



OBJECTS AND REASONS FOR PROPOSED DIFFERENTIAL RATES FOR THE YEAR ENDING 30 JUNE 2017

In accordance with Section 6.36 of the *Local Government Act 1995*, the City of Karratha is required to publish its Objects and Reasons for implementing Differential Rates.

OVERALL OBJECTIVE

The purpose of the levying of rates is to meet Council's budget requirements in each financial year in order to deliver services and community infrastructure.

Property valuations provided by the Valuer General are used as the basis for the calculation of rates each year. Section 6.33 of the *Local Government Act 1995* provides the ability to differentially rate properties based on zoning and/or land use as determined by the City of Karratha. The application of differential rating maintains equity in the rating of properties across the City.

Council has considered the Key Values contained within the Rating Policy Differential Rates (s.6.33) March 2016 released by the Department of Local Government and Communities, being:

- Objectivity
- Fairness and Equity
- Consistency
- Transparency and administrative efficiency

A copy of the policy can be obtained from <https://www.dlqc.wa.gov.au/Publications/Pages/Rating-Policy-Differential-Rates.aspx>.

Council has determined its required rates yield after reviewing all revenue sources, expenditure and efficiency measures as part of its budget deliberations.

The Rate in the Dollar applied to the valuations to determine property rates has been increased to reflect Council's objective of raising a total of \$41.9 million in rates based on a predominant increase in the rate for individual properties of 1.70% apart from UV Strategic Industry (rate in the dollar increase of 12.51%) and Transient Workforce Accommodation/Workforce Accommodation (rate in the dollar increase of 48.50%). This will ensure an equitable distribution of the required rates yield from one year to the next consistent with Council's approach in previous years.

The rate yield of \$41.9 million is in line with the revenue requirements of Council's Long Term Financial Plan (LTFP) of \$42.8 million for the 2016/17 financial year and provides for Capital Works and Programs which includes:

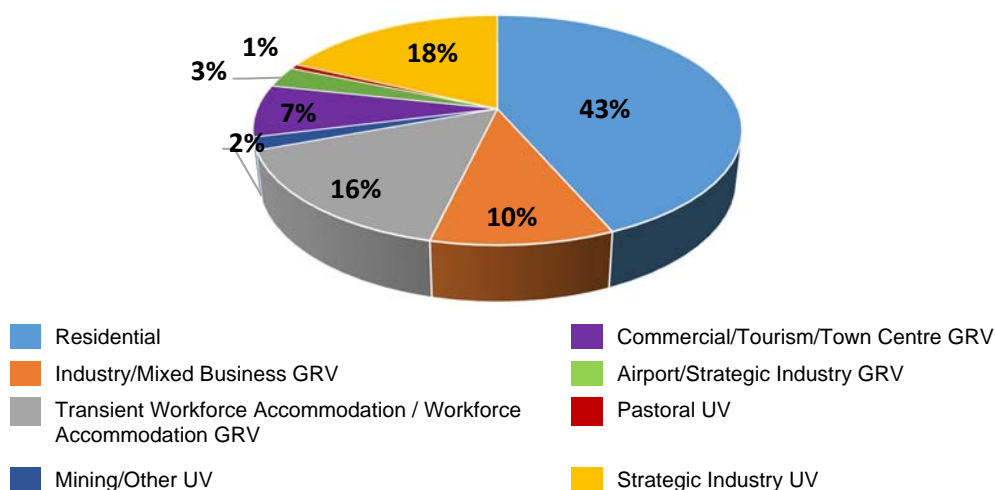
- Commencement of the Karratha Arts and Community Precinct
- Tambrey Pavilion construction
- Road reseal/Gravel re-sheeting program
- Continuation of Footpath/Cycleway/Lighting initiatives
- Playground renewal program

Council has reviewed its expenditure and considered efficiency measures as part of its budget deliberations. In particular, to improve efficiency and reduce expenditure Council has:

- negotiated a new Enterprise Agreement;
- reviewed the need for and remuneration of each position as vacancies arise;
- reduced the number of houses leased for staff housing;
- outsourced cleaning services for major facilities;
- commenced providing regulatory services to other local governments on a fee for service basis;
- deferred capital expenditure on plant;
- installed energy efficient fixtures and equipment;
- implemented Vendor Marketplace (eQuotes) for procurement below the tender threshold;
- disposed of under-utilised light fleet and plant;
- negotiated reduced pricing for bulk fuel purchases;
- insourced road shoulder grading;
- commenced review of options for insurance renewals;
- brought forward tender for renewal of panel contracts;
- implemented replacement/upgrade of effluent reuse system;
- deferred replacement of IT hardware; and
- negotiated the introduction of State funded Transkarratha public transport services.

Table 1 represents the total 2016/17 rates to be levied by land use / zoning.

Table 1: Indicative Percentage Rates Contribution by Land Use / Zoning



The 2016/17 Rating Year utilises the most recent general revaluation effective 1 July 2015, with valuations assessed as at August 2014 by the Valuer General's office.

DIFFERENTIAL GENERAL RATES THAT DIFFER FROM THOSE ADVERTISED

As part of its Annual Budget process, Council considered the differential rates model for the 2016/17 financial year at its Ordinary Council Meeting held 18 April 2016. Council resolved to advertise the differential rates model that included a rate in the dollar of more than twice the lowest rate in the dollar. The advertised rate represented a 1.7% increase in the rate in the dollar for all categories apart from UV Strategic Industry (rate in the dollar increase of 29.73%) and Transient Workforce Accommodation/Workforce Accommodation (rate in the dollar increase of 35.35%).

On 30 May 2016, Council considered submissions regarding the 2016/17 differential rates model adopted for advertising by Council at the 18 April 2016 Ordinary Council Meeting. Following the review of submissions Council resolved to apply for Ministerial approval for the proposed differential rates model.

Subsequent to the advertising of the differential rates model, Council was advised of further decreases in valuation in the Transient Workforce Accommodation/Workforce Accommodation differential rating category. These decreases have necessitated an increase in the rate in the dollar in order to maintain the desired 1.7% increase in rate yield.

Following discussions with the Department of Local Government and Communities, Council resolved at the 20 June 2016 Ordinary Council Meeting to amend its application and seek Ministerial approval of the higher Transient Workforce Accommodation/Workforce Accommodation differential rate. Council further resolved to apply a concession to ratepayers in the category to cap their year on year rates increase to 20%, subject to the following:

- a) The effect of any increase in valuation will be excluded from the calculation of the concession; and
- b) The concession will not apply to the extent that the increase in rates has been offset by any reduction in valuation.

Council has also been advised of valuation increases in the UV Strategic Industry differential rating category subsequent to advertising the differential rates model and this has allowed a lower rate in the dollar to be adopted to achieve the same rate yield.

A reduction in the number of properties on the UV Mining Tenement valuation roll has also resulted in the minimum rate for UV properties being reduced to ensure compliance with the legislative requirement that not more than 50% of properties rated on UV are levied the minimum rate.

The information below shows both the advertised rate and the rate proposed for adoption in the 2016/17 Council budget.

GROSS RENTAL VALUE PROPERTIES (GRV)

The *Local Government Act 1995* determines that properties of a non-rural purpose be rated using the Gross Rental Valuation (GRV) as the basis for the calculation of annual rates.

The Valuer General determines the GRV for all properties within the City of Karratha every three years and assigns a GRV. The most recent general revaluation was effective from 1 July 2015.

Interim valuations are provided monthly to Council by the Valuer General for properties where changes have occurred (i.e. subdivisions or strata title of property, amalgamations, building constructions, demolition, additions and/or property rezoning). In such instances Council recalculates the rates for the affected properties and issues interim rates notices.

Table 2 below summarises the proposed 2016/17 minimum payments and rates in the dollar for GRV:

**Table 2: Proposed differential rates for 2016/17 financial year (GRV)
Including average rate per assessment**

Differential Rates 2016/17				
Category	Advertised Minimum Payment	Advertised Rate in the Dollar	Proposed Minimum Payment	Proposed Rate in the Dollar
Gross Rental Value				
Residential	\$1,475	0.065211	\$1,475	0.065211
Commercial / Tourism / Town Centre	\$1,475	0.074517	\$1,475	0.074517
Industry / Mixed Business	\$1,475	0.057244	\$1,475	0.057244
Airport / GRV (Strategic Industry)	\$1,475	0.128666	\$1,475	0.128666
Transient Workforce Accommodation / Workforce Accommodation	\$1,475	0.293013	\$1,475	0.321484

Residential – means any land:

- that is predominantly used for residential purposes;
- or**
- which is vacant of any construction, and is zoned as residential under the City's Planning Scheme.

The reason for the rate in the dollar for this category is to reflect the level of rating required to raise the necessary revenue to operate efficiently and provide the diverse range of services and programs and associated infrastructure/facilities required for developed residential and urban areas.

Council is focussed on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include but are not limited to investment in the resealing of roads, replacement and development of footpath networks, refurbishing of public ablutions and other building maintenance programs.

The rate for this category maintains an increase to the average rate for residential properties of 1.70% with a rate in the dollar increase of 1.70% for the 2016/17 financial year. The minimum rate of \$1,475 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

Commercial / Tourism / Town Centre – means any land:

- that is predominately used for either:
 - commercial purposes;
 - tourism purposes;
 - a combination of commercial and tourism purposes;
- or**
- which is vacant of any construction, and is zoned as Commercial, Tourism or Town Centre under the City's Planning Scheme.
- or**
- that does not have the characteristics of any other GRV differential rate category.

The reason for the rate in the dollar for this category is to recognise a greater share of costs associated with economic development, tourism and marketing, parking, environmental health and CBD infrastructure and amenity.

Council is focussed on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include but are not limited to investment in the resealing of roads, replacement and development of footpath as well as significant investment in major projects for the CBD such as the Karratha Arts and Community Precinct.

The rate for this category maintains a decrease to the average rate for Commercial/Tourism/Town Centre properties of 0.12% with a rate in the dollar increase of 1.70% for the 2016/17 financial year. The minimum rate of \$1,475 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

Industry / Mixed Business – means any land:

- that is predominately used for either:
 - industrial purposes;
 - a combination of industrial and commercial purposes.
- or**
- which is vacant of any construction, and is zoned as Industrial or Mixed Business under the City's Planning Scheme.

The reason for the rate in the dollar for this category is to recognise a greater share of costs associated with economic development, LIA infrastructure, environmental health and regulatory services.

Council is focussed on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include investment in the resealing/reconstruction of major distributor roads within the LIA such as Coolawanyah Road. In addition these properties have access to all other services and facilities provided by Council.

While the rate in the dollar, the average contribution is higher than the Commercial/Tourism/Town Centre category in recognition of these initiatives.

The rate for this category maintains an increase to the average rate for Industrial properties of 2.30% with a rate in the dollar increase of 1.70% for the 2016/17 financial year. The minimum rate of \$1,475 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

Airport / Strategic Industry – means any land:

- which is located within Karratha Airport (Reserve #30948);
- or**
- that is predominately used for the purpose of resource processing.

The reasons for the category are to recognise a greater share of costs associated with economic development, tourism and marketing, parking, and transport infrastructure associated with heavy plant and equipment.

The rate in the dollar for Airport / Strategic Industry is proposed to be one point nine seven times (x1.97) the Residential rate category which equates to two point two five times (x2.25) the lowest GRV rate in the dollar being Industry / Mixed Business.

In order to ensure that Council can maintain and sustain these infrastructure assets and services, a higher differential rate is proposed to be struck.

Strategic Industry – properties with a land use of Strategic Industry have State or Regional significance which utilise a proportionately high level of infrastructure assets due to heavy haulage vehicle movements. In addition they also impact on the provision of environmental and strategic planning services as well as access to all other services and facilities provided by Council.

Airport - properties located in the Karratha Airport Precinct (second busiest airport in Western Australia) receive direct benefit from significant Airport Infrastructure and services more so than any other ratepayer. In addition these properties have access to all other services and facilities provided by Council.

Karratha Airport is a strategic asset of Council and the services afforded to Airport properties are of significant benefit. Operating costs of circa \$9.75m (excludes recoverable costs) for 2015/16 were incurred with similar operating costs (plus associated CPI and Utility increases) anticipated for 2016/17.

Council' significant terminal redevelopment project was completed in 2015/16 which provides a higher amenity and service to airport properties. Significant additional infrastructure development is scheduled for 2016/17 and beyond to continue to improve amenity and infrastructure in and around the Airport precinct.

The rate for this category maintains an increase to the average rate for properties of 1.70% for the 2016/17 financial year. The minimum rate of \$1,475 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

Transient Workforce Accommodation / Workforce Accommodation – means any land:

- that is predominately used for the purpose of workforce accommodation;
or
- that is predominately used for the purpose of transient workforce accommodation;
or
- that has been zoned as Transient Workforce.

The rate in the dollar for the Transient Workforce Accommodation / Workforce Accommodation category is proposed to be four point nine three times (x4.93) the Residential rate category which equates to five point six two times (x5.62) the lowest GRV rate in the dollar being Industry / Mixed Business. A significant reduction in the overall valuation of this category, comprising disparate movements in individual property valuations, has necessitated an increase in the rate in the dollar of 48.50%.

Council has provided a concession for eligible properties to limit the increase in rates on any property comparative to 2015/16 to a maximum of 20%, subject to the following:

- a) The effect of any increase in valuation will be excluded from the calculation of the concession;
and
- b) The concession will not apply to the extent that the increase in rates has been offset by any reduction in valuation.

After these concessions are applied, the rate yield for this category will be an effective decrease of 6.99% from 2015/16.

This differential rate maintains a proportional share of rating required to raise the necessary revenue to operate efficiently and provide the diverse range of services and programs and associated infrastructure/facilities required for developed residential and urban areas. These services, programs and facilities are available to FIFO workers in the same manner as they are available to all other residents of the City and the contribution from this category has been set at a level that reflects this fact.

Council is focussed on sustainably managing its community and infrastructure assets through the funding of renewal and replacement asset programs. These programs include but are not limited to investment in the resealing of roads, replacement and development of footpath networks, refurbishing

of public ablutions and other building maintenance programs. In addition these properties have access to all other services and facilities provided by Council.

The rates per TWA accommodation unit are less than the equivalent rate per residential accommodation unit and are significantly less than the minimum rate of \$1,475 for a single bedroom residence. Despite the lower rate per accommodation unit, TWA properties have the potential to have a greater impact on Council services/assets than other properties due to their number of occupants in a relatively small land parcel (i.e. concentrated coach/vehicle movements on local roads). In order to appropriately maintain and manage Councils asset and infrastructure in the longer term, a higher differential rate is proposed for this category to reflect the greater potential and actual intensity of use of Council assets and infrastructure.

The rate for this category supports Council's preferred option that the operational workforce associated with resource interests be housed in normal residential properties within the town boundaries.

The minimum rate of \$1,475 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

UNIMPROVED VALUE PROPERTIES (UV)

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

Table 3 below summarises the proposed 2016/17 minimum payments and rates in the dollar for Unimproved Values:

**Table 3: Proposed differential rates for 2016/17 financial year (UV)
Including average rate per assessment**

Differential Rates 2016/17				
Category	Advertised Minimum Payment	Advertised Rate in the Dollar	Proposed Minimum Payment	Proposed Rate in the Dollar
Unimproved Value				
Pastoral	\$378	0.098627	\$340	0.098627
Mining/Other	\$378	0.136288	\$340	0.136288
Strategic Industry	\$378	0.197253	\$340	0.171072

Pastoral – means any land:

- that currently has a pastoral lease granted;
- and**
- that is used predominantly for the purpose of grazing (including agistment), dairying, pig-farming, poultry farming, fish farming, tree farming, bee-keeping, viticulture, horticulture, fruit growing or the growing of crops of any kind or for any combination of these activities.

This rating category reflects the level of rating required to raise the necessary revenue to operate efficiently and provide for rural infrastructure and services in addition to the urban services, programs and infrastructure which are available to be accessed by the properties in this category.

The rate for this category maintains an increase to the average rate for Pastoral Stations of 1.70% for the 2016/17 financial year. The UV minimum rate of \$340 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

Mining/Other – means any land:

- that a mining, exploration, prospecting or retention lease and/or license has been granted;
- or**
- that does not have the characteristics of any other UV differential rate category.

The reasons for this category is to reflect the impact on utilisation of rural infrastructure (comparative to Pastoral) by heavy transport and associated higher traffic volumes. In addition these properties have access to all other services and facilities provided by Council.

The rate for this category provides a decrease to the average rate for Mining/Other properties of 26.18% for the 2016/17 financial year. The decrease relates to an overall decrease in valuation in the category

and a reduced Minimum Rate for UV properties to maintain less than 50 per cent of properties on the minimum rate as required by legislation.

The UV minimum rate of \$340 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

Strategic Industry – means any land:

- that is predominately used for industrial purposes;
or
- that is predominately used for the purpose of resource processing;
or
- that is predominately used for the purpose of supporting a transient workforce.

The reasons for this category are to reflect the impact on utilisation of urban and rural infrastructure (comparative to Pastoral) by heavy transport and associated higher traffic volumes by operations associated with State Agreements and/or significant resource sector operations. In addition these properties have access to all other services and facilities provided by Council.

Properties with a land use of Strategic Industry have State or Regional significance, many of which are subject to legacy State Agreement Acts that limit the method of valuation to UV with restrictive formulae for the calculation of the valuation. In order to levy a somewhat commensurate rate comparative with their impact on the local community (i.e. heavy haulage vehicle movements, environmental health, strategic planning) the rate in the dollar is set at one point seven three (x1.73) times the UV Pastoral rate.

The advertised rate for this category was intended to revert to two times (x2) the UV Pastoral rate in the dollar having been two point five times (x2.5) the UV Pastoral rate prior to the 2015/16 revaluation, meaning the effect of the revaluation for properties in this category would have been delayed by one year. As a result of valuation increases within the category, Council is able to stage this increase over a number of years.

The adopted rate for this category maintains the advertised rate yield however is based on a lower rate in the dollar due to the higher valuations. This results in an increase in the average rate for UV Strategic Industry properties of 39.64% for the 2016/17 financial year.

The UV minimum rate of \$340 is to ensure that all ratepayers make a minimum contribution for basic services and infrastructure.