



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 Monday, 7 May 2018 at 7.30pm
to consider the following item:**

- Draft 2018/19 Differential Rates Model**

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 DRAFT 2018/19 DIFFERENTIAL RATES MODEL

File No:	RV.10
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Financial Accountant
Date of Report:	4 May 2018
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Objects and Reasons for Differential Rates

PURPOSE

For Council to consider the draft differential rates model for 2018/19 financial year for the purpose of advertising and seeking public submissions.

BACKGROUND

Council sets its budget in June/July each year and a key component of the budget setting is the establishment of the rates in the dollar. Council has traditionally levied differential rates whereby different rates in the dollar are set for different rating categories. It is proposed to continue with a differential rating strategy in 2018/19.

Sources of Funding

The City receives approximately one third of its total funding from rates, approximately one third from fees and charges, with the remainder coming from grants and contributions, reserves and other sources.

In June 2017 Council purchased The Quarter HQ commercial building in the Karratha CBD from Landcorp. The purchase was fully funded from Council's Infrastructure Reserve with the aim of deriving a higher rate of return than the term deposits that Council's reserve funds are typically invested in, as part of an overall strategy of reducing the City's reliance on rates income.

At the current occupancy rate, The Quarter HQ is generating a return approximately 2% higher than the average term deposit rate allowing the City to contribute almost \$0.4m in additional income to municipal funds, reducing the need to generate that amount from rates or other sources. It is anticipated that as further lease agreements are finalised, the contribution to municipal funds from The Quarter HQ will further offset Council's reliance on rates in future years.

General Revaluation

In 2017/18 rate revenue was derived from the following categories:

- Residential properties	45.8%
- Commercial properties	7.8%
- Industrial properties	10.7%
- Transient Workforce Accommodation	12.2%
- Strategic Industry UV	17.7%
- Other categories	5.6%

Consistent with Council’s Long Term Financial Plan in 2018/19, it is proposed to derive rates in similar proportions as those listed above.

The 2018/19 financial year is a revaluation year for Gross Rental Values (GRV) which is part of a 3-year cycle. Properties rated on Unimproved Values (UV) have their values assessed annually. The revaluation was performed by Landgate during the year and there has been significant movement in values across some categories.

Table 1 highlights the movements in valuation for each differential rating category, based on the volume of revaluation data received thus far. Landgate is expected to provide the remaining valuation data by the end of May.

Table 1

Category	Indicative Aggregate Valuation % Inc/Dec	% of revaluation data received
Residential (GRV)	-42.0%	99.9%
Commercial (GRV)	-21.7%	98.9%
Industrial (GRV)	-40.9%	99.3%
Airport/Strategic Industry (GRV)	-16.4%	94.4%
TWA (GRV)	-14.1%	100.0%
Pastoral (UV)	0.0%	100.0%
Mining/Other (UV)	2.9%	100.0%
Strategic Industry (UV)	0.1%	97.7%

The overall objective of the differential rates model proposed for 2018/19 is to provide for the net funding requirement of the City’s operational and capital activities after taking into account all other forms of revenue.

In order to achieve this, the rates in the dollar move up and down as valuations move up and down to ensure a consistent revenue stream each year. Significant adjustments are required to the rates in the dollar for some categories to reflect the current movements in valuations.

The historical movement in the residential rate in the dollar based on valuation changes is reflected in the graph below:



The graph clearly illustrates the rate in the dollar dropped significantly in 2009/10 when the GRV for residential properties (as determined by Landgate) rose significantly. Conversely, Landgate has indicated substantial decreases in valuations in the most recent valuation cycle and consequently the City's rate in the dollar is proposed to increase to generate a similar level of revenue. This reflects the fact that valuations only determine the relativity between one property and another, not how much it costs to provide local government services and facilities, which determines how much the City needs to raise from rates.

Proposed Differential Rates Model

To address the reductions in valuations whilst ensuring equity with the rating system for the 2018/19 financial year, eight (8) differential rating categories are proposed. The objects of and reasons for these differential rating categories are attached.

Table 2 details the proposed differential rates model including rates-in-the-dollar and minimum rates:

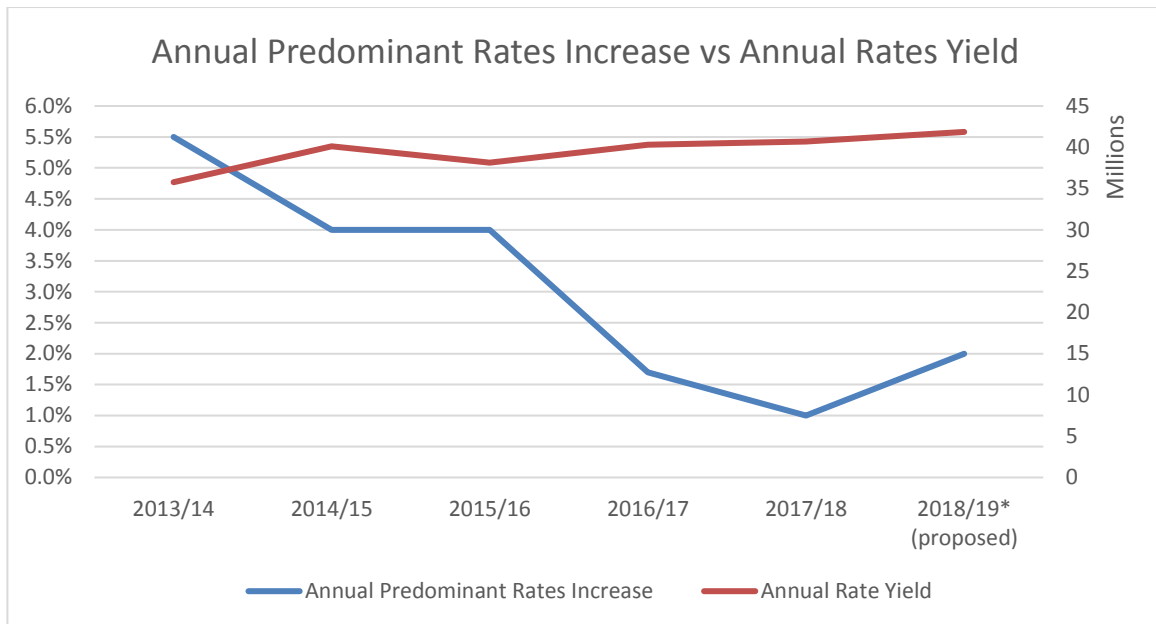
Table 2

Rate Type	Rate Category	Rate in \$	Minimum Payment
GRV	Residential	0.116284	\$1,519
GRV	Commercial	0.097836	\$1,519
GRV	Industrial	0.099413	\$1,519
GRV	Airport / Strategic Industry	0.153391	\$1,519
GRV	Transient Workforce Accommodation/ Workforce Accommodation	0.379455	\$1,519
UV	Pastoral	0.101606	\$319
UV	Mining/Other	0.136414	\$319
UV	Strategic Industry	0.176005	\$319

The proposed rates in the dollar balance the need for revenue to fund essential services and infrastructure, with the desire to minimise the impact that rates have on ratepayers. The projected rates will generate sufficient funds to continue to provide services and facilities at the current level and allow investment in new services and infrastructure in line with the direction established in Council's Long Term Financial Plan.

Council's adopted and updated Long Term Financial Plan includes a 2.1% rate increase in 2018/19, however sound financial management means that Council can adopt a lower increase based on proposed expenditure, projects and projected other revenues. It is possible to adopt a balanced budget with a 2% increase in the rate yield across all categories.

This continues Council's trend of maintaining a lower predominant rates increase each year in response to changing economic conditions in the district, as highlighted in the graph below:



Given disparate movement in individual property valuations within and across rating categories a 2% increase in rate yield does not translate to a 2% increase in rates payable by all properties.

Where an individual property within a category has experienced a decrease in valuation of more than the average, that property would also see a decrease in the rates payable.

Conversely, where an individual property has experienced a decrease in valuation of less than the average, or an increase in valuation, that property would see an increase in the rates payable.

Under the proposed rates model, 25% of Residential properties would benefit from a decrease in rates payable in 2018/19 while a further 36% will experience a rate increase of 2% or less.

Based on current rating information, the proposed differential rates model would raise \$41.9 million in rates in the 2018/19 financial year comparative to \$40.7 million of rates levied in 2017/18.

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 provide services and key infrastructure identified in the Council’s Strategic and Operational Plans.

COUNCILLOR/OFFICER CONSULTATION

Consultation has taken place between Councillors and Executive Management Team via budget workshops.

COMMUNITY CONSULTATION

The proposed differential rates together with the objects and reasons for each rate must be advertised for a minimum period of 21 days, no earlier than 1 May 2018.

This period of advertising allows ratepayers to consider the proposed rates and make any submissions for Council's consideration prior to resolving the final differential rates as part of the budget approval process. The advertising process does not prevent Council from amending the rate model at Budget adoption.

STATUTORY IMPLICATIONS

In addition to giving public notice and inviting submissions regarding the proposed differential rates, s 6.33 of the *Local Government Act 1995* provides that 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 rate. Based on the proposed differential rates model, this is applicable for the Transient Workforce Accommodation / Workforce Accommodation differential rate.

The proposed rates model would result in a decrease in the TWAWA differential rate relative to both the lowest differential rate, and the Residential rate, when compared to the 2017/18 rates. Table 3 highlights this decrease:

Table 3

	2017/18		2018/19	
	Relativity to Lowest rate-in-the-\$	Relativity to Residential rate-in-the-\$	Relativity to Lowest rate-in-the-\$	Relativity to Residential rate-in-the-\$
TWAWA Differential Rate	5.62x	4.93x	3.88x	3.26x

POLICY IMPLICATIONS

In accordance with the Department of Local Government Rating Policy – Differential Rates, Council must demonstrate that consideration has been given to the key values of Objectivity, Fairness and Equity, Consistency, Transparency and Administrative Efficiency.

The following indicates how these values are satisfied by the proposed differential rates:

Objectivity:

- The land on which differential general rates is proposed has been rated according to Zoning and Land Use. No land is proposed for differential general rates based on being vacant land.
- There has been no change to the boundaries of the District in the past five years.
- One differential general rate has been proposed which is more than twice the lowest differential – being the Transient Workforce Accommodation/Workforce Accommodation differential rating category.

Fairness and Equity:

Council has reviewed its expenditure and considered efficiency measures as part of its budget deliberations. In particular, the following items have been budgeted or undertaken:

Efficiency Measures:

- continued review of the need for and remuneration of each vacant position;
- disposal of surplus housing stock;
- disposal of under-utilised light fleet and plant;
- conducted internal audits of governance and legislative compliance;
- implementing energy and water efficiency strategies and actions;
- Investigated new waste management technologies to improve resource recovery and recycling outcomes;
- outsourced management of Cossack;
- continued use of local suppliers whenever possible and appropriate;
- construction of solar PV array at City Depot;
- implementation of GRV rating for capital improvements under the State's Rating Policy – Valuation of Land – Mining;
- contract awarded for Place Branding initiative;
- continued solar path lighting program;
- effluent reuse scheme extension and irrigation upgrades;
- upgrade of central control reticulation management system;
- improved airport service contracts to reduce ongoing breakdown costs;
- implementation of Major Event Sponsorship & Attraction Program;
- renegotiation of telecommunications services;
- conduct of two full budget reviews each financial year;
- purchase of The Quarter HQ and an alternative investment vehicle for City funds.

Service Improvements:

- completion of the Red Earth Arts Precinct;
- completed upgrade of Roebourne Aquatic Centre;
- finalised expansion of Nickol West Park;
- commenced construction of new Wickham Community Hub;
- upgrade of Karratha Bowling Club facilities;
- facilitation of international flights and additional domestic flight routes;
- expansion of local road and footpath network and associated infrastructure;
- playground renewal program;
- completion of front of terminal and carpark improvements at Karratha Airport;
- completed gym and program room expansion at Karratha Leisureplex;
- foreshore development and improvement works;
- construction of new Bus Shelters;
- expansion of parks and open space network;
- increase in indigenous engagement;
- proactive development compliance program;
- depot redevelopment;
- in ground reticulation upgrades;
- increase in frequency and areas of road sweeping;
- conduct of annual community survey to inform services and priorities;
- negotiation of 4-star hotel development.

- The objects of imposing differential rates and reasons for each rate are set out in the attached document that will be publically available from 9 May 2018.
- These objects and reasons clearly explain why each differential general rate is proposed to be imposed.
- The objects and reasons clearly explain why it is proposed to set the differential general rate at that particular rate.

- As there are fewer than 30 ratepayers in each of the Airport/GRV Strategic Industry and Transient Workforce Accommodation/Workforce Accommodation differential rating categories, each of these ratepayers will be individually informed in writing of the Department's Rating Policy, Council's objects and reasons, the differential general rate proposed that will apply to the ratepayer's property and the previous year's differential general rate for comparison. The closing date for submissions on the proposal will be at least 21 days after this information is provided.
- All submissions from ratepayers will be presented to Council for consideration at a later meeting and the minutes of this meeting, including the responses to ratepayer submissions, will be provided to the Department and the Minister.

Consistency:

- All properties with the same land use characteristics have been rated in the same way, with the exception of vacant land which has been rated based on zoning.
- The proposed differential rates align with the principles of the rating strategy in the Corporate Business Plan and Long Term Financial Plan, however they differ in application as the proposed increase to rates in the dollar (predominantly 2%) is lower than the 2.1% increase forecast for 2018/19 in the Long Term Financial Plan. This reduction is a response to the changing economic conditions in the district and implementation of efficiency measures within the organisation.
- Consideration has been given to rates proposed in neighbouring or similar local government districts. The Town of Port Hedland has proposed rates increases up to 77% for individual differential rating categories, while the Shire of East Pilbara has proposed a 3% increase in rating yield across all categories. The City of Karratha compares favourably with both of these. The Shire of Broome has yet to propose a differential rates model for 2018/19.
- Average rates per property across similar differential rating categories remain comparable with several similar local governments, as well as average rates per head of population. Table 4 highlights these comparisons:

Table 4

Council	Average Rate per Residential Property (2017/18 Budget)	Average Rate per Commercial Property (2017/18 Budget)	Average Rate per Industrial Property (2017/18 Budget)
City of Karratha	\$2,196	\$6,608	\$7,274
Town of Port Hedland	\$2,461	\$6,603	\$4,954
Shire of Broome	\$2,413	\$9,577	\$9,577
Shire of Ashburton	\$1,724	\$6,637	\$6,637
City of Greater Geraldton	\$1,754	\$7,293	\$7,293
Town of Victoria Park	\$1,659	\$9,855	\$9,855
City of Kwinana	\$1,280	\$12,034	\$8,016

Transparency and Administrative Efficiency:

- A document has been prepared clearly describing the object of and reason for each differential general rate. This will be made publically available from 9 May 2018.
- Public notice will be exhibited on a notice board at Council's offices and at each library within the district from 9 May 2018. This public notice will also be published in state wide and local newspapers from 9 May 2018.
- The public notice will detail each differential general rate to be imposed, advise ratepayers where to obtain a copy of the objects and reasons, invite submissions from ratepayers on the proposed differential general rates and advise the closing date for submissions of 30 May 2018.

- After the closing date for submissions, each submission received will be presented to Council for consideration prior to resolving to make application to the Minister for approval of the proposed differential general rates.

FINANCIAL IMPLICATIONS

Table 5 provides a comparison of the proposed rates yield to 2017/18:

Table 5

Rate Type	Differential Rates Categories	2017/18 Rate Yield \$	2017/18 Rate Yield %	Proposed Rate Yield \$	Proposed Rate Yield %	Increase / Decrease %
GRV	Residential	18,525,473	45.45%	18,926,776	45.95%	2.17%
GRV	Commercial	3,145,320	7.72%	3,211,261	7.80%	2.10%
GRV	Industrial	4,342,258	10.65%	4,429,156	10.75%	2.00%
GRV	Airport / Strategic Industry	1,284,513	3.15%	1,310,201	3.18%	2.00%
GRV	Transient Workforce Accommodation/ Workforce Accommodation	5,277,203	12.95%	5,297,799	12.86%	0.39%
UV	Pastoral	270,309	0.66%	275,717	0.67%	2.00%
UV	Mining/Other	792,585	1.94%	815,827	1.98%	2.93%
UV	Strategic Industry	7,158,301	17.56%	6,920,681	16.80%	-3.32%
	Other	-38,196	-0.09%	-	-	-
	TOTAL	40,757,766	100.00%	41,187,419	100.00%	1.05%

- ‘Other’ relates to movements in non-rateable properties such as expiry of Crown leases and properties purchased or sold by government departments.
- Increases of more than 2% in some categories relates to new properties or new improvements being rated for the full year for the first time in 2018/19.

Table 6 provides a comparison of the proposed average rates per property to 2017/18:

Table 6

Rate Type	Differential Rates Categories	2017/18 Average Rate per Property	Proposed Average Rate per Property	\$ Increase / Decrease	% Increase / Decrease
GRV	Residential	2,182	2,230	48	2.18%
GRV	Commercial	6,622	6,761	139	2.10%
GRV	Industrial	7,249	7,407	158	2.17%
GRV	Airport / Strategic Industry	71,362	72,789	1,427	2.00%
GRV	Transient Workforce Accommodation/ Workforce Accommodation	239,873	240,809	936	0.39%
UV	Pastoral	27,031	27,572	541	2.00%
UV	Mining/Other	2,297	2,379	82	3.53%
UV	Strategic Industry	168,927	172,649	3,722	2.20%
	TOTAL	4,075	4,120	45	1.09%

The percentage changes in both average rates per property and rate yields are affected by a number of factors, including the GRV revaluation, the rate in the dollar and the value of any interim rates.

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 2018-2019 provided for this activity:

Programs/Services: 4.c.3.1 Property Rating Services

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	Extreme	Failure to obtain Ministerial approval for the proposed differential rates model may result in an increase in the rates required from other properties or a significant shortfall in rates revenue.
Service Interruption	Extreme	Any budget shortfall or delays in adoption of the rates and annual budget has the potential to impact operations and services.
Environment	N/A	Nil.
Reputation	High	Failure to obtain Ministerial approval for the proposed differential rates model may require Council to increase rates on other differential rating categories to make up any shortfall which would not be well received by other ratepayers.
Compliance	High	Council will be in breach of the <i>Local Government Act 1995</i> if it adopts any differential rates higher than 2x the lowest rate without having followed the prescribed process, including public consultation and Ministerial approval.

IMPACT ON CAPACITY

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

RELEVANT PRECEDENTS

Based on the City's rating strategy, annually the City applies for Ministerial Approval in order to impose differential rating for all Gross Rental Value properties and Unimproved Value properties.

For the 2015/16 financial year the City was required to modify the application, to reduce the differential rate levied on properties in the Transient Workforce Accommodation/Workforce Accommodation differential rating category from \$0.232179 to \$0.216481 in order to obtain Ministerial Approval.

For the 2016/17 financial year the City was required to provide a concession to a number of properties in the Transient Workforce Accommodation/Workforce Accommodation differential rating category to limit their increase in rates payable to 20%. These concessions were offset by Ministerial Approval being granted for the higher rate in the dollar of \$0.321484 rather than the initially proposed rate of \$0.293013.

Council regularly reviews the proportion of the 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 and commercial ratepayers.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:

Option 1

As per Officer's recommendation.

Option 2

That Council by SIMPLE Majority pursuant to Section 6.36 of the *Local Government Act 1995* RESOLVES to:

1. COMBINE the Commercial and Industrial differential rating categories;
2. ENDORSE the objects and reasons for Proposed Differential Rates; and
3. ADVERTISE and INVITE submissions regarding the following proposed differential rates for 2018/19:

GRV/UV	Differential Rates Categories 2018/19	Proposed Rate in \$	Minimum Rate
GRV	Residential	0.116284	\$1,519
GRV	Commercial / Industrial	0.098767	\$1,519
GRV	Airport / Strategic Industry	0.153391	\$1,519
GRV	Transient Workforce Accommodation / Workforce Accommodation	0.379455	\$1,519
UV	Pastoral	0.101606	\$319
UV	Mining/Other	0.136414	\$319
UV	Strategic Industry	0.176005	\$319

Option 3

That Council by SIMPLE Majority pursuant to Section 6.36 of the *Local Government Act 1995* RESOLVES to:

1. ENDORSE the objects and reasons for Proposed Differential Rates;
2. ADVERTISE and INVITE submissions regarding the following proposed differential rates for 2018/19:

GRV/UV	Differential Rates Categories 2018/19	Proposed Rate in \$	Minimum Rate
GRV	Residential		
GRV	Commercial		
GRV	Industrial		
GRV	Airport / Strategic Industry		
GRV	Transient Workforce Accommodation / Workforce Accommodation		
UV	Pastoral		
UV	Mining/Other		
UV	Strategic Industry		

CONCLUSION

The differential rates model proposed for public advertising meets the anticipated revenue requirements of the 2018/19 Budget while responding to the changed economic conditions being experienced across the district. The proposed model takes into account the general revaluation of property within the district and subsequent adjustments to the rates in the dollar, while the proposed increase still remains lower than anticipated in Council's Long Term Financial Plan.

OFFICER’S RECOMMENDATION

That Council by SIMPLE Majority pursuant to Section 6.36 of the *Local Government Act 1995* RESOLVES to:

1. **ENDORSE** the objects and reasons for Proposed Differential Rates; and
2. **ADVERTISE** and **INVITE** submissions regarding the following proposed differential rates in 2018/19:

GRV/UV	Differential Rates Categories 2018/19	Proposed Rate in \$	Minimum Rate
GRV	Residential	0.116284	\$1,519
GRV	Commercial	0.097836	\$1,519
GRV	Industrial	0.099413	\$1,519
GRV	Airport / Strategic Industry	0.153391	\$1,519
GRV	Transient Workforce Accommodation / Workforce Accommodation	0.379455	\$1,519
UV	Pastoral	0.101606	\$319
UV	Mining/Other	0.136414	\$319
UV	Strategic Industry	0.176005	\$319



OBJECTS AND REASONS FOR PROPOSED DIFFERENTIAL RATES FOR THE YEAR ENDING 30 JUNE 2019

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.dlgs.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 reflects a 2% in rate yield to facilitate Council's objective of raising a total of \$41.2 million in rates. 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 \$41.2 million is in line with the revenue requirements of Council's Long Term Financial Plan (LTFP) of \$41.4 million for the 2018/19 financial year and provides for Capital Works and Programs which includes:

- Completion of the Wickham Community Hub
- Completion of Class III Landfill Cell
- 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, the following actions have been undertaken:

Efficiency Measures:

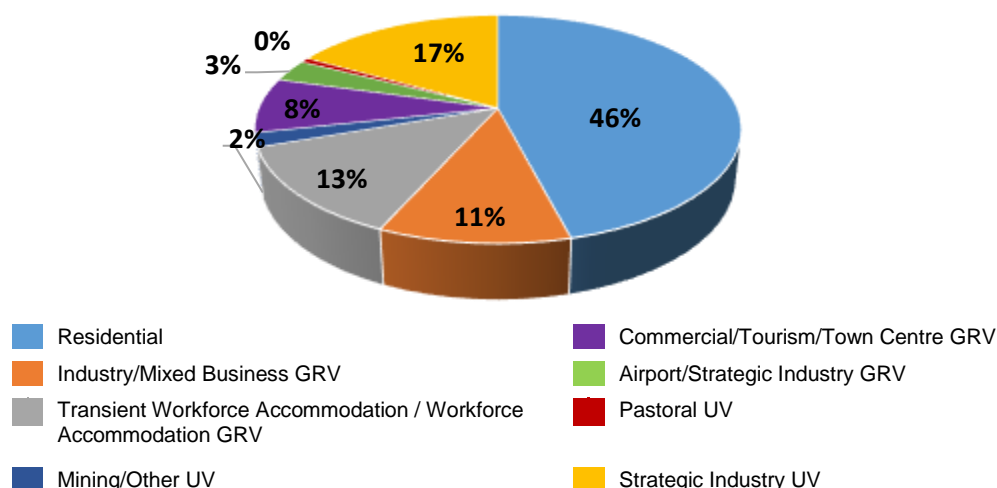
- continued review of the need for and remuneration of each vacant position;
- disposal of surplus housing stock;
- disposal of under-utilised light fleet and plant;
- conducted internal audits of governance and legislative compliance;
- implementing energy and water efficiency strategies and actions;
- Investigated new waste management technologies to improve resource recovery and recycling outcomes;
- outsourced management of Cossack;
- continued use of local suppliers whenever possible and appropriate;
- construction of solar PV array at City Depot;
- implementation of GRV rating for capital improvements under the State's Rating Policy – Valuation of Land – Mining;
- contract awarded for Place Branding initiative;
- continued solar path lighting program;
- effluent reuse scheme extension and irrigation upgrades;
- upgrade of central control reticulation management system;
- improved airport service contracts to reduce ongoing breakdown costs;
- implementation of Major Event Sponsorship & Attraction Program;
- renegotiation of telecommunications services;
- conduct of two full budget reviews each financial year;
- purchase of The Quarter HQ and an alternative investment vehicle for City funds.

Service Improvements:

- completion of the Red Earth Arts Precinct;
- completed upgrade of Roebourne Aquatic Centre;
- finalised expansion of Nickol West Park;
- commenced construction of new Wickham Community Hub;
- upgrade of Karratha Bowling Club facilities;
- facilitation of international flights and additional domestic flight routes;
- expansion of local road and footpath network and associated infrastructure;
- playground renewal program;
- completion of front of terminal and carpark improvements at Karratha Airport;
- completed gym and program room expansion at Karratha Leisureplex;
- foreshore development and improvement works;
- construction of new Bus Shelters;
- expansion of parks and open space network;
- increase in indigenous engagement;
- proactive development compliance program;
- depot redevelopment;
- in ground reticulation upgrades;
- increase in frequency and areas of road sweeping;
- conduct of annual community survey to inform services and priorities;
- negotiation of 4-star hotel development.

Table 1 represents the total 2018/19 rates to be levied by land use / zoning.

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



The 2018/19 Rating Year utilises the most recent general revaluation effective 1 July 2018, with valuations assessed as at October 2017 by the Valuer General's office.

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 2018.

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 2018/19 minimum payments and rates in the dollar for GRV:

Table 2: Proposed differential rates for 2018/19 financial year (GRV)
Including average rate per assessment

Differential Rates 2018/19				
Category	Proposed Minimum Payment	Proposed Rate in the Dollar	Proposed Average Rate per Property	Change in Average Rate
Gross Rental Value	\$	\$	\$	%
Residential	1,519.00	0.116284	2,230	2.18%
Commercial	1,519.00	0.097836	6,761	2.10%
Industrial	1,519.00	0.099413	7,407	2.17%
Airport / Strategic Industry (GRV)	1,519.00	0.153391	72,789	2.00%
Transient Workforce Accommodation / Workforce Accommodation	1,519.00	0.379455	240,809	0.39%

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 2.18% with an increase in the rate yield of 2% for the 2018/19 financial year. The minimum rate of \$1,519 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

Commercial – 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 an increase to the average rate for Commercial properties of 2.10% with an increase in the rate yield of 2% for the 2018/19 financial year. The minimum rate of \$1,519 is to ensure that all ratepayers make a reasonable contribution for basic services and infrastructure.

Industrial – 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 Mooligunn Road. In addition, these properties have access to all other services and facilities provided by Council.

The rate for this category maintains an increase to the average rate for Industrial properties of 2.17% with an increase in the rate yield of 2% for the 2018/19 financial year. The minimum rate of \$1,519 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.

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 \$8m (excludes recoverable costs) for 2017/18 were incurred with similar operating costs (plus associated CPI and Utility increases) anticipated for 2018/19.

Council' significant terminal (2015) and forecourt & carpark (2017) redevelopment projects provide a higher amenity and service to airport properties.

The rate for this category results in an increase to the average rate for properties of 2.00% with an increase in the rate yield of 2% for the 2018/19 financial year. The minimum rate of \$1,519 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 three point two six times (x3.26) the Residential rate category which equates to three point eight eight times (x3.88) the lowest GRV rate in the dollar being Commercial.

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 \$1,519 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 rate for this category maintains results in an increase to the average rate for TWA's of 0.39% with an increase in the rate yield of 2% for the 2018/19 financial year. The minimum rate of \$1,519 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 2018/19 minimum payments and rates in the dollar for Unimproved Values:

**Table 3: Proposed differential rates for 2018/19 financial year (UV)
Including average rate per assessment**

Differential Rates 2018/19				
Category	Proposed Minimum Payment	Proposed Rate in the Dollar	Proposed Average Rate per Property	Change in Average Rate
Unimproved Value	\$	\$	\$	%
Pastoral	\$319	0.101606	27,572	2.00%
Mining/Other	\$319	0.136414	2,379	3.53%
Strategic Industry (UV)	\$319	0.176005	160,946	1.09%

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 2.00% with an increase in the rate yield of 2% for the 2018/19 financial year. The UV minimum rate of \$319 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 maintains an increase to the average rate for Mining/Other properties of 3.53% with an increase in the rate yield of 2% for the 2018/19 financial year. The UV minimum rate of \$319 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. The higher differential rate for this category is proposed 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 for this category maintains a decrease to the average rate for UV Strategic Industry properties of 1.07% with an increase in the rate yield of 2% for the 2018/19 financial year. The UV minimum rate of \$319 is to ensure that all ratepayers make a minimum contribution for basic services and infrastructure.

6 CLOSURE & DATE OF NEXT MEETING

The meeting closed at _____.

The next Ordinary Council meeting is to be held on Monday, 21 May 2018 at 6:30pm at Council Chambers - Welcome Road, Karratha.