



## **SPECIAL COUNCIL MEETING**

# **AGENDA**

**NOTICE IS HEREBY GIVEN that a  
Special Council Meeting will be held  
in the Council Chambers, Welcome Road, Karratha,  
on Friday, 31 July 2015 at 4.30pm  
to consider the following items:**

- **2015/16 Differential Rates and City Budget Approval**

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**CHRIS ADAMS  
CHIEF EXECUTIVE OFFICER**



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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 / LEAVE OF ABSENCE

Councillors:           Cr Peter Long           [Mayor]  
                              Cr John Lally           [Deputy Mayor]  
                              Cr Geoff Harris  
                              Cr Harry Hipworth  
                              Cr Evette Smeathers  
                              Cr Robin Vandenberg

Staff:                   Chris Adams           Chief Executive Officer  
                              Phillip Trestrail      Director Corporate Services  
                              Andrew Ward         Director Community Services  
                              David Pentz          Director Development Services  
                              Simon Kot             Director Strategic Projects &  
  Infrastructure  
                              Linda Franssen      Minute Secretary

Apologies:           Cr Garry Bailey  
                              Cr Janine Miller  
                              Cr Michael Saylor  
                              Cr Fiona White-Hartig

Absent:

Leave of Absence:

Members of Public:

Members of Media:

## 4 DECLARATIONS OF INTEREST





## **5 EXECUTIVE SERVICES**

### **5.1 2015/16 DIFFERENTIAL RATES AND CITY BUDGET APPROVAL**

<b>File No:</b>	<b>FM.1</b>
<b>Responsible Executive Officer:</b>	<b>Chief Executive Officer</b>
<b>Reporting Author:</b>	<b>Chief Executive Officer</b>
<b>Date of Report:</b>	<b>29 July 2015</b>
<b>Applicant/Proponent:</b>	<b>Nil</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachment(s)</b>	<b>1. Copy of Differential Rates Presentation Provided to Minister Simpson</b> <b>2. Correspondence from Minister Simpson (dated 28/07/2015) re Council's Differential Rates</b>

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#### **PURPOSE**

To update Council on the status of Councils application to the Minister for Local Government to impose Differential rates in the 2015/16 Financial Year.

#### **BACKGROUND**

Since February Councillors and staff have been undertaking various works, meetings and consultations regarding the 2015/16 City Budget. The City of Karratha traditionally adopts its Annual Budget on or near the 30<sup>th</sup> of June each year. The 2015/16 Budget is yet to be adopted as the City is yet to receive Ministerial approval for its differential rates. This approval is legislatively required prior to the Council Budget adoption.

The premise of Council's application in 2015/16 is very similar to applications that have been applied for and approved in previous years by the State Government. Despite the fact that there has been no recent State legislative changes or State policy changes in relation to this matter, at the time of writing, the issue has not been resolved.

This year's budget is slightly more complex than usual as all properties within the district have received new triennial valuations from Landgate. This revaluation process has revealed significant swings in property valuations with property valuations falling on average by 41%. While there has been a downward trend in valuations, the valuation outcome has not been uniform across properties and across rating categories with some properties retaining (or increasing) their valuation. The Table below illustrates the final valuation outcome from the Landgate valuation exercise.

GRV/UV	Differential Rates Categories	Total GRV/UV 2014/15	Total GRV/UV 2015/16	% Change
GRV	Residential	\$555,461,421	\$264,914,849	-52%
GRV	Commercial / Tourism / Town Centre	\$42,432,075	\$39,385,303	-7%
GRV	Industry / Mixed Business	\$67,689,597	\$71,087,814	+5%
GRV	Airport / Strategic Industry	\$11,747,772	\$9,745,580	-17%
GRV	Transient Workforce Accommodation /Workforce Accommodation	\$73,310,240	\$33,812,740	-53%
UV	Pastoral	\$4,088,420	\$2,890,150	-29%
UV	Mining/Other	\$8,585,621	\$8,731,440	-2%
UV	Strategic Industry	\$32,201,882	\$38,876,362	+20%
<b>OVERALL</b>		<b>\$795,517,028</b>	<b>\$469,444,238</b>	<b>-41%</b>

To achieve fairness, equity and sufficient financial resources for the organisation to deliver the facilities and services as outlined in the City's Strategic Community Plan and Long Term Financial Plan (LTFP), modifications to the rating structure were required. Through Budget discussions Council indicated that the 2015/16 budget should be framed on the basis of:

- **Minimising financial impacts on Ratepayers:** While the LTFP indicated a rate increase of 7% in rate yield plus 3% property growth, Councillors felt that, given current economic conditions, a lower rate yield should be targeted to minimise financial impacts.
- **Business as Usual:** Council indicated a desire to continue providing services and facilities at or above the same level as 2014/15. Council also indicated a desire to continue to progress with planned facility developments and improvements.
- **Rate Relativity:** While the valuations varied significantly between rating categories, Council indicated that rate relativity should be maintained with each rating category generating proportionately the same level of rates in 2015/16 as they did in the previous financial year. (ie Residential properties contributed 43% of the total rate yield in 2014/15, therefore they should contribute 43% of the rate yield in 2015/16). This was seen as a fair and equitable approach to delivering a sustainable rate yield in a fluctuating valuation environment.

Given the above, Council considered its Differential Rating levels at the Ordinary Council meeting on 15<sup>th</sup> of May. At that time Council resolved to:

1. ENDORSE the advertising of the Council's intention to levy the following differential rates in 2015/16:

GRV/UV	Differential Rates Categories 2015/16	Proposed Rate in \$	Minimum Rate
GRV	Residential	0.066070	\$1,500
GRV	Commercial / Tourism / Town Centre	0.077202	\$1,500
GRV	Industry / Mixed Business	0.057421	\$1,500
GRV	Airport / Strategic Industry	0.132140	\$1,500
GRV	Transient Workforce Accommodation / Workforce Accommodation	0.257180	\$1,500
UV	Pastoral	0.155806	\$1,500
UV	Mining/Other	0.146707	\$1,500
UV	Strategic Industry	0.171387	\$1,500

2. WRITE to owners of properties in Wickham and Roebourne regarding the impact on annual rates arising from valuation changes applied to Differential Rates for 2015/16.
3. ENDORSE the *Objectives and Reasons* for Proposed Differential Rates.

Advertising and consultation in accordance with the May resolution was undertaken with 12 submissions being received. These submissions were presented to Council on at the June 2015 Council Meeting. At that meeting Council resolved to:

1. SEEK Ministerial approval for the following differential rates categories being greater than two times the lowest rate in the dollar:

Differential Rates Categories 2015/16	Minimum Payment	Rate in the Dollar	Multiplier	Basis
Gross Rental Value (GRV)				
Airport / GRV (Strategic Industry)	\$1,500	0.132140	2.30	Maintain 2014/15 relativity by rating at 2x residential rate (reduction from 3.5x in 2014/15)
Transient Workforce Accommodation / Workforce Accommodation	\$1,500	0.257180	4.48	Maintain 2014/15 relativity by rating at 3.89x residential rate (reduction from 4x in 2014/15)

2. Note that in order to maintain a maximum increase in the rate yield of 4% in each category the Rate in the Dollar in some categories will be reduced where valuations allow.

At the time of the June resolution, valuation data from Landgate was more accurate than it was in May but final valuations had yet to be received for all properties within the district. To ensure that rate relativity was maintained and that the rate yield was consistent across all categories, Council specifically resolved the second dot point above which clearly identifies that rates in the dollar will be modified to reflect the rate relativity/yield principals that Council had been seeking.

After all final valuations had been received from Landgate, cross referencing was undertaken by Council staff to ensure that the principal of rate relativity was maintained. The fact that a number of the late valuations received from Landgate were different from than the indicative valuations that had been provided meant that the rates in the dollar needed to be adjusted downwards to deliver the rate yield outcome that had been prescribed by Council. The nett impact of the higher valuations on the Council's Rates in the Dollar is demonstrated in the table below.

GRV/UV	Differential Rates Categories 2015/16	Proposed Rate in \$ (May)	Proposed Rate in \$ (July)	% Change
GRV	Residential	0.066070	0.064121	-3%
GRV	Commercial / Tourism / Town Centre	0.077202	0.073271	-5%
GRV	Industry / Mixed Business	0.057421	0.056287	-2%
GRV	Airport / Strategic Industry	0.132140	0.126515	-4%
GRV	Transient Workforce Accommodation / Workforce Accommodation	0.257180	0.232179	-10%
UV	Pastoral	0.155806	0.096978	-38%
UV	Mining/Other	0.146707	0.134010	-9%
UV	Strategic Industry	0.171387	0.152053	-11%

The July Proposed Rate in the dollar (coupled with Minimum Rates being set at \$1,450 rather than \$1,500 per property) achieves the rating principles as outlined by Council with each category proportionally paying the same amount as in 2014/15 when compared on a like for like basis.

The Council's application for approval of differential rates from the Minister/Department of Local Government and Communities (DLGC) was originally submitted on the 23 June 2015. At the request of the DLGC, an updated application was sent on the 8 July that clarified the proposed rates in the dollar (July data). A significant amount of clarification and communication regarding the rating model has ensued since that date. This has included:

- Numerous phone conversations and emails with DLGC staff clarifying the Council's rating model and local market and economic conditions.
- An in person meeting with the CEO, Director of Corporate Services with senior DLGC staff to discuss their concerns and misinterpretations of Council's rating model.
- A meeting on the 22 July between the Mayor, CEO and the Minister for Local Government to discuss the City's Differential Rates Application. A copy of the information that was provided to the Minister at that meeting is in Appendix 1.

Based on the information and discussions that had been held, Council staff had anticipated approval of the Differential Rates as had been requested. On the 28 July correspondence was received from the Minister for Local Government stating (in part) that:

*I am not prepared to approve the City's proposed rate of \$0.257180 for GRV Transient Workforce Accommodation/Workforce Accommodation. The City should consider a new method for rating of this category which takes into account the reduction in valuations. The consideration of a rating model that compares the City's residential population with the current number of occupied beds in the GRV TWAWA category would be fairer and more equitable.*

The rate referred in this correspondence (\$0.257180) was the May rate in the dollar not the adjusted July rate in the dollar (\$0.232179) which was the subject of Council's application. Additionally, the issues raised in the letter regarding valuation reduction and occupancy have been addressed in submissions made to the Department and the Minister. Based on subsequent discussions with staff from the Minister's office, it became evident that the information that the Minister based his letter on was not consistent with the full suite of information that City Officer's had provided the DLGC. The higher rate in the dollar identified in the Minister's letter (\$0.257180) would have placed a higher than average burden on TWAWA property owners and potentially could have been seen as unfair and unreasonable.

On the 29 July officers teleconferenced with DLGC staff to clarify the issues. At this meeting two primary issues were discussed:

**1) Basis of Council's Application**

DLGC advised that their view was that the Council decision in June did not effectively establish the Rate in the Dollar that Council was requesting that the Minister approve (ie Council did not specifically set the July version of the Rates in the Dollar.) This matter had been canvassed with City officers by DLGC officers in various emails in weeks preceding this discussion. City officers asserted and continue to assert that the rates have been struck appropriately and that the Council's position on the matter in June 2015 was clear and the City's application to the DLGC was consistent with that Council decision and the LG Act.

Given DLGC's contrary position on this matter, their officers used the old, higher rates in their assessment and in the preparation of their advice to the Minister despite repeatedly being advised that this was not Council's intent. Using these rates inflates the rate collection that Council would receive in all categories by approximately \$1.8M. More specific to our application to the Minister, using the incorrect TWA/WA rates increases the total rate collection from this category by \$845K more than the Council is planning to do.

**2) The Relationship Between Residential and TWA Populations**

Council's is required to adopt a '*Statement of Rating Objectives and Reasons*'. This was done at the May 2015 Council Meeting. This document indicates (in part) that the differential rate for properties in the TWA/WA Category is set to '*maintain the relativity comparative to residential rates and provides an average rate per accommodation unit of less than Council's proposed minimum payment.*' Throughout the various correspondence and clarifications that have ensued over the past six (6) weeks, officers have provided numerous pieces of data that illustrate how this relativity principle is developed and maintained. This information has included:

- Data illustrating that the rate yield from TWA/WA is decreasing whilst the rate yield from residential accommodation is increasing.
- The fact that TWA properties pay approximately half the rates per bed as a one bedroom apartment within the City despite having access to similar services and facilities.
- Information that illustrates that proportionately TWA/WA pay appropriate amount of rates per head of population.

The DLGC have used one component of the information that has been provided to illustrate that they believe that the City's rates proposal over-charges TWA/WA property owners. The City submissions included the following data:

	Population	%	Rate Income
Residential Population	22,900*	69%	\$17.74M (69%)
TWA Beds	10,374**	31%	\$ 7.85M (31%)
Total	33,274	100%	\$25.59M

\* 2011 Census Data

\*\* Data from Council's lodging house register

The DLGC asserts that the City's use of the 22,900 as the residential population under-represents the resident population and that the use of 10,374 TWA beds over-represents the number of available beds. The DLGC position put to City staff was:

- a) The Resident Population is 25,904 (the WAPC Estimated Resident Population) not 22,900.

- b) The TWA beds is 8,874 not 10,374 as the City's calculations include the 1500 bed, Mineralogy Camp 123 which is currently closed.

Officers responded by stating that the DLGC was factoring in a reduction in TWA but not any corresponding reduction in residential population. Additionally, while Camp 123 is currently closed, it could be reopened at any time.

Assuming the rate collection across the total population is to remain at the level as projected in the Draft 2015/16 Budget, the effect of the DLGC's position is as follows:

Category	Population	%	Rate Income \$	Inc/(Dec)	% of total yield	Previous Yield
Residential	25,904	74	\$18.94m	\$1.2m	45.7%	42.8%
TWAWA	8,874	26	\$6.65m	(\$1.2m)	16.1%	19.0%
<b>TOTAL</b>	<b>34,778</b>	<b>100</b>	<b>\$25.59m</b>	<b>-</b>	<b>61.8%</b>	<b>61.8%</b>

This would mean that the average residential ratepayer would pay an additional \$141 per property and the average TWAWA would pay \$52K less in rates to achieve the same rate yield.

Alternatively, Council could 'forego' to the \$1.2M rates that the DLGC is effectively suggesting that the City is overcharging. This would lead to total estimated rate collection dropping from \$41.4M to \$40.2M – below the 40.6M that the City collected in 2014/15. Council would need to either reduce service levels, review the planned capital works program, use reserve funds, borrow funds or adopt a deficit budget to respond to the reduction in revenue.

While the decision at hand relates to the 2015/16 financial year the impact is cumulative. The nett impact of the \$1.2M reduction over the 10year life of the Long Term Financial Plan would be approximately \$14M.

A further letter has also been sent to the Minister that corrects the misinformation, re-clarifies the basis for the Council's rates model and requests that the Minister reconsider his position based on this information. At the time of writing, no response had been received to this letter.

#### **LEVEL OF SIGNIFICANCE**

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

#### **COUNCILLOR/OFFICER CONSULTATION**

Councillors have discussed this matter formally at the various Council meetings and Briefing sessions.

#### **COMMUNITY CONSULTATION**

As outlined earlier in this report community consultation has been undertaken in the form of public advertising and by writing to those ratepayers who are most affected by the rating and valuation changes from a financial perspective.

**STATUTORY IMPLICATIONS**

Section 6.33(3) stipulates that Ministerial approval is required to impose a differential rate which is more than twice the lowest differential rate. As the differential rates proposed for TWAWA and Airport/Strategic Industry are more than twice the rate in the dollar proposed for Industry/Mixed Business, Ministerial Approval is being sought.

**POLICY IMPLICATIONS**

CF-10 Rating Equity Policy.

**FINANCIAL IMPLICATIONS**

The proposed differential rates are intended to raise rates of \$41.4 million compared to \$40.6 million levied in 2014/15. This increase in total rates is 2% which is 8.3% less than what was proposed in the original Long Term Financial Plan.

Council was seeking a 4% yield increase in each category in the 2015/16 Budget. In the interest of fairness and equity, some properties have been reclassified from TWAWA to other lower rate yield categories as the primary use of the property has changed from TWAWA to a commercial use. This has led to a proportionally lower rate yield in TWAWA in 2015/16 in the TWAWA category (19% vs 21%). If the DLGC's proposition is accepted, the TWA yield would fall further to 16%.

Rating income makes up 29% of the City's total revenue making this a significant financial matter.

**STRATEGIC IMPLICATIONS**

This item is relevant to Council's approved Strategic Community Plan 2012-2022 and Corporate Business Plan 2012-2016. In particular the Operational Plan 2015-2016 provided for this activity:

Our Program	4.d.11	Maximise opportunities for long term financial sustainability and equitable rating structure.
Our Services	4.d.1.1.1	Responsible financial management

**RISK MANAGEMENT CONSIDERATIONS**

The level of risk is considered to be High to the City in terms of Financial and Reputational risks.

**IMPACT ON CAPACITY**

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

**RELEVANT PRECEDENTS**

Annually the City applies for, and has obtained, Ministerial approval in order to impose differential rating for all Gross Rental Value properties and Unimproved Value properties. Ministerial approval was obtained for the 2014/15 Financial Year to rate properties with a land use of: Transient Workforce Accommodation/Workforce Accommodation (relativity of 4 times the residential rate in the dollar); Airport/Strategic Industry (3.5 times residential); and UV Strategic Industry (2.5 times pastoral). The application this year is for less multipliers than has previously been approved by the Government, yet is currently not being supported.

**VOTING REQUIREMENTS**

Simple Majority.

**OPTIONS:**

The Council options to progress this matter are largely dependent on whether, upon review, the Minister considers the Council's Differential Rates application to be appropriate. If the Minister does approve the application (which is clearly the preferred outcome) Council can consider the adoption of the Rates in the Dollar and the Adoption of the 2015/16 Budget. If the Minister continues to refuse the Council's application, the following four options have been identified for Council's consideration.

**Option 1 – Reconsider the Rating Model/Reduce TWA/WA rates**

Council could 'discount' the TWA/WA rates in the dollar to reflect the Minister's comments/suggestions. This option is the preferred direction of the DLGC. Recent advice indicates that the Shire of East Pilbara and the Town of Port Hedland have agreed to modify their TWA/WA rates downwards based on feedback from the DLGC/Minister.

This option is not supported by officers at this time as:

- Rates are primarily charged on properties based on valuations not on occupancy levels.
- The valuations that have been received from Landgate have taken into account occupancy levels. Properties that are not occupied have received a lower valuations and the subsequent rate bill has reflects these valuations.
- Reducing the TWA/WA rate in the dollar would result in this category receiving preferential treatment in relation to rate yield over all other property categories in the District. This is at odds with the Council's direction as seems to be counter-intuitive to the State Government policy principles of creating Pilbara Cities whereby residential populations are encouraged.
- 19 of 23 TWA/WA properties are within the Town boundaries and hence have access to the same services and facilities as the general community.
- Of the 23 TWA/WA properties, 12 are already receiving a reduction in their rates bill from the 2014/15 level and two others are receiving a rates bill that increases by less than 4% on last year. Reducing the TWA/WA rate in the dollar would provide further discounts to these property owners and would not be consistent with the approach that has been taken with the seven (7) other rating categories.
- There is limited evidence to suggest that the 23 TWA/WA facilities are occupied at a lower rate to any other property category within the District. Where TWA occupancy is low, property owners have changed their use to a more commercial style operation. This change in operation has been noted and seven (7) properties have been reclassified to commercial to reflect the different use. This results in a \$1.01M reduction in those rate bills.
- Discounting TWA/WA rates in the dollar would result in Council effectively subsidising this type of accommodation by a greater amount than any other category with limited evidence for such a decision to be based upon.

**Option 2 – Lobby/Request further reconsideration of this matter.**

Council could continue to advocate for approval of its model on the basis that it is consistent (or better) than previous approvals that this Government has made on this issue. Through further explanation and advocacy, the Minister/DLGC may concede that the rating model is consistent with previous approvals, is a fair and equitable method of rating in the circumstances and is consistent with similar approvals that have been granted at other LGA's.

The risk of taking this strategy is that the Local Government Act prescribes that the Council must have a Budget adopted by 31 August. This may not be achieved if the Council's position continues to conflict with the Minister/DLGC's stance on the matter. Furthermore, the lack of budget adoption for an extended period impacts on the Council's cash-flows as



rate revenue is not being received. This revenue delay also potentially impacts on the ability to progress with significant new projects and initiatives.

### **Option 3 – Modify the Council’s Rating Model so as not to require Ministerial Approval**

If the difference between the lowest and highest rate in the dollar is less than 100%, Council has the ability to set the rates without the need for Ministerial Approval. Currently two proposed Rates in the Dollar exceed the 100% threshold.

Section 6.47 of the *Local Government Act 1995* provides that a local government may resolve to grant other concessions in relation to a rate or service charge. While further financial modelling would be required if this model is to be pursued, preliminary indications are that the following amended rates and concessions would achieve the same rate yield and result in no differential general rate which is more than twice the lowest differential general rate and therefore no requirement for Ministerial approval.

Category	Proposed Rate	Amended Rate	Concession	Change in Rate Yield
GRV Residential	\$0.064121	\$0.116090	57.6%	Nil
GRV Commercial/ Tourism/Town Centre	\$0.073271	\$0.116090	65.9%	Nil
GRV Industry/Mixed Business	\$0.056287	\$0.116090	50.3%	Nil
GRV Airport / Strategic Industry	\$0.126515	\$0.126515	0%	Nil
GRV Transient Workforce Accommodation / Workforce Accommodation	\$0.232179	\$0.232179	0%	Nil
Pastoral	\$0.096978	\$0.096978	0%	Nil
Mining/Other	\$0.134010	\$0.134010	0%	Nil
Strategic Industry	\$0.152053	\$0.152053	0%	Nil

While technically this may be an Option for Council to consider, this is not the preferred approach of Officers at this time as it further complicates an already complex rating model and potentially sets an undesirable precedent. The decision may also be challenged at the State Administrative Tribunal.

### **Option 4 – Challenge the Minister’s Determination at the State Administrative Tribunal**

Section 6.33(3) of the *Local Government Act* states that:

*In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.*

To date the Minister has not approved the Differential rate. This ‘non-approval’ could possibly be challenged by the City at the State Administrative Tribunal.

At this point in time the basis of any possible challenge has not been articulated and the likelihood of success/failure has not been quantified. This option is not supported by Officers at this time as they consider that other alternatives should be pursued first and that legal challenges to the Ministers decision should be a ‘last resort’ option.

**CONCLUSION**

Despite the fact that the Council's application for Differential Rates in 2015/16 is consistent with the approach and decisions that have been in this regard in previous years, the City is yet to receive support from the Minister for its Differential Rates. If the Minister does not reconsider this position, Council will need to consider how it would like to address the matter. Officers have outlined four options that Council could potentially pursue. Put simply these are:

- 1) Rate Modification to meet the Ministers request;
- 2) Continued Advocacy/Lobbying;
- 3) Rate Concessions to achieve compliance; and
- 4) Legal avenues.

As we are yet to receive feedback on the request for reconsideration of the matter based on the correct, full and complete suite of information that has been provided on this matter, it is considered premature to be confirming any particular strategy to address this matter.

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**OFFICER'S RECOMMENDATION**

That Council by SIMPLE Majority:

1. **REAFFIRMS** that the Council's intention has always been to maintain a maximum increase in the rate yield of 4% in each category for 2015 /16 (as resolved at the 15 June 2015 Council Meeting) and **CONFIRMS** that Council's decision at the June OCM authorised Council Officers to modify the proposed rates in the dollar post the receipt of all final valuations from Landgate to achieve this outcome.
2. **CONFIRMS** and **NOTES** that the proposed rates in the dollar to achieve the principal as identified in Item 1 above will be:

GRV/UV	Differential Rates Categories 2015/16	Proposed Rate in \$	Minimum Rates
GRV	Residential	0.064121	\$1,450
GRV	Commercial / Tourism / Town Centre	0.073271	\$1,450
GRV	Industry / Mixed Business	0.056287	\$1,450
GRV	Airport / Strategic Industry	0.126515	\$1,450
GRV	Transient Workforce Accommodation / Workforce Accommodation	0.232179	\$1,450
UV	Pastoral	0.096978	\$1,450
UV	Mining/Other	0.134010	\$1,450
UV	Strategic Industry	0.152053	\$1,450

3. **REJECTS** the proposition of discounting the rate in the dollar for Transient Workforce Accommodation/Workforce Accommodation on the basis of occupancy as:
  - Council rates are primarily based on property valuations not occupancy levels;
  - Treating one rating category in this manner would be discriminatory to other ratepayers; and
  - The TWA/WA rating category already pays significantly less rates per dwelling than similar type individual properties within the City (i.e. units, apartments and bedsits).
4. **CONFIRMS** that the City's application for Ministerial approval for Differential rates for 2015/16 is for the categories of GRV Airport/Strategic Industry and Transient Workforce Accommodation/Workforce Accommodation are 0.126515c and 0.232179c respectively, not 0.132140c and 0.257180c.
5. Formally **REQUESTS** that the Minister for Local Government reconsider his decision of the 28 July 2015 that rejects the City's 2015/16 GRV TWA/WA differential rates on the basis that the information provided to him to make the decision was not consistent with the full and complete information provided by the City on this matter.



City of Karratha

# Differential Rates

Minister Simpson Update

*22 July 2015*

# The Issue...

- State **Legislation** regarding Differential Rates **has not changed**
- State **Policy** regarding Differential Rates **has not changed**
- The **City's approach** towards Differential Rates **has not changed**
  
- The Department of Local Government's approach and timeframes towards Differential Rates **has changed**
  
- **This has become a critical issue that is costing the Council unnecessary time and money.**

# 2015/16 Budget

## **Key Themes when preparing the Budget**

- Implement the Integrated Strategic Plan and Long Term Financial Plan
- 'Business as Usual' budget – no new services and no significant change to service levels.

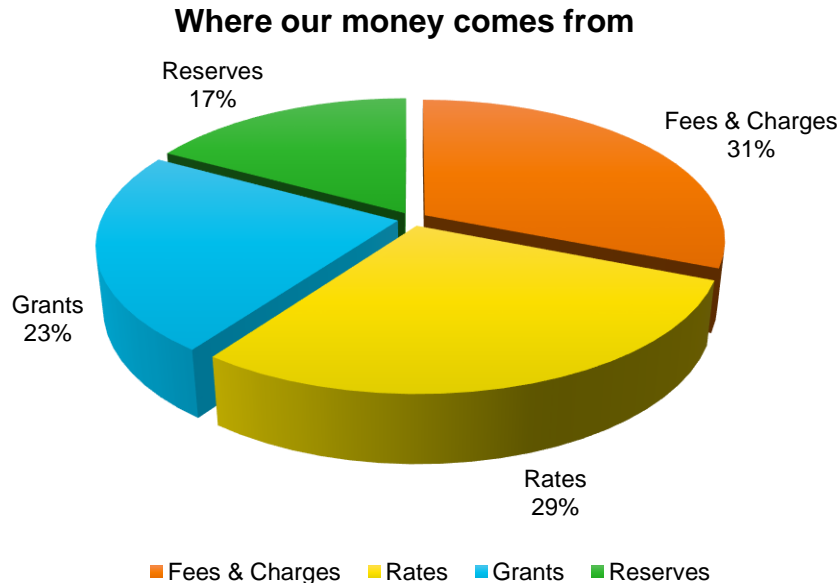
## **Key Challenges**

- We're financially sound BUT we need to be careful.
- Revenues are 'flat-lining'
- Costs are increasing.
- Continued desire by Council and Community to see improvements to services and facilities.

# Summary of Operating Position

	2014/15	2015/16
Operating Revenue	\$111,987,108	\$111,933,392
Operating Expense	(\$81,801,600)	(\$83,411,396)
Net Operating Position	\$30,185,508	\$28,521,996

Net is **\$1.66 M** more expensive to run the same level of service





# Our Rates: What we did

Differential Rates Categories	Rate in \$ 2014/15	Proposed Rate in \$ 2015/16	% Change
<b>Gross Rental Value (GRV)</b>			
Residential	\$0.028832	\$0.064121	+122%
Commercial / Tourism / Town Centre	\$0.057664	\$0.073271	+27%
Industry / Mixed Business	\$0.057664	\$0.056287	-2%
Airport / Strategic Industry	\$0.100911	\$0.126515	+25%
Transient Workforce Accommodation / Workforce Accommodation	\$0.115328	\$0.232179	+101%
<b>Unimproved Value (UV)</b>			
UV (Pastoral)	\$0.065918	\$0.096978	+47%
UV (Mining/Other)	\$0.131836	\$0.134010	+1.6%
UV (Strategic Industry)	\$0.164795	\$0.152053	-7.7%

# Valuations: Why the Adjustments are so different

Differential Rates Categories	Total GRV/UV 2014/15	Total GRV/UV 2015/16	% Change
<b>Gross Rental Value (GRV)</b>			
Residential	\$555,461,421	\$264,914,849	<b>-52%</b>
Commercial / Tourism / Town Centre	\$42,432,075	\$39,385,303	<b>-7%</b>
Industry / Mixed Business	\$67,689,597	\$71,087,814	<b>+5%</b>
Airport / Strategic Industry	\$11,747,772	\$9,745,580	<b>-17%</b>
Transient Workforce Accommodation / Workforce Accommodation	\$73,310,240	\$33,812,740	<b>-53%</b>
<b>Unimproved Value (UV)</b>			
UV (Pastoral)	\$4,088,420	\$2,890,150	<b>-29%</b>
UV (Mining/Other)	\$8,585,621	\$8,731,440	<b>-2%</b>
UV (Strategic Industry)	\$32,201,882	\$38,876,362	<b>+20%</b>
<b>OVERALL</b>	<b>\$795,517,028</b>	<b>\$469,444,238</b>	<b>-41%</b>

# Rating

- Principals

- Given economic conditions, wont achieve 3.3% property growth and 7% rate increase (as per LTFP)
- 4% growth in rate yield to cover 4% change operating position.
- Yield relativity to be maintained between rate categories.

- Outcome

- 53% of properties will benefit from a reduction in rates for 2015/16, primarily residential properties.
- A further 22% of properties will experience an increase in rates of less than 4%

# Timeline

Date	Action
18 May 2015	Council endorses 2015/16 Draft Rates Model
20 May 2015	Commenced advertising draft differential rates model
26 - 29 May 2015	Communication with landowners/ratepayers (>600 letters sent)
10 June 2015	Submissions closed (11 received)
15 June 2015	Council considers submissions. Resolve to seek Ministerial approval for two differential rates
17 June 2015	Meeting with DLGC to discuss CoK rating strategy and application for Ministerial Approval
23 June 2015	Submitted Application for Ministerial Approval of Differential Rates
30 June 2015	Special Council meeting to adopt 2015/16 Budget
16 July 2015	Meeting with DLGC to discuss delay in processing application
17 July 2015	Submitted revised information requested by Department

Application has now been in for **30 days** without approval/refusal.  
Rates notices were scheduled to be mailed out on the 20<sup>th</sup> July.

# Ministerial Application

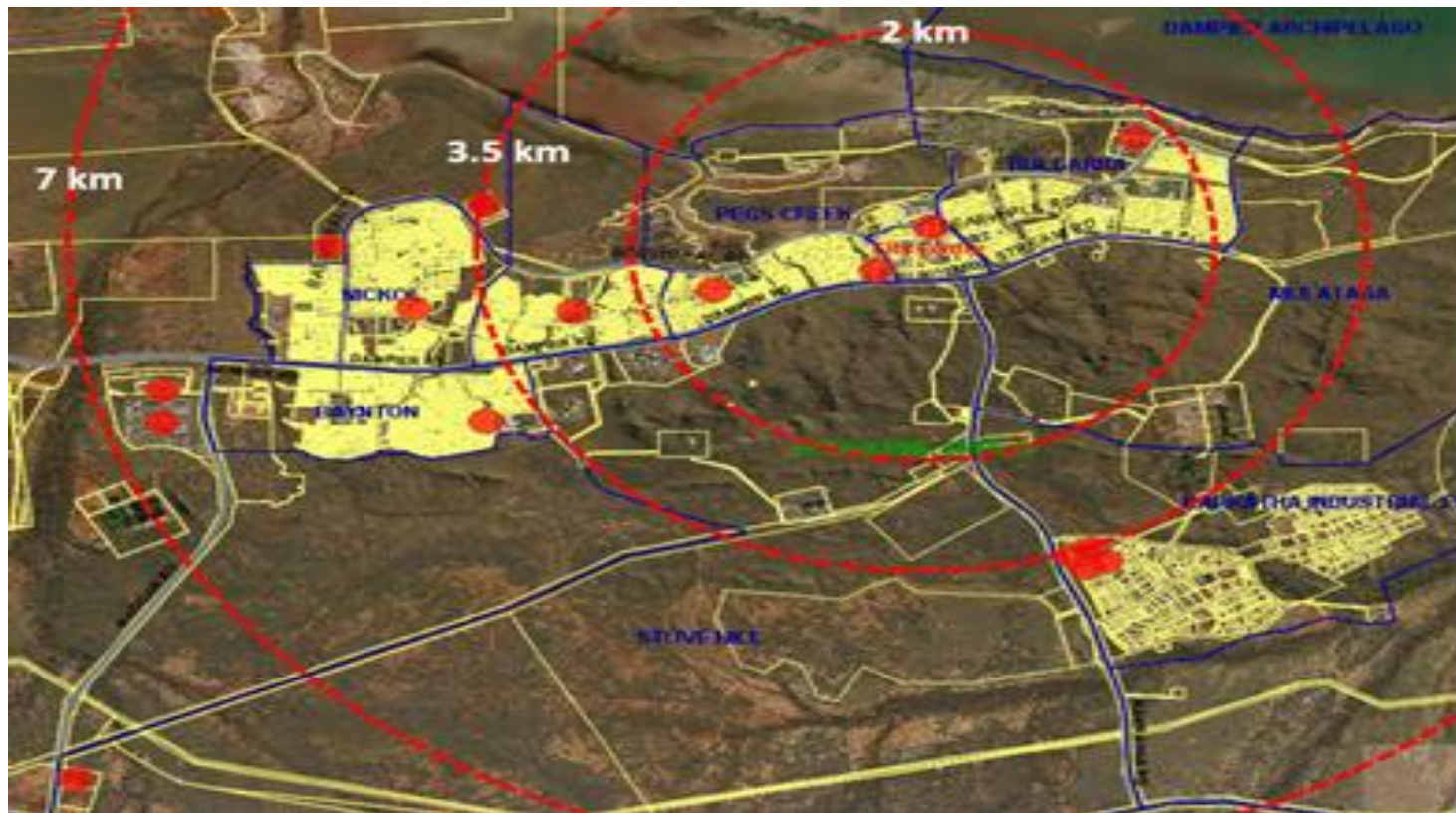
- Two RID require Ministerial Approval.
- Basis of request is same (or better) than what has previously been approved.

Year	2013/14	2014/15	2015/16
Relativity of TWA/WA rate to residential rate	4x	4x	3.6x
Relativity of Airport/Strategic Industry rate to min	3.5x	3.5x	2.25x

**Submission:** TWA's provide their own services (power, water and roads) and don't use LG services

Response:

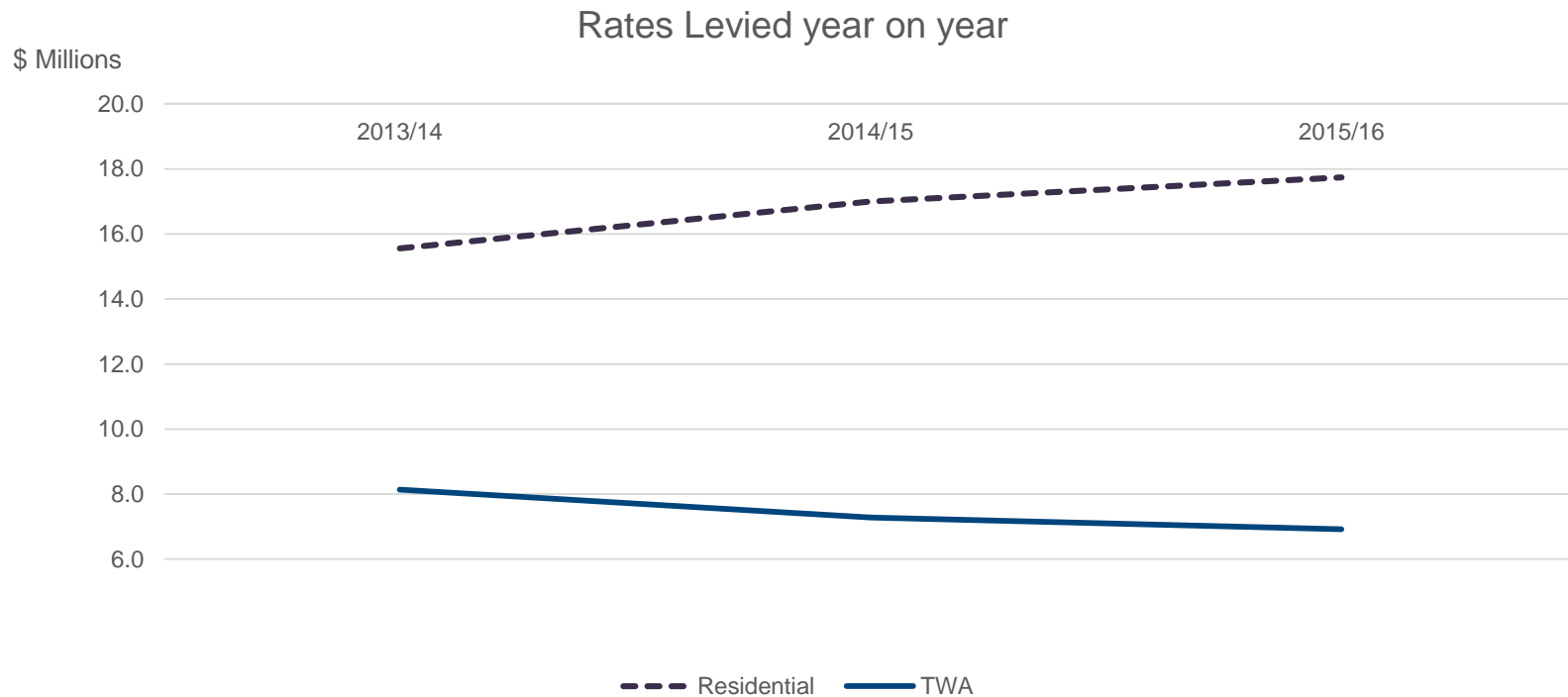
- 19 of 23 rated TWA's are within town boundaries and have access to same services as remainder of population.



## Submission: TWA rates are discriminatory

Response:

- Submission previously rejected by the Supreme Court
- Total TWA rate collect is going down as residential rate collection rises.
- TWA rates are proportionally under-represented



## Submission: TWA rates are discriminatory (cont.)

Response:

### - Average Rates

- TWA Room: \$ 757
- 1BR Pelago: \$1,933
- 1BR Bedsit: \$1,450
- 3 BR House: \$2,400

% contribution to Total Rate Income

	2013/14	2014/15	2015/16
<b>TWA/WA</b>	24.36%	21.05%	18.96%
<b>Residential</b>	42.48%	42.56%	42.84%

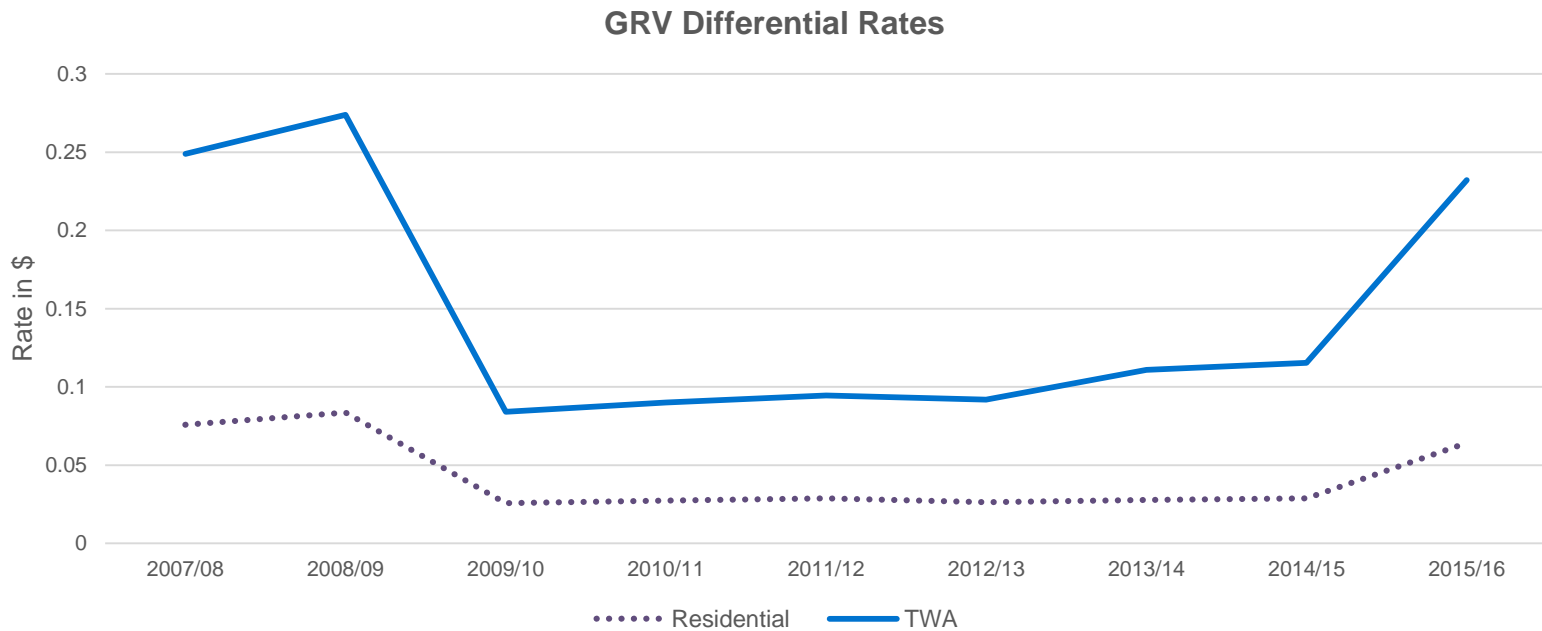
	Population	%	Rate Income
Residential Population:	22,900	69%	\$17.74M (69%)
TWA Beds:	<u>10,374</u>	<u>31%</u>	<u>\$ 7.85M (31%)</u>
TOTAL	33,274	100%	\$25.59M



# Submission: TWA rates increasing when valuations are decreasing

Response:

- RID previously adjusted down when valuations rose sharply.
- TWA valuation decreases consistent with Residential.
- Approach is consistent



## **Submission:** TWA occupancy rates are down

### Response:

- Seven (7) TWA's reclassified to reflect use change - \$1M less in rates.
- TWA occupancy rate remains high
- Some camps are closing and being removed.
- Remaining camps are seeking long term extensions to leases.
- Airport patronage remains strong with high TWA numbers.

# TWA Rates

TWAWA	No. Accom Units	Valuation 14/15	Rates Levied 14/15	Valuation 15/16	Proposed Rates Levied 15/16	Rates Difference
Searipple Village	1546	\$12,480,000	\$1,439,293	\$3,900,000	\$905,500	-\$533,794
Bay Village (Woodside)	518	\$5,200,000	\$599,706	\$520,000	\$120,733	-\$478,972
VV2 Village	60	\$468,000	\$53,974	\$88,400	\$20,525	-\$33,449
Karratha Village	123	\$819,000	\$94,454	\$332,800	\$77,269	-\$17,184
Cherratta Village	106	\$865,800	\$99,851	\$358,800	\$83,306	-\$16,545
Point Samson Road Village	60	\$511,680	\$59,011	\$208,000	\$48,293	-\$10,718
King Village TWA	56	\$358,800	\$41,380	\$135,200	\$31,391	-\$9,989
Kingfisher Ausco Village	257	\$2,067,000	\$238,383	\$988,000	\$229,393	-\$8,990
Aspen Karratha Village	180	\$2,158,000	\$248,878	\$1,040,000	\$241,467	-\$7,411
Apache Devils Creek Village	210	\$2,099,760	\$242,161	\$1,014,000	\$235,430	-\$6,731
Velocity Village	184	\$1,222,000	\$140,931	\$587,600	\$136,429	-\$4,502
King Way TWA	47	\$254,800	\$29,386	\$119,600	\$27,769	-\$1,617
Mineralogy Pty Ltd (Camp 123)	1500	\$20	\$1,400	\$20	\$1,450	\$50
Hall Street Village	28	\$150,800	\$17,391	\$83,200	\$19,317	\$1,926
King Way Motel (VV2)	47	\$130,000	\$14,993	\$85,000	\$19,735	\$4,743
Gap Ridge Village	2132	\$15,600,000	\$1,799,117	\$7,800,000	\$1,810,999	\$11,883
Civeo (The Mac)	208	\$1,687,400	\$194,604	\$988,000	\$229,393	\$34,789
Wickham Lodge (RTIO)	208	\$1,227,200	\$141,531	\$858,000	\$199,210	\$57,679
Cajuput Villas (Rio - Wickham)	157	\$1,539,720	\$177,573	\$1,034,800	\$240,259	\$62,686
Wickham Lodge Village (Rio)	230	\$1,924,000	\$221,891	\$1,362,400	\$316,321	\$94,430
CITIC– Fortesque River Village	503	\$2,418,000	\$278,863	\$1,664,000	\$386,347	\$107,483
Walcott Drive (RTIO)		\$1,003,600	\$115,743	\$1,024,920	\$237,965	\$122,222
CITIC Pacific - Eramurra	2014	\$12,008,880	\$1,384,960	\$9,620,000	\$2,233,566	\$848,606
<b>TOTALS</b>	10374	\$66,194,460	\$7,635,474	\$33,812,740	\$7,852,067	\$216,595

# Rate Modifications

TWA/WA	No. Accom Units	Valuation 14/15	Rates Levied 14/15	Valuation 15/16	Proposed Rates Levied 15/16	Rates Difference
Peninsula Palms	550	\$3,224,000	\$371,817	\$1,548,820	\$113,484	-\$684,016
Balmoral Caravan Park	171	\$657,800	\$75,863	\$249,600	\$18,288	-\$229,662
Backpackers	44	\$228,800	\$26,387	\$117,000	\$8,573	-\$55,227
Karratha Motel	42	\$351,000	\$40,480	\$192,400	\$14,097	-\$46,803
Adjoins Karratha Tavern Accommodation	15	\$195,780	\$22,579	\$110,550	\$8,100	-\$13,650
Rosemary Rd Caravan Park	38	\$871,000	\$100,451	\$572,000	\$41,911	-\$13,189
Karratha Tavern	14	\$1,040,000	\$119,941	\$676,000	\$49,531	\$29,231
<b>TOTALS</b>	<b>874</b>	<b>\$6,568,380</b>	<b>\$757,518</b>	<b>\$3,466,370</b>	<b>\$253,984</b>	<b>-\$1,013,316</b>



Questions?



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**The Hon Tony Simpson MLA  
Minister for Local Government; Community Services;  
Seniors and Volunteering; Youth**

Our Ref: 49-08665

Mr Chris Adams  
Chief Executive Officer  
City of Karratha  
PO Box 219  
KARRATHA WA 6714

Dear Mr Adams

**DIFFERENTIAL GENERAL RATES 2015/16**

I refer to the City's application dated 22 June 2015 requesting approval to impose differential general rates that are more than twice the lowest rate in the Gross Rental Value (GRV) category.

In accordance with section 6.33(3) of the *Local Government Act 1995*, I must be satisfied that there is justification for the imposition of a differential rate more than twice the lowest rate.

While I acknowledge that fluctuations in land valuations can be difficult in setting rates, I am not prepared to approve the City's proposed rate of \$0.257180 for (GRV) Transient Workforce Accommodation/Workforce Accommodation. The City should consider a new method for the rating of this category which takes into account the reduction in valuations. The consideration of a rating model that compares the City's residential population with the current number of occupied beds in the (GRV) TWA/WA category would be fairer and more equitable.

In determining your differential rating for the (GRV) Airport/Strategic Industry category, you have adequately applied objectivity, fairness and equity in the rate in the dollar for which approval will be granted.

It is evident that the mining industry is turbulent and fluctuations occur and, therefore, it is recommended that the City reviews its Long Term Financial Plan and, in particular, the rating strategy to take into consideration current economic conditions.

If you have any questions, please do not hesitate to contact Ms Sheryl Siekierka, at the Department of Local Government and Communities, on 6552 1569 or by e-mail at [sheryl.siekierka@dlgc.wa.gov.au](mailto:sheryl.siekierka@dlgc.wa.gov.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Simpson', written in a cursive style.

HON TONY SIMPSON MLA  
**MINISTER FOR LOCAL GOVERNMENT; COMMUNITY SERVICES;  
SENIORS AND VOLUNTEERING; YOUTH**

28 JUL 2015



## **6 CLOSURE & DATE OF NEXT MEETING**

The meeting closed at \_\_\_\_\_.

The date of the next Ordinary Council Meeting is to be held on Monday, 17 August 2015 at 6.30 pm at Council Chambers - Welcome Road, Karratha.