

17.1 LATE ITEM - CONSIDERATION OF SUBMISSIONS REGARDING ADVERTISED DIFFERENTIAL RATES 2022/23

File No:	FM.1
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Senior Rates Officer
Date of Report:	30 May 2022
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Submissions received from Ratepayers

PURPOSE

For Council to consider submissions and initiate the process for seeking Ministerial Approval regarding the 2022/23 differential rate model.

BACKGROUND

As part of the budget process, Councillors have reviewed the projected changes in Operating Income and Expenditure, along with efficiency measures, proposed capital works, projects and new initiatives.

The City will experience cost increases for 2022/23 above the Long-Term Financial Plan forecast of 1.8%, in particular insurance (16.5%), along with increasing costs of materials and contracts and provision for new services and facilities.

Despite these cost increases and recent annual CPI increases (Perth all groups) of 5.7% (December 2021) and 7.6% (March 2022), prudent financial management and strong financial returns from City commercial operations and investments has allowed Council to consider the adoption of a 3% predominant increase in rates across all categories.

At the previous Ordinary Council Meeting on 26 April 2022, Council resolved to advertise and invite submissions regarding the proposed differential rates for the 2022/23 financial year.

Since adopting the differential rates model the City has received and loaded the Gross Rental Valuation (GRV) revaluation data received from Landgate.

The overall objective of the differential rates model proposed for 2022/23 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 reductions are now required to the rates in the dollar for some categories to reflect the increases in valuations.

To address the increases in valuations whilst maintaining an overall 3% increase on the rate in the dollar for the 2022/23 financial year, the following amendments are required to the differential rates:

Differential Rates Categories	Advertised Rate in the Dollar	Proposed Rate in the Dollar	Minimum Rate
Gross Rental Value (GRV)			
Residential	0.122092	0.071058	\$1,610
Commercial / Industrial	0.104727	0.097252	\$1,610
Airport / Strategic Industry	0.162603	0.142115	\$1,610
Transient Workforce Accommodation / Workforce Accommodation	0.402243	0.281389	\$1,610
Unimproved Value (UV)			
Pastoral	0.107708	0.107708	\$338
Mining/Other	0.138119	0.138119	\$338
Strategic Industry	0.192140	0.192140	\$338

While the proposed GRV rates in the dollar are lower to offset increases in valuations, rates for properties with valuation increases above the average will increase by more than 3% and rates for properties with increases below average (or with valuation decreases) will either decrease or increase by less than 3%.

Given the nature of the State's rating system, where properties of similar value are liable for similar rates, it is not possible to avoid the impact of the 'normalisation' of property values (and rates) across the district without significantly impacting large numbers of properties in other categories.

LEVEL OF SIGNIFICANCE

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

STATUTORY IMPLICATIONS

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

Section 6.76 of the Act provides that if the local government imposes a differential general rate, a person may object to the rate record on the ground that the characteristics of the land recorded in the rate record as the basis for imposing that rate should be deleted and other characteristics substituted. An objection is to be made within 42 days of the service of a rate notice and is to be considered promptly and either disallowed or allowed, wholly or in part.

COUNCILLOR/OFFICER CONSULTATION

Several workshops/briefings have been held with Councillors and Officers to assist Council's consideration of the rate setting requirements for the 2022/23 financial year.

COMMUNITY CONSULTATION

Significant community consultation has occurred regarding the City's proposed 2022/23 rates. This has included:

- Statutory Advertising: A Notice of Intention to Impose Differential Rates was published in the West Australian on 2 May 2022 and the Pilbara News on 4 May 2022. This notice was published on the Council's website, social media and included on noticeboards at the City's Administration Office and libraries.

- Categories with less than 30 properties: Council officers wrote to all ratepayers in the Transient Workforce Accommodation/Workforce Accommodation and Pastoral differential rating categories to advise them of the proposed differential rates model and invite submissions as these categories each contain less than 30 properties.
- At the close of submissions on 23 May 2022 four (4) submissions were received relating to seven (7) properties in the Transient Workforce Accommodation/Workforce Accommodation differential rating category that requires Ministerial approval. A further one (1) submission has been received from a mining tenement management company representing various tenements.

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

SUBMISSION 1 Category: Transient Workforce Accommodation/Workforce Accommodation Properties: Lot 1068 King Way & Lot 550 Cherratta Road Ratepayer: Cheratta Lodge Pty Ltd & MAPT Developments	
Key Issues	Officer's Comments
The general principle of taking 100% occupancy as the population of TWA relative to overall residential population is flawed. The last 12 months has seen the occupancy / population of Cheratta Lodge and King Village combined being 27%.	Rates for residential properties do not reduce based on occupancy so residential properties are similarly based on 100% occupancy.
The linking of GRV to rate differential is fine in isolation, however when GRV moves down significantly, the Council moves differential rates up to maintain the same revenue. The same principle does not apply when GRV moves up, differential rates have never moved down, resulting in an ever-increasing spiral of revenue that does not regulate based on the Council's own Principles relating to the matter.	Council consistently adjusts the rate in the dollar in line with changes in the GRV. The rate in the dollar is the mechanism that enables the City to maintain relativity in the rate yield of rating categories comparative to movements in valuations. In times of higher valuations the City applied a lower rate in the dollar. Conversely as valuations decrease a higher rate in the dollar is required to remain a comparable rate yield. <i>As a consequence, it is proposed to reduce the TWA rate from \$0.402243 to \$0.281389 and the rates for these properties will actually reduce comparative to the current year.</i>
Council's assertion that TWA land has the potential to have a greater impact on Council services/assets than other properties is demonstrably incorrect. Council asserts that high vehicle numbers in relation to the area of land has a higher degradation of road assets, in reality more people in TWA travel in coaches, actually relieving degradation of road assets. Council asserts that TWA guests use more Council lifestyle assets, in reality TWA workers utilise the assets of the TWA facility. Council asserts that due to the number of occupants in a relatively small land parcel (concentrated coach/vehicle movements).	The concentration of occupants and potential for higher utilisation of Council facilities and services is the reason for the TWA/WA differential rating category. A single TWA/WA facility has the capacity to have the same population as an entire residential town or suburb.

SUBMISSION 2 Category: Transient Workforce Accommodation/Workforce Accommodation Properties: Lot 1069 King Way, Lot 10 Cherratta Road & Lot 570 Kind Road, Karratha Industrial Estate Ratepayer: VV2 Pty Ltd; NLV Velocity Villages Pty Ltd	
Key Issues	Officer's Comments
<p>Disappointed that no communication as to the Gross Rental Valuation has occurred. If this had taken place, then it would become readily apparent as to the severe financial constraints our business has experienced in the last two years.</p> <p>Velocity Villages has achieved an average occupancy of 34% over this period, with room rates charged being 60% of those in 2011 when we opened. Given this occupancy rate, then it follows there is no capacity to increase rates. If someone had undertaken the simple steps to seek out relevant information from both accommodation providers and users of these services, then it would be apparent that an increase in GRV of 212% cannot be justified on the relevant facts or information.</p>	<p>The City is not responsible for the valuation of the land. Any disagreement with the valuation and the methodology behind the valuation should be taken up with Landgate.</p>
<p>An increase in total rates by \$385,776.19 cannot be justified in any way by referencing inflation.</p>	<p>The City's contribution to this increase is 3% with the balance made up by the change in valuation determined by Landgate.</p>
<p>It is proposed that a differential rate of 0.402243 be applied to TWA/WA.</p> <p>The statements by the City to support this rate are materially incorrect, and despite previous requests, we note that there has been no evidence, facts, or information to support this statement. We request that the City of Karratha provides the information available that it used to support this statement in order that it can be considered and understood.</p>	<p>The concentration of occupants and potential for higher utilisation of Council facilities and services is the reason for the TWA/WA differential rating category. A single TWA/WA facility has the capacity to have the same population as an entire residential town or suburb.</p>
<p>The City of Karratha further states: <i>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.</i></p> <p>This is beyond the reach of Section 6.33 <i>Local Government Act 1995</i> for the City of Karratha to issue differential rates for the purpose of supporting a planning policy. This amounts to a financial penalty being imposed on workforce accommodation providers, which is clearly inconsistent with the Fairness and Equity criteria in Key Values.</p>	<p>TWA/WA properties are those that are zoned for TWA/WA or predominantly used for TWA/WA consistent with provisions of the Act. The TWA/WA rate is applied consistently to all of the properties that meet this criteria.</p> <p>Council's proposed rates model continues to maintain the average rate per TWA accommodation unit at significantly less than Council's proposed minimum rate (\$1,610).</p>

SUBMISSION 3 Category: Transient Workforce Accommodation/Workforce Accommodation Properties: Lot 500 Madigan Road, Stove Hill Ratepayer: Eradu Pty Ltd	
Key Issues	Officer's Comments
<p>The proposed 29.35% increase in the value of rates being levied now brings into serious question the continued economic viability of the transient workforce accommodation operation on Madigan Road.</p> <p>It is further to be noted that the potential cessation of the operation at Madigan Road can only represent a LOSE:LOSE for all parties, given the reduction of funds that will be being injected into the local economy associated with the removal of this service.</p>	<p>The City's contribution to this increase is 3% with the balance made up by the change in valuation determined by Landgate.</p> <p><i>As a consequence of the proposal to reduce the TWA rate from \$0.402243 to \$0.281389 the rates for this property will actually reduce comparative to the current year.</i></p>

SUBMISSION 4 Category: Transient Workforce Accommodation/Workforce Accommodation Properties: Lot 531 Fortescue River Road, Mardie Ratepayer: Mineralogy	
Key Issues	Officer's Comments
<p>As discussed, today our rates have leapt from \$4,881.59 to \$6,033.65 in the period of one year. That is a 23% increase in charges. From the RBA, CPI for the same 12 month period is 2.6%.</p> <p>This is unacceptable as wages and price indexes have not grown to match and is simple gouging.</p>	<p>The City's contribution to this increase is 3% with the balance made up by the change in valuation determined by Landgate.</p> <p><i>As a consequence of the proposal to reduce the TWA rate from \$0.402243 to \$0.281389 the rates for this property will actually reduce comparative to the current year.</i></p>

SUBMISSION 5 Category: UV Mining/Other Properties: Various Ratepayer: McMahon Mining Title Services Pty Ltd on behalf of clients	
Key Issues	Officer's Comments
<p>Effective from 1 July 2021, the Department increased the rent rate for exploration licences by 3.54%, prospecting licences by 10% and mining leases by 10%. With the Shire proposing an increase in the rates in the dollar for 2022-23 from 0.134096 to 0.138119, a significant increase in the actual rates levied will occur</p>	<p>Council cannot set a separate rate in the dollar for individual properties. Council is required to set the same rate in the dollar for all properties within a rating category. Almost half of the properties, and in particular the majority of exploration and prospecting licenses, are minimum rated. As such movements in valuations will not impact on the rates payable. The 3% increase in the minimum rate is consistent with the 3% predominant rate increase across all categories. UV Mining /Other rates represent 2.44% of the City's total rates yield.</p>
<p>To support the continued contributions made by the resources sector to the State economy it is critical that all government fees are set so as to reduce the cost of doing business in the State in the face of ever increasing international competition wherever possible, and increase and incentivise investment in</p>	<p>The City reviews its operations continuously to ensure that services and facilities operate efficiently and effectively for the benefit of all ratepayers. The 3% increase in the rate in the dollar proposed is significantly less than the forecast increase to the operating costs of local governments in WA.</p>

local exploration to discover vital new resources which benefit the whole of the State.	
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POLICY IMPLICATIONS

CF-10 Rating Equity Policy.

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

FINANCIAL IMPLICATIONS

Based on current valuation information, the proposed differential rates model would raise \$47.3M million in rates in the 2022/23 financial year comparative to budgeted rate revenue in 2021/22 of \$45.3M and actual rate revenue of \$45.5M

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2020-2030 and the Corporate Business Plan 2020-2025. In particular, the Operational Plan 2021-2022 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	Moderate	Council is reliant on levying rates sufficient to maintain cash flows for the efficient and effective delivery of services at required service levels and project timeframes.
Service Interruption	Low	Delays in the rates approval process may have short term impacts on service levels and the commencement of capital initiatives.
Environment	N/A	Nil
Reputation	High	Council has to ensure prudent economic decision making consistent with the Strategic Community Plan to balance the impact on ratepayers through the maximisation of alternative funding sources
Compliance	Moderate	The rating process is a legislated process under the <i>Local Government Act 1995</i> and associated Regulations.

IMPACT ON CAPACITY

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

RELEVANT PRECEDENTS

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

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. NOTE that submissions received regarding the proposed differential rates model for 2022/23 have been considered;
2. Maintain the rate in the dollar approved at the April 2022 Council Meeting; and
3. SEEK Ministerial approval for the differential rate for the Transient Workforce Accommodation/Workforce Accommodation differential rating category being greater than two times the lowest GRV rate in the dollar.

CONCLUSION

The 2022/23 differential rates model was advertised including a 3% predominant increase in rating yield. Further to receipt of data from Landgate an amendment to the advertised rates in the dollar is required. Following consideration of submissions received, Ministerial approval must now be sought for categories with a rate in the dollar greater than two times the lowest rate, being Transient Workforce Accommodation / Workforce Accommodation differential rating category.

OFFICER'S RECOMMENDATION

That Council, having considered submissions regarding the advertised 2022/23 differential rates model, by SIMPLE Majority pursuant to Section 6.33 of the *Local Government Act 1995* **RESOLVES** to:

1. **NOTE** that submissions received regarding the proposed differential rates model 2022/23 have been considered;
2. **AMEND** the rates in the dollar as follows:

Differential Rates Categories	Proposed Rate in the Dollar	Minimum Rate
Gross Rental Value (GRV)		
Residential	0.071058	\$1,610
Commercial / Industrial	0.097252	\$1,610
Airport / Strategic Industry	0.142115	\$1,610
Transient Workforce Accommodation / Workforce Accommodation	0.281389	\$1,610
Unimproved Value (UV)		
Pastoral	0.107708	\$338
Mining/Other	0.138119	\$338
Strategic Industry	0.192140	\$338

3. **SEEK** Ministerial approval for the Transient Workforce Accommodation / Workforce Accommodation differential rate being greater than two times the lowest rate in the dollar as follows:

Differential Rates Categories 2022/23	Minimum Payment	Rate-in-the Dollar	Multiplier	Basis
Gross Rental Value (GRV)				
Transient Workforce Accommodation/ Workforce Accommodation	\$1,610	0.281389	3.96x	Maintain 2022/23 relative rate yield by increasing rate-in-the dollar by 3%
Residential	\$1,610	0.071058		Lowest GRV rate in the dollar for purposes of seeking approval

18th of May 2022

Mr Ray McDermott
Manager Financial Services / CFO
City of Karratha
Welcome Road Karratha WA 6714

Dear Councillors

RE: Differential Rates – Transient Workforce Accommodation

On behalf of the owners of Lot 550 Cherratta Road and Lot 1068 King Way Karratha (MAPT Developments), I am formally objecting to the proposed Differential Rates model being recommended for approval for the 2022/2023 financial year, more specifically, the methodology behind the charge being applied to landowners of Transient Workforce Accommodation/Workforce Accommodation Businesses in the City of Karratha.

Please see below the proposed rate table, and the rate in the dollar charge against each rate category for 2022/2023.

Table 1

Rate Type	Rate Category	Rate in \$	Minimum Payment
GRV	Residential	0.122092	\$1,610
GRV	Commercial/Industrial	0.104727	\$1,610
GRV	Airport/Strategic Industry	0.162603	\$1,610
GRV	TWA	0.402243	\$1,610
UV	Pastoral	0.107708	\$338
UV	Mining/Other	0.138119	\$338
UV	Strategic Industry	0.192140	\$338

The differential rate model adopted for TWA in 2016/2017 represented a rate increase of over 35% at the time. The General Principles of the rate model consisted of the relativity of TWA population as compared to overall Residential population. The model relied on the “capacity” of TWA being actual occupancy, meaning 100% occupancy used in the calculation of TWA population in comparison to overall residential population using the ABS figures of 26,228 total population.

This is the first flaw in the adopted model that has continued over the years. The last 12 months has seen the occupancy/population of Cherratta Lodge and King village combined being 27%. We assume that population/occupancy of TWA would be similar across TWA therefore taking 100% occupancy as the population of TWA is fundamentally flawed.

The second General Principle that is fundamentally flawed is the link to GRV. The linking of GRV to rate differential is fine in isolation, however when GRV moves down significantly, the Council moves differential rates up to maintain the same revenue. The same principle does not apply when GRV moves up, differential rates have never moved down, resulting in an ever-increasing spiral of revenue that does not regulate based on the Councils own Principles relating to the matter.

We have reviewed the table above, and the objectives and reasons for the 2022/2023 proposed differential rates and we continue to disagree with the disproportionate percentage being proposed for workforce approved businesses. We understand that the council is focused on sustainably managing its community

and infrastructure assets and we support this. However, we strongly disagree with the reasoning for the higher rate in the dollar being applied to Transient Workforce Accommodation.

Councils' assertion that TWA land has the potential to have a greater impact on council services/assets than other properties is demonstrably incorrect. Council asserts that high vehicle numbers in relation to the area of land has a higher degradation of road assets, in reality more people in TWA travel in coaches, actually relieving degradation of road assets. Council asserts that TWA guests use more Council lifestyle assets, in reality TWA workers utilise the assets of the TWA facility. Council asserts that due to the number of occupants in a relatively small land parcel (concentrated coach/vehicle movements).

We do not object with paying what is fair, however what has been proposed, and the mechanics behind how this is being calculated, is not a fair and reasonable charge.

With the continued increase in the rate in the dollar being charged over the last 11 years, and again this year, to retain income from workforce accommodation operations, any increase in accommodation rooms added to the market, or any increase to our GRV, will see the City of Karratha increase revenue significantly, as there is no agreed method to review the rate in the dollar being charged.

This year has seen both items occur simultaneously, with over 1100 additional rooms being added to the market since the last valuation, and a proposed GRV double that of the last valuation being received (Note: The GRV for Lot 550 Cherratta Road, and Lot 1068 King Way is being reviewed at present, as Landgate require further information. At the time of this response being prepared, the GRV had not been amended)

Proposed rates for 2022/2023 as received by MAPT Developments on the 3rd of May 2022

Rates Assessment:	A89383		
Property Owner:	Koyote Property Group Pty Ltd		
Location:	Lot 550 Cherratta Road, KARRATHA INDUSTRIAL ESTATE		
Proposed Rate Category:	TRANSIENT WORKFORCE ACCOMMODATION / WORKFORCE ACCOMMODATION		
Proposed increase in the Rate in the Dollar	3%		
Rate in the Dollar (2021/22):	0.390527	Proposed Rate in the Dollar (2022/23):	0.402243
Current Valuation:	\$322,400	New Valuation:	\$650,000
Rates Levied (2021/22):	\$125,905.90	Proposed Rates (2022/23):	\$261,457.95

Rates Assessment:	A31055		
Property Owner:	Koyote Property Group Pty Ltd		
Location:	Lot 1068 King Way, KARRATHA INDUSTRIAL ESTATE		
Proposed Rate Category:	TRANSIENT WORKFORCE ACCOMMODATION / WORKFORCE ACCOMMODATION		
Proposed increase in the Rate in the Dollar	3%		
Rate in the Dollar (2021/22):	0.390527	Proposed Rate in the Dollar (2022/23):	0.402243
Current Valuation:	\$135,200	New Valuation:	\$176,800
Rates Levied (2021/22):	\$52,799.25	Proposed Rates (2022/23):	\$71,116.56

We do not agree with the General Principle of taking 100% occupancy as the population of TWA relative to overall residential population. In the General Principles it is even named “potential population”, the model is based on flawed principles, the Council has never sought to find actual population data of TWA and as proven by raw data of our occupancy reports, the figure is far lower, in our case in the 2021 calendar year it was 27%.

We do not agree with the rate model based on lifting rates during lower GRV and subsequently not lowering rates during higher GRV using the same Principle.

In previous years we have sought legal assistance and advice with our objection to ensure that we are being commercial, and fair, in our request for review. We have:

- Provided feedback, requested clarification, and provided objections for discussion and review.
- Acknowledged that the City of Karratha is working towards reducing the council’s reliance on differential rates.
- Confirmed that unlike special area charges, the basis for the imposition of the differential rates is not to recover costs due to the land use, but rather to make up for budget deficits.
- Seen increases to our differential rate percentage simply based on a lower number of workforce accommodation beds in the market, or a reduced GRV, to make up for lost revenue.
- Seen new approvals for workforce accommodation proceed with no downward adjustment to differential rates made for the existing workforce accommodation providers, upon the increase to overall room numbers receiving their lodging licences (combined 1100 new rooms to the market since the last valuation); and
- Although we have responded annually (apart from 2020) over the last 11 years, we have seen our rate in the dollar continue to increase from .0901% in 2011 to .402243 of our GRV in 2022 – see GRV, and rates levied in the table below:

Lot 550 Cherratta Road Karratha WA 6714

Date	GRV	Rates Levied	Type	Ref
13/07/2021	322,400	\$127,654.60	RB	BILLING
02/07/2020	322,400	\$126,457.54	RB	BILLING
02/07/2019	322,400	\$126,457.54	RB	BILLING
10/07/2018	322,400	\$123,970.86	RB	BILLING

13/07/2017	358,800	-\$14,760.27	JT	CONCESSION
13/07/2017	358,800	\$118,167.19	RB	BILLING
18/07/2016	358,800	-\$22,140.40	JT	CONCESSION
18/07/2016	358,800	\$116,939.74	RB	BILLING
14/08/2015	358,800	\$79,180.34	RB	BILLING
11/07/2014	865,800	\$103,314.18	RB	BILLING
09/07/2013	865,800	\$99,733.23	RB	BILLING
01/09/2012	865,800	\$66,103.99	RI	RV
10/07/2012	865,800	\$82,430.63	RB	BILLING

Lot 1068 King Way Karratha WA 6714

Date	Rates Levied	GRV	Ref
13/07/2021	53532.57	135,200	BILLING
02/07/2020	53030.58	135,200	BILLING
02/07/2019	53030.58	135,200	BILLING
10/07/2018	51987.78	135200	BILLING
13/07/2017	-5561.84	135200	CONCESSION
13/07/2017	44526.76	135200	BILLING
18/07/2016	-8342.76	135200	CONCESSION
18/07/2016	44064.25	135200	BILLING
14/08/2015	29836.07	135200	BILLING
11/07/2014	42814.89	358800	BILLING
09/07/2013	41330.89	358800	BILLING

We understand that the City's infrastructure is expensive to run, but we do not believe that this operational cost should be inequitably covered by workforce accommodation landowners. As a business, we constantly seek out new technology, better ways to do business, ways to reduce our impact on the environment, and are pushing ourselves to do more for the local economy and community in general. Differential rates, along with utility and insurance costs are now the greatest risks when doing business in the Pilbara.

I would welcome the opportunity to discuss this with you further, specifically around the reasoning for the council's decision, and the methodology of how changes to GRV, affect the charges being raised.

Thanking you in advance,

Regards

Aaron Polini

Aaron Polini
Director - MAPT Developments and Cherratta Lodge
Cc: malcolm@cherrattalodge.com.au



23 May 2022
Mr Ray McDermott
Manager Financial Services / CFO
City of Karratha
Welcome Road
Karratha, WA 6714

Dear Sir

Re: Differential Rates Submissions
Lot 570 King Way - NLV Velocity Villages Pty Ltd
Lot 10 Cherratta Road - VV2 Pty Ltd
Lot 1069 King Way - VV2 Pty Ltd

We refer to your notice dated 2 May 2022 titled "Advertised Differential Rates Model 2022/23", advising of the intention to levy a proposed increase of 219% on our annual City of Karratha rates.

We reply as follows:

Proposed Rates

	2021 Rates	2022 Proposed Rates	Increase in \$	Increase in %
Lot 570	\$196,825.61	\$388,968.98	\$192,143.37	97.62%
Lot 1069	\$46,472.71	\$69,024.90	\$22,552.19	48.52%
Lot 10	\$82,010.67	\$253,091.30	\$171,080.63	308.61%
	\$325,308.99	\$711,085.18	\$385,776.19	218.58%

Gross Rental Valuation

We put the City of Karratha on notice about our severe disappointment that no communication with us as to the Gross Rental Valuation has occurred. If this had taken place, then it would become readily apparent as to the severe financial constraints our business has experienced in the last two years.

The definition is of GRV is "Your gross rental value (GRV) is the gross rental income that could reasonably be expected if you were to rent out the property."

Velocity Villages has achieved an average occupancy of 34% over this period, with room rates charged being 60% of those in 2011 when we opened. Given this occupancy rate, then it follows there is no capacity to increase rates. If someone had undertaken the simple steps to seek out relevant information from both accommodation providers and users of these services, then it would be apparent that an increase in GRV of 212% cannot be justified on the relevant facts or information.

Fairness and Equity

We do not consider the Proposed Rate meets the Key Values set out in Objects and Reasons for implementing Differential Rates as adopted by the City of Karratha, expressly the objective of “*Fairness and Equity*”.

In your notice, you raise the issue of inflation as a justification for increasing rates. We of course, as a small business are also experiencing increases in costs, not the least insurance. However, on no objective basis can it be argued that an increase of rates payable to the City of Karratha from **\$325,308.99** to a total sum of **\$711,085.18** is on any measure meet the criteria of “*Fairness and Equity*”. An increase in total rates by **\$385,776.19** (which equates to 219%) cannot be justified in any way by referencing inflation as the City of Karratha has done.

To continue as a going concern over the last two years, the shareholders of Velocity Village have had to provide additional working capital to remain solvent and continue providing the service that we do to the community, employ local staff and utilizing local suppliers. We have not had the ability to increase profit margin at all, yet the City of Karratha proposes to increase our cost by 219 per cent. All this information would have been readily available, had someone from the City of Karratha engaged with us.

In these circumstances, it is difficult to comprehend that the City of Karratha considers it fair and equitable to charge annual rates of **\$711,085.18**.

Differential Rate

It is proposed that a differential rate of 0.402243 be applied to Transient Workforce Accommodation / Workforce Accommodation.

We note that statement by the City of Karratha to support this rate references the following:

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.

Previously, the basis for proposing a higher differential rate is “*to reflect the greater potential and actual intensity of use of Council assets and infrastructure*”.

Both statements are materially incorrect, and despite previous requests, we note that there has been no evidence, facts, or information to support this statement. We request that the City of Karratha provides the information available that it used to support this statement in order that it can be considered and understood.

It is well known that restrictions placed on Transient Workforce Accommodation / Workforce Accommodation severely restricts the business operations, as opposed to similar service providers that operated under the Commercial / Industrial zoning.

We note the rating of Commercial / Industrial zoning excludes properties that do not include (amongst other issues) land *that does not have the characteristics of any other GRV differential rate category*.

Yet, properties that service workforce accommodation who operate under the Commercial / Industrial zoning, are paying a differential rate of 0.104727. Surely, on the reasoning the City of Karratha has provided as to the potential and actual intensity of use of Council assets and infrastructure, then there is no material justification for the City of Karratha issuing rates to similar users of infrastructure that is amount ¼ of the total rates being issued to our business.

We submit that there are multiple properties within the City of Karratha that meet the definition of having characteristics of servicing the workforce accommodation within Karratha. Once again, if the City of Karratha has contradictory information, then we would welcome the sharing of that information so that it can be understood.

The City of Karratha further states the reasoning for the 4 times higher rates being issued on Transient Workforce Accommodation / Workforce Accommodation:

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.

This is beyond the reach of Section 6.33 Local Government Act 1995 for the City of Karratha to issue differential rates for the purpose of supporting a planning policy. This amounts to a financial penalty being imposed on workforce accommodation providers, which is clearly inconsistent with the Fairness and Equity criteria in Key Values.

We request that Council consider our submissions and engage with providers of workforce accommodation to understand the material financial impact that the proposed 219% increase will have on the industry, and to consider a reduced rate that reflects other accommodation providers with a zoning of Commercial / Industrial.

Further, Council should otherwise reference and provide to all parties the actual empirical evidence to support its proposed 219% increase in rates it seeks to impose. Failure to do so, is a denial of natural justice.

Yours faithfully



Kevin Hughes
Director
NLV Velocity Villages Pty Ltd

Velocity NW Pty Ltd

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ABN: 87 152 229 984

Jenna Wilson

From: mblayney@westnet.com.au
Sent: Monday, 23 May 2022 8:06 PM
To: Rates
Subject: FW: OCR226001 - RV.10 - Differential Rates - Transient Workers Accommodation- 2022/2023
Attachments: image001.jpg; Untitled attachment 00008.htm; A74669.pdf; Untitled attachment 00011.htm

Dear Ray &/or Jenna

Over past years we have on occasions provided comments in response to the proposed differential rates model being applied to our property at Lot 500 Madigan Road, STOVE HILL, with the reply/s received being to thank us for our submission and advise that that the model as advised was to be implemented. For this reason, we have not bothered to provide comment for the last couple of years as we thought it a waste of time for all parties.

This year however we feel obliged to provide a simple comment in that the proposed 29.35% increase in the value of rates being levied now brings into serious question the continued economic viability of the transient workforce accommodation operation on Madigan Road. At a time when the valuations we have received are continuing to show a decline in market value of the property, we are now informed that we will have to find another \$128,139.98 to make our rates payment (and this on a property that was levied (circa) \$6000 rates when we first purchased 15(+) years ago (ie. our rates have increased by over 940% over that time)). We do understand that the City would prefer not to have any transient workforce accommodation in the region; however we are also aware (including from first-hand experience) that the availability of this accommodation provides a much needed and utilised service to the region and without this availability the continued growth of the region would be stymied.

For this reason we ask that consideration be given to capping the increase in rates at maximum (as a suggestion) to align with the rate of inflation (currently circa 7%), as from a business perspective serious consideration will otherwise need to be given to the continued operation of the village on site. It is further to be noted that the potential cessation of the operation at Madigan Road can only represent a LOSE:LOSE for all parties, given the reduction of funds that will be being injected into the local economy associated with the removal of this service.

Should you have any queries, or if you require any additional information, please do not hesitate to contact me.

Thanks in anticipation.

Thanks and regards

Mark Blayney

m. 0439 947 092
e. mblayney@westnet.com.au

From: Barbara Blayney <bmbalayney@westnet.com.au>
Sent: Friday, 6 May 2022 7:05 AM
To: Mark Blayney <mblayney@westnet.com.au>
Subject: Fwd: OCR226001 - RV.10 - Differential Rates - Transient Workers Accommodation- 2022/2023

Sent from my iPhone

From: Chris Spielvogel <C.spielvogel@mineralogy.com.au>
Sent: Tuesday, 3 May 2022 10:22 AM
To: Public Enquiries <enquiries@karratha.wa.gov.au>
Subject: Rates increase

Good morning,

As discussed, today our rates have leapt from \$4,881.59 to \$6,033.65 in the period of one year. That is a 23% increase in charges. From the RBA, CPI for the same 12 month period is 2.6% (link below).

This is unacceptable as wages and price indexes have not grown to match and is simple gouging.

Reserve Bank Australia inflation
<https://www.rba.gov.au/inflation/measures-cpi.html>

Regards

Chris Spielvogel

[General Manager SA & WA Operations] **MINERALOGY PTY LTD**
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✉ c.spielvogel@mineralogy.com.au

17 May 2022

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

By email: enquiries@karratha.wa.gov.au

SUBMISSION - DIFFERENTIAL RATING 2022-2023

Thank you for the opportunity to make a submission regarding the proposed rates for 2022-23.

We note that valuations provided by the Valuer General are used in calculating mining tenement rates, and these valuations are based on the rent imposed by the Department of Mines, Industry Regulation and Safety. Any increases in the rent therefore result in an increase in valuations and in turn an automatic increase in rates.

Effective from 1 July 2021, the Department increased the rent rate for exploration licences by 3.54%, prospecting licences by 10% and mining leases by 10%. With the Shire proposing an increase in the rates in the dollar for 2022-23 from 0.134096 to 0.138119, a significant increase in the actual rates levied will occur as illustrated in the table below.

2021/22 RID: 0.134096				2022/23 Proposed RID: 0.138119	
	2021 Rates	2022 Rates - no change in RID	Percentage increase in rates - no change in RID	2022 Rates - proposed increase to RID	Percentage increase in rates - proposed increase to RID
P (200Ha)	\$402.29	\$442.52	10%	\$455.79	13.3%
E (10sbk)	\$472.69	\$489.45	4%	\$504.13	6.7%
M (100Ha)	\$1,340.96	\$1,475.06	10%	\$1,519.31	13.3%

The exploration and mining industry is one of the most significant contributors to the State's economy. It has played an integral role in the development and enduring strength of this State, creating jobs and opportunities across the State but particularly in remote and regional parts of Australia. The industry is undoubtedly critical to the continued economic recovery of the State and country which has been severely impacted by the COVID-19 crisis. While the resources sector is slowly recovering, it continues to be constrained by the ongoing labour, supply and capital shortages stemming from the pandemic and recent world events.

To support the continued contributions made by the resources sector to the State economy it is critical that all government fees are set so as to reduce the cost of doing business in the State in the face of ever increasing international competition wherever possible, and increase and incentivise investment in local exploration to discover vital new resources which benefit the whole of the State.

I would be happy to discuss this matter further on (08) 6467 7997.

Yours faithfully,



Shannon McMahon
Director
McMahon Mining Title Services