

### 16.3 LATE ITEM - CONSIDERATION OF SUBMISSIONS REGARDING ADVERTISED DIFFERENTIAL RATES 2015/16

File No:	FM.1
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Manager Financial Services/CFO
Date of Report:	15 June 2015
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Submissions received from various ratepayers (itemised within agenda report)

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#### PURPOSE

To consider submissions and initiate the process for seeking Ministerial Approval regarding the 2015/16 differential rates model.

#### BACKGROUND

At its Ordinary Council Meeting on 18 May 2015, Council resolved to endorse advertising of the following proposed differential rates for the 2015/16 financial year:

Differential Rates Categories 2015/16	Minimum Payment	Rate in the Dollar
<b>Gross Rental Value (GRV)</b>		
Residential	\$1,500	0.066070
Commercial / Tourism / Town Centre	\$1,500	0.077202
Industry / Mixed Business	\$1,500	0.057421
Airport / GRV (Strategic Industry)	\$1,500	0.132140
Transient Workforce Accommodation / Workforce Accommodation	\$1,500	0.257180
<b>Unimproved Value (UV)</b>		
UV (Pastoral)	\$1,500	0.155806
UV (Mining/Other)	\$1,500	0.146707
UV (Strategic Industry)	\$1,500	0.171387

Advertising was undertaken in accordance with Section 6.36 of the *Local Government Act 1995* with the submission period for public comment of the proposed Differential Rates Model closing 10 June 2015. In addition to the statutory advertising process, letters were sent to owners of properties likely to experience a significant increase in rates as a result of valuation changes arising from the general revaluation conducted by Landgate during the year. A summary of submissions is included in the 'Community Consultation' section of this report and a copy of all submissions are attached.

Two differential rating categories are subject to an application for Ministerial approval, being Transient Workforce Accommodation/Workforce Accommodation and Airport/GRV (Strategic Industry). Both categories were subject to an application for Ministerial approval for 2014/15 on a similar basis. These properties have been communicated with in writing

outlining the changes in property valuations, rate in the dollar and the impact on property rates. The following tables highlight the properties that are to be rated at greater than two times the minimum rate in the dollar:

Differential Category	No.	Valuations 14/15	Indicative Valuations 15/16	Largest Rates Decrease	No.	Largest Rates Increase	No.
Transient Workforce Accommodation/ Workforce Accommodation	23	71,191,740	33,812,740	-\$465,972	7	\$1,089,111	16
Airport/ GRV (Strategic Industry)	17	11,747,772	9,745,580	-\$1,056	4	\$71,619	13

Since advertising, the annual UV update of valuations has been received from the Valuer General's Office as well as final valuations for a number of Commercial and Industrial properties that were initially provided as an indicative valuation. The anticipated overall reduction in unimproved values for UV Strategic Industry properties did not eventuate, however a number of resource related projects received substantial valuation increases as shown in the table following:

Property	Owner	Description	UV Valuation 2014/15	UV Valuation 2015/16	UV Valuation Change
A78664	Woodside Burrup	Pluto Gas Plant	6,250,000	7,500,000	1,250,000
A78665	Burrup Nitrates	Nitrate Plant	3,000,000	4,675,000	1,675,000
A78894	Woodside Burrup	Pt Lot 471 King Bay	2,500,000	3,750,000	1,250,000
A78641	Woodside Burrup	Pt Lot 384 MOF Road	4,000,000	4,740,000	740,000
A88967	Woodside Energy	Pt Lot 471 King Bay	3,000,000	3,600,000	600,000
A88161	Apache Northwest	Devil Creek Gas Plant	2,800,000	3,700,000	900,000
A5806	Hamersley Iron	Strategic Assets	1,000,000	1,300,000	300,000

Correspondence is currently being prepared to advise owners of these properties of the valuation changes which are calculated by the Valuer General's Office in-line with Ground Rentals associated with the respective land tenure.

Following its review of submissions Council is able to take into consideration any matters raised and revise its advertised Differential Rates Model accordingly. Alternatively Council may proceed with the advertised Differential Rates Model if the consideration of submissions does not alter Council's view that the advertised Differential Rates model best meets the City's rating objectives.

Although it is the view of officers that the submissions do not raise any issues that would necessitate a change in the proposed Differential Rates Model, the change in valuations referred to above presents an opportunity to reduce the Rate in the Dollar in some categories in order to maintain a 4% rate yield in each category. This will be addressed as part of the consideration of the 2015/16 Budget.

## 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

Several Budget Workshops have been held with Councillors and Officers to assist Council's consideration of the rate setting requirements for the 2015/16 financial year.

## COMMUNITY CONSULTATION

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

<b>SUBMISSION 1</b> <b>Department of Local Government</b>	
<b>Submission</b> Rating Concessions s6.47  The DLG has suggested that Council could consider granting concessions to ratepayers adversely impacted by property valuations.	<b>Officer's Comment:</b> There are just under 10,000 properties in the district and owners of the 600+ properties (excluding minimum rated properties) receiving a significant rate increase as a result of the general revaluation have been written to advising of the impact of the advertised Differential Rates Model.  Concessional treatment if offered would be required to be funded by other ratepayers through an adjustment to the advertised rate in the dollar.  Given that valuation changes have effectively normalised residential rates granting a concession might be seen as inequitable given that the ratepayers affected by the general revaluation have historically paid lower rates than those ratepayers whose rates are not increasing significantly. Additionally it should be noted that the impact of the general revaluation is a product of the rating system and Council has not previously taken advantage of across the board valuation increases and instead has reduced the rate in the dollar.
<b>SUBMISSION 2</b> <b>Category:</b> Transient Workforce Accommodation <b>Properties:</b> Lot 263 North West Coastal Highway – Eramurra Camp Lot 51 North West Coastal Highway – Camp 123 <b>Ratepayer:</b> Pastoral Management Pty Ltd	
<b>Submission</b>  1. The magnitude of the increase is unreasonable (both in terms of rate in the dollar and total amounts);  2. The amount levied in relation to TWAs is arbitrary and discriminatory;  3. CITIC provides benefits to the City of Karratha, but does not receive any services in relation to its rates, which is further discrimination as workers housed in 'residential accommodation' do receive such amenities and benefits; and  4. It is unfair and unreasonable to impose a 78% increase in rates at a time when our industry is confronted by macroeconomic challenges, including a 32% decrease in the price of product over the same period.	<b>Officer's Comment:</b>  1. The proposed increase in rate yield is 4% which is below the forecast increase of 7% in the Long Term Financial Plan 2012-2022. Due to the general revaluation, and some properties holding their value better than others, the distribution of this 4% increase is not uniform across all properties.  2. The rates levied on TWA facilities are set to create a relativity with the rates that would be levied if residents of the facility were accommodated in typical residential housing.  3. The facilities and services provided by Council are available to all residents of the property owner's accommodation facility as they are to all residents of the City. Voluntary contributions to the community do not reduce a property owner's liability for rates.  4. Industry-specific macroeconomic conditions have no bearing on Council's cost to deliver essential community infrastructure and services. As mentioned above, the quantum of the increase for these properties is heavily influenced by the revaluation.

<b>SUBMISSION 3</b> <b>Category:</b> Transient Workforce Accommodation <b>Property:</b> A89911, CIVEO Camp <b>Ratepayer:</b> CIVEO Pty Ltd	
<b>Submission</b> <p>The increase to the relevant rates for 2015/16 for TWAs is substantial and disproportionate to the 4% increase in rate yield required by Council.</p> <p>TWAs contributed 18% to Council's total rate income in 2014/15, what proportion will this category make up in 2015/16.</p>	<b>Officer's Comment:</b> <p>The overall increase in rates yield for the TWA category is to be commensurate with the 4% increase across all categories. The rate in the dollar has been increased to offset the significant decrease in total valuations within the rating category and maintain the previous year's relativity in rates from TWAs versus residential property. Advertised rates in the dollar have been set based on indicative valuations received from Landgate. Final rates in the dollar will be reviewed based on final valuations once available.</p> <p>The total rates contribution from the TWA category for 2015/16 is expected to be similar to 18% of the total as it was in 2014/15.</p>
<b>SUBMISSION 4</b> <b>Category:</b> Industrial <b>Property:</b> A76700, L206 Coolawanyah Road <b>Ratepayer:</b> Thomjohn Pty Ltd  <b>Category:</b> Transient Workforce Accommodation <b>Property:</b> A74669, Kingfisher Village <b>Ratepayer:</b> Eradu Pty Ltd	
<b>Submission</b> <p>The cost of doing business has decreased and many properties have decreased in value; however rather than see a corresponding decrease in proposed rates as a result of decreased valuations, Council is now proposing that:</p> <p>Valuation has significantly decreased (Kingfisher Village), the proposed rate in the dollar be increased by 123%; and</p> <p>On our second property wherein the valuation has increased, the proposed rate in the dollar be decreased by 0.4% as overall Council is to receive a 59.97% increase in gross rate yield.</p>	<b>Officer's Comment:</b> <p>Council has considered the rates required to fund the 2015/16 Budget based on forecast expenditure and other income.</p> <p>Due to the revaluation of properties, the changes in rates payable for each individual property may differ from the 4% increase which has been applied to the rating base as a whole.</p>
<b>SUBMISSION 5</b> <b>Category:</b> Commercial / Town Centre <b>Property:</b> A34582, Shop 17 Karratha Village <b>Ratepayer:</b> Kathleen Anderson	
<b>Submission</b> <p>1. Rates represent a real increase of 23%. Our property value was reduced 8% yet you increase our rate in the \$ by 34%.</p> <p>2. How can a rate increase of 23% be warranted in a time of sub 3% inflation.</p>	<b>Officer's Comment:</b> <p>1. The general revaluation is undertaken every 3 years by Landgate Valuers. The 2015/16 revaluation was undertaken in August 2014 and provides relativity for valuations at a point in time.</p> <p>Commercial Valuations contained within the General Revaluation dropped by an average of 22.32%. Some properties have held their value better comparative to other properties.</p> <p>2. The overall Rate yield increase sought by Council is 4% which is 6.3% than set in the LTFP and recognises CPI, employment costs and regional price factors.</p>

<b>SUBMISSION 6</b>	
<b>Category:</b> Industrial <b>Property:</b> A46684, L2864 Anderson Road <b>Ratepayer:</b> Property Management Australia	
<b>Submission</b> Suggest rates should follow the prevailing market conditions in the Karratha Industrial Estate and drop in line with realisable rents. Request that Rates do not increase in 2015/16.	<b>Officer's Comment:</b> Prevailing market conditions have not resulted in a decrease to Council's cost of providing community infrastructure and services.  The average Industrial Property value increase by 4.44% comparative to A46684 which increased by 13.74%.  The City of Karratha has several Industrial Estates with disparate changes in valuations between locations and individual properties. Valuations were determined at August 2014 and provide relativity between properties to be applied from 1 July 2015.
<b>SUBMISSION 7</b>	
<b>Category:</b> Commercial / Town Centre <b>Property:</b> Various Shops Karratha Village <b>Ratepayer:</b> Nyltac Assets Pty Ltd, Director Brendan Kelly	
<b>Submission</b> <ul style="list-style-type: none"> <li>Stick with the Valuations.</li> <li>Lower the rate in the dollar.</li> <li>Slash Spending.</li> <li>Do everything you can to support the backbone of the community in Karratha/Dampier i.e. the small businesses. Wait until the next boom before raising rates.</li> </ul>	<b>Officer's Comment:</b> A general revaluation is undertaken every 3 years by the Valuer Generals Office as part of the Local Government rating process. Council is provided with the commencement date, in this case 1 July 2015, with valuations assessed in August 2014. As valuations overall have dropped, Council has increased the rate in the dollar to continue to provide Community services and infrastructure on a 'business as usual basis'.
<b>SUBMISSION 8</b>	
<b>Category:</b> Commercial / Town Centre <b>Property:</b> Various Shops Karratha Village, A76784 and A76788 <b>Ratepayer:</b> PG Hunter A76788; and TM Delaney A76784	
<b>Submission</b> The City wants to charge ratepayers even higher rates when we are experiencing rent reductions and falling property prices	<b>Officer's Comment:</b> Council is seeking a 4% increase in rate yield for 2015/16 above its differential rates model 2014/15. The majority of ratepayers will pay no more in rates compared with 2014/15.
<b>SUBMISSION 9</b>	
<b>Category:</b> Industrial <b>Property:</b> A39493, L1969 Anderson Road <b>Ratepayer:</b> Scheveninger Pty Ltd	
<b>Submission</b> It is totally unrealistic you would consider any increase in the current economic climate.	<b>Officer's Comment:</b> Council has sought to keep increase to rates at a moderate level to minimise the impact on ratepayers while maintaining existing levels of service.

<b>SUBMISSION 10</b>	
<b>Category:</b> Transient Workforce Accommodation	
<b>Property:</b> 1-3 Dwyer Place, Millars Well (Karratha Motel)	
<b>Ratepayer:</b> Finesser Pty Ltd	
<b>Submission:</b> Objection to rates being increased by 22.2% vs the stated 4% across the board.	<b>Officer's Comment:</b> The general revaluation is undertaken every 3 years by Landgate Valuers. The 2015/16 revaluation was undertaken in August 2014 and provides relativity for valuations at a point in time.  Commercial Valuations contained within the General Revaluation dropped by an average of 22.32%. Some properties have held their value better comparative to other properties.  Due to the revaluation of properties, the changes in rates payable for each individual property may differ from the 4% increase which has been applied to the rating base as a whole.
<b>SUBMISSION 11</b>	
<b>Category:</b> Industry/Mixed Business	
<b>Property:</b> 11 Hedland Place, Karratha; and 2 Crane Circle, Karratha	
<b>Ratepayer:</b> Desmond Rothe	
<b>Submission:</b> Calculations based on the information provided in the correspondence show the increase in the rate in the dollar being from 0.057664 to 0.077202, which equates to an increase of 33.88%.  To assist local businesses 'survive' the downturn I would expect the City of Karratha to announce a rate decrease.	<b>Officer's Comment:</b> The increase in the rate in the dollar is to offset the decrease in valuations in order for Council to maintain a constant source of revenue. The overall increase in the rate yield is proposed to be 4%. This means that while some properties are paying more, others will be paying less.  In order to maintain the service levels of previous years Council is required to increase the rate yield marginally to meet these costs.
<b>SUBMISSION 12</b>	
<b>Category:</b> Industry/Mixed Business	
<b>Property:</b> Lot 2 Cherratta Road, Karratha Industrial Estate; and Lot 103 Exploration Drive, Gap Ridge	
<b>Ratepayer:</b> Michael Rowe	
<b>Submission:</b> Why has the value of land in the LIA increased given the downturn in properties?  The rental market has decreased and continues to drop.	<b>Officer's Comment:</b> The general revaluation is undertaken every 3 years by Landgate Valuers. The 2015/16 revaluation was undertaken in August 2014 and provides relativity for valuations at a point in time.  Some properties have held their value better comparative to other properties.  It is understood that Landgate valuers take into account the status of the overall rental market in the calculations (rather than on an individual property basis) however the property owner will be encourage them to contact Landgate to discuss any issues regarding their valuation.

A number of owners have provided submissions regarding property valuations and/or the assigned differential rating category. These property owners will be written to advising of the options for review available to them. In addition, Council Officers are aware of a

challenge to Landgate's property valuation for the Transient Workforce Accommodation camp known as 'Eramurra'.

### **STATUTORY IMPLICATIONS**

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

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.

### **POLICY IMPLICATIONS**

CF-10 Rating Equity Policy.

### **FINANCIAL IMPLICATIONS**

Council's Long Term Financial Plan 2012-2022 (LTFP) includes a 7% rate increase per annum in addition to 3.3% annual property growth (total 10.3%).

The proposed differential rates are intended to raise rates of \$42.2 million compared to \$40.6 million levied in 2014/15. This increase in total rates is 4% which is 6.3% less than proposed in the Long Term Financial Plan.

### **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 2014-2015 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 maintaining Council's financial sustainability.

### **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, 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: Transitory 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).

### **VOTING REQUIREMENTS**

Simple Majority

## OPTIONS:

### Option 1

As per Officer's recommendation.

### Option 2

That Council, having considered submissions regarding the advertised 2015/16 Differential Rates Model, by SIMPLE Majority pursuant to Section 6.33 of the *Local Government Act 1995* RESOLVES to SEEK Ministerial approval for the advertised Differential Rates model and Rates in the Dollar.

## CONCLUSION

Council adopted its preferred 2015/16 differential rates model for advertising on 18 May 2015 which included a rate yield increase of 4%. Following consideration of submissions and the impact of final property valuation changes, it is recommended that Ministerial Approval be sought for categories with a rate greater than two times the lowest rate and that the Rate in the Dollar in each category be reviewed where valuations allow in order to maintain a maximum increase of 4% in the rate yield.

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## OFFICER'S RECOMMENDATION

That Council, having considered submissions regarding the advertised 2015/16 Differential Rates Model, by SIMPLE Majority pursuant to Section 6.33 of the *Local Government Act 1995* RESOLVES 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.