are struggling.	Council may consider establishing a 'hardship fund' to support ratepayers who are in financial difficulty.
UV MINING	
Key Themes	Officer's Comments
<p>In 2018-2019, the Department will increase the rent rate by 1.5% for exploration licences and 6% for prospecting licences and all other mining tenements to fund the Exploration Incentive Scheme (EIS). This rent increase will result in an automatic increase in rates.</p> <p>The EIS is aimed at generating exploration activity and the lower rent rate increase for exploration licences is intended to protect the junior sector in finding the deposits of the future.</p> <p>We ask that you consider this automatic increase in your rates modelling and give consideration to whether the UV Mining rates can be reduced for the 2018-2019 year.</p>	<p>In order to maintain a predominant 2% increase in rate yield for the UV Mining/Other category the rate in the dollar proposed for 2018/19 of 0.136414 is reduced down from 0.137651 in 2017/18</p>

STATUTORY IMPLICATIONS

Sections 6.33 and 6.36 of the *Local Government Act 1995* makes provision for the application and communication of differential rates. Section 6.33(3) stipulates that Ministerial approval is required to impose a differential rate which is more than twice the lowest differential rate.

POLICY IMPLICATIONS

CF-10 Rating Equity Policy.

Each year Council considers the proportion of rate income coming from each category in order to ensure that all property owners make an equitable contribution to rates and to minimise the impact that rates have on residential, industrial, commercial and other ratepayers.

FINANCIAL IMPLICATIONS

After taking into consideration proposed 2018/19 Operating Expenditure and Capital Works net of available funding sources, a funding gap of \$49.9M remains of which \$41.2M was to be raised from the proposed differential rates and the balance of \$8.7M funded from reserves.

A 1% movement in rates represents approximately \$400,000, the following table demonstrates the corresponding impacts on property rates per 1% movement in rates:

	Rates ↓	No Change	0-2%↑	2-5%↑	5-10%↑	>10%↑
2% Predominant Increase	23.3%	0.2%	36.5%	22.5%	9.1%	8.4%
1% Predominant Increase	32.8%	0.2%	39.3%	12.3%	9.1%	6.3%
0% Predominant Increase	40.2%	19.3%	19.4%	7.7%	8.4%	5.0%

STRATEGIC IMPLICATIONS

Rates are a key component of the adoption of the Annual Plan and Budget.

RISK MANAGEMENT CONSIDERATIONS

The level of risk to the City is considered to be as follows:

Category	Risk level	Comments
Health	N/A	Nil
Financial	Moderate	Council is reliant on levying rates sufficient to maintain cash flows for the efficient and effective delivery of services at required service levels and project timeframes.
Service Interruption	Low	Delays in the rates approval process may have short term impacts on service levels and the commencement of capital initiatives.
Environment	N/A	Nil
Reputation	High	Council has to ensure that prudent economic decision making is consistent with the Strategic Community Plan to balance the impact on ratepayers through the maximisation of alternative funding sources.
Compliance	Moderate	The rating process is a legislated process under the <i>Local Government Act 1995</i> and associated Regulations.

IMPACT ON CAPACITY

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

RELEVANT PRECEDENTS

Annually the City applies for Ministerial Approval in order to impose differential rating for Gross Rental Value properties.

For the 2017/18 financial year Ministerial Approval was granted to rate properties with a zoning or land use of Transient Workforce Accommodation/Workforce Accommodation at 4.93 times the Residential rate in the dollar (5.62 times the lowest rate in the dollar), although this was partially offset by the concessions granted to continue phasing in changes in property valuations that took place in 2016/17.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:Option 1

As per Officer's recommendation.

Option 2

That Council, having considered submissions regarding the advertised 2018/19 differential rates model, by SIMPLE Majority pursuant to Section 6.33 of the *Local Government Act 1995* RESOLVES to:

- NOTE that submissions received regarding the proposed differential rates model 2018/19 have been considered;
- REDUCE the proposed predominant increase in rate yield for the 2018/19 financial year to 1% with the following rates in the dollar and minimum rates:

Differential Rates Categories 2018/19	Minimum Payment	Rate in the Dollar
Gross Rental Value (GRV)		
Residential	\$1,504	0.115175
Commercial	\$1,504	0.097240
Industrial	\$1,504	0.098435
Airport / Strategic Industry	\$1,504	0.152624
Transient Workforce Accommodation / Workforce Accommodation	\$1,504	0.375735
Unimproved Value (UV)		
Pastoral	\$316	0.100609
Mining/Other	\$316	0.134900
Strategic Industry	\$316	0.174257

- SEEK Ministerial approval for the differential rate for the Transient Workforce Accommodation/Workforce Accommodation differential rating category being three point eight six times (3.86x) the lowest rate in the dollar.

Option 3

That Council, having considered submissions regarding the advertised 2018/19 differential rates model, by SIMPLE Majority pursuant to Section 6.33 of the *Local Government Act 1995* RESOLVES to:

- NOTE that submissions received regarding the proposed differential rates model 2018/19 have been considered;
- REDUCE the proposed predominant increase in rate yield for the 2018/19 financial year to nil with the following rates in the dollar and minimum rates:

Differential Rates Categories 2018/19	Minimum Payment	Rate in the Dollar
Gross Rental Value (GRV)		
Residential	\$1,490	0.114032
Commercial	\$1,490	0.096276
Industrial	\$1,490	0.097460
Airport / Strategic Industry	\$1,490	0.151113
Transient Workforce Accommodation / Workforce Accommodation	\$1,490	0.372015

Unimproved Value (UV)		
Pastoral	\$313	0.099613
Mining/Other	\$313	0.133564
Strategic Industry	\$313	0.172532

- SEEK Ministerial approval for the differential rate for the Transient Workforce Accommodation/Workforce Accommodation differential rating category being three point eight six times (3.86x) the lowest rate in the dollar.

CONCLUSION

Council has advertised the 2018/19 differential rates model which included a 2% predominant increase in rating yield, while achieving a 1% increase in the overall rate yield. Following consideration of submissions received, Ministerial Approval needs be sought for categories with a rate in the dollar greater than two times the lowest rate, being Transient Workforce Accommodation/Workforce Accommodation.

OFFICER'S RECOMMENDATION

That Council, having considered submissions regarding the advertised 2018/19 differential rates model, by SIMPLE Majority pursuant to Section 6.33 of the *Local Government Act 1995* RESOLVES to:

- NOTE** that submissions received regarding the proposed differential rates model 2018/19 have been considered;
- AFFIRM** the proposed predominant rate increase for the 2018/19 financial year of 2% at the advertised rates in the dollar and minimum rates:

Differential Rates Categories 2018/19	Minimum Payment	Rate in the Dollar
Gross Rental Value (GRV)		
Residential	\$1,519	0.116284
Commercial	\$1,519	0.097836
Industrial	\$1,519	0.099413
Airport / Strategic Industry	\$1,519	0.153391
Transient Workforce Accommodation / Workforce Accommodation	\$1,519	0.379455
Unimproved Value (UV)		
Pastoral	\$319	0.101606
Mining/Other	\$319	0.136414
Strategic Industry	\$319	0.176005

- SEEK** Ministerial approval for the differential rate for the Transient Workforce Accommodation/Workforce Accommodation differential rating category being three point eight eight times (3.88x) the lowest rate in the dollar; and
- DEVELOP** a policy for the creation of a hardship fund using additional surplus generated from The Quarter HQ.

6 CLOSURE & DATE OF NEXT MEETING

The meeting closed at _____.

The next Ordinary Council meeting is to be held on Friday, 29 June 2018 at 6:30pm at Council Chambers - Welcome Road, Karratha.