



TOWN OF PORT HEDLAND

SPECIAL COUNCIL MEETING MINUTES

26 JULY 2017 AT 6:30PM

**COUNCIL CHAMBERS, MCGREGOR STREET,
PORT HEDLAND**

Agenda Item:

1. *Adoption of the 2017/18 Budget*

**“A nationally significant, friendly city that people are proud
to call home”**

*David Pentz
Chief Executive Officer*

Distribution Date: 3 August 2017

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Item 1 Opening of Meeting

The Mayor declared the meeting open at 6:42pm.

Item 2 Acknowledgement of Traditional Owners

The Mayor acknowledges the traditional custodians, the Kariyarra people and recognises the contribution of Kariyarra Elders past, present and future, in working together for the future of Port Hedland.

Item 3 Recording of Attendance

3.1 Attendance

Mayor Camilo Blanco
Deputy Mayor Troy Melville
Councillor Jan Gillingham
Councillor David Hooper
Councillor Julie Arif
Councillor Louise Newbery
Councillor Richard Whitwell
Councillor Lincoln Tavo

David Pentz	Chief Executive Officer
Robert Leeds	Director Development, Sustainability and Lifestyle
Gerard Sherlock	Director Infrastructure and Town Services
Josephine Bianchi	Manager Governance and Policy
Tammy Wombwell	Administration Officer Governance / Minute Taker

Public	4
Media	2
Officers	11

3.2 Apologies

Nil

3.3 Approved Leave of Absence

Nil

3.4 Disclosure of Interests

Nil

Item 4 Attendance by Telephone/Instantaneous Communications

Nil

Item 5 Public Time

Important note:

'This meeting is being recorded on audio tape as an additional record of the meeting and to assist with minute-taking purposes which may be released upon request to third parties. If you do not give permission for recording your participation please indicate this at the meeting.

The public is reminded that in accordance with Section 6.16 of the Town of Port Hedland Local Law on Standing Orders nobody shall use any visual or vocal electronic device or instrument to record the proceedings of any meeting unless that person has been given permission by the presiding member to do so. Members of the public are also reminded that in accordance with section 6.17(4) of the Town of Port Hedland Local Law on Standing Orders mobile telephones must be switched off and not used during the meeting.'

In accordance with section 6.7(3) of the Town of Port Hedland Local Law on Standing Orders, members of the public are required to complete a question form and place the completed form in the tray provided.

The Mayor opened Public Question Time at 6:44pm

5.1 Public Question Time**5.1.1 Mr Arnold Carter**

In regards to the Town's reserves account noted on page 28 of the Annual Budget 2017/18, the 2017/18 Budget transfer 'from' shows a total of \$25,479,005. These transfers include the Airport reserve of \$10.87M, the Spoilbank reserve of \$3.15M, and the Port Hedland International Airport reserve of \$1.92M with a total of \$15.94M. In the reserve account there shows expenditure of \$9,441,252. If you take the expenditure which is built of capital, you have a balance of the reserve account which is \$110,000. How will the Town operate on this amount? Can I have a full breakdown of the reserves?

The Mayor advised that the question would be taken on notice.

In regards to interest received noted on page 18 of the 2017/18 Annual Budget, it shows \$6.169M as interest from the Airport funds, and a total interest received value of \$6.657M. Can I please have a breakdown of where the interest of \$6.657M is being allocated?

The Mayor advised that a copy would be provided to Mr Carter.

In regards to the 2016/17 actual figures, can I also have a breakdown of where the interest of \$7.998M has been allocated?

The Mayor advised that a copy would be provided to Mr Carter.

In the statement of comprehensive income on page 2, there is a loss on revaluation of non-current assets of \$4.180M. Can I please have some clarification on this?

The Acting Manager Financial Services advised that this is for the revaluation of land and buildings.

How can the Town write money off a non-current asset?

The Acting Manager Financial Services advised that the matter would be looked into.

5.1.2 Mr Scott Lowe

Why were there no community consultation briefings regarding the Rating Strategy and Budget this year?

The Chief Executive Officer advised that this year's Budget has been very different, and that there are less funds available to contribute to the community. The Chief Executive Officer advised that the Town has focused on items that have been identified in audits as urgent or on items that were already committed, and that the Town has decided on an austere and constrained Budget.

The Chief Executive Officer also advised that in previous years and at other Councils he had worked with, there had been an opportunity for the community to be involved in choosing a range of other projects, which he agrees is the right process, but with this Budget that process was not appropriate.

I'm not talking about the community choosing projects. There should have been a briefing to the community around the content of the Budget, and this did not occur.

The Chief Executive Officer advised that it was his understanding that a community briefing had taken place previously, but that this year he did not feel it was necessary. The Chief Executive Officer advised that once the Budget is adopted, a full presentation to the community will be conducted outlining where funds have been allocated and why.

The Chief Executive Officer also advised that the Strategic Community Plan is the correct process to follow where the community identifies projects and that this then sets the next 5 to 10 year range of projects for the Town. The Chief Executive Officer advised that the Town would then allocate funds for these identified projects on an annual basis, rather than allocating funds ad-hoc during Budget preparations.

The Chief Executive Officer advised that the Strategic Community Plan process will be commenced prior to the end of this calendar year and that all future projects which are directed by the community during this process would then be incorporated into each annual Budget moving forward.

In the financial implications of the agenda item, it states that this is a 'Balanced Budget', which starts from a position of \$4.5M for the 16/17 financial year, and proposes to expend all but \$355,000 of this. The statement of cash flows shows a negative amount of \$1.7M between operating receipts and payments. Is this actually a 'Balanced Budget'?

The Management Accountant advised that the term 'Balanced Budget' in Local Government generally refers the closing surplus or deficit and excludes depreciation costs.

So it is a Balanced Budget because it draws down on reserves?

The Management Accountant advised that reserves are a portion of restricted funding from previous financial years that are used to fund future costs.

Does that mean that recurrent operational spending is balanced?

The Management Accountant advised that the matter would be looked into.

The 2017/18 Annual Budget assumes a CPI of 1% and yet allows for an increase in rates yield of 4.5%. In order to partially fund the 2017/18 Annual Budget, the rating yield has been increased by 4.5% the rate of inflation. Does Council accept the premise that when the underlying assets upon which rates are based undergo a significant downward revision, then the appropriate course of action is to amend future budgets for significantly higher rates of taxation?

The Mayor advised that the amount that is charged to ratepayers is based on what the operations of the Town are and not the property values. The Mayor advised that the Town advertised previously that there was a connection between property values and the amount of rates charged, which was incorrect and that it is about the cost associated with doing business with the Town. The Mayor advised that this is how Council determines what ratepayers are charged.

The Chief Executive Officer advised that the Town can either increase its income and / or reduce the level of service. The Chief Executive Officer also advised that moving forward it will be very tough.

I understand that it is determined by the cost of providing services, but rates are a wealth tax. So when the wealth that they are based upon diminishes, then you have to ask the question if we can afford what we could have afforded 5 years ago; the answer to that is clearly no, not without significantly higher rates of taxation. Rates are taxation that people do not understand. Keeping a cap on rates yields is not enough, you need to look into reducing them.

The Chief Executive Officer advised that as mentioned previously, the Town would need to reduce the level or service or increase the income, which is why the Council is looking into options regarding building the Town's wealth fund to increase income. The Chief Executive Officer advised that within the next 2 months the Town will be preparing the following 3 to 4 years budgets, to identify exactly what that impact is and that the Town is not taking it lightly.

I will just finish on the point that it is the cost of service that is increasing by 1% per year, as per the inflation assumption, yet the rates yield is increasing by 4.5% times the cost of service. Clearly, either there are increasing services, or something else is occurring.

The Mayor advised that the Town moved into the 2017/18 Annual Budget with a \$6 to \$7m deficit and that the Town had to either significantly reduce costs, which is what has occurred, or the Town would have to increase rates. The Mayor advised that millions of dollars' worth of savings has been found, but there is still an operational deficit which is covered through other areas.

The reduction of \$6M or \$7M in operating expenses would have been an excellent thing to brief the community on prior to the discussion of the Annual Budget. The Annual Budget document notes that there is a risk of reduced rate yield from mass accommodation properties, can the Town elaborate on what impact a community rejection of any extension of the Port Haven lease in November would have, and what planning provisions are being made now to budget for that scenario?

The Chief Executive Officer advised that the Town will undertake modelling of the impact moving forward and that the direction from the Department of Local Government is that we need to stop 'gouging' mass accommodation, which is what has been taking place for a number of years. The Chief Executive Officer advised that Council has been made aware of those impacts both with the devaluation and in terms of mass accommodation.

Can I just point out that Newman kept their mass accommodation camp longer than they wanted to, largely because their Council needed the rates yield. I do not want to see the Town in the same position.

The Valuer General is due to revalue the Gross Rental Values (GRV) of local properties next month. Once this data is provided to the Town, will the Town be able to provide what the actual rate in the dollar was for this financial year, and what percentage of the properties were caught by the minimum rate threshold?

The Chief Executive Officer advised that the requested information will be provided to Mr Lowe.

There is a 23% increase in Elected Members remuneration, can you please elaborate on what the \$100k worth of training the Elected Members is for in the 2017/18 Annual Budget?

The Mayor advised that Mr Lowe is incorrect and that all Elected Members have taken a pay reduction.

The Mayor asked Mr Lowe where he determined the increase.

It was determined by the increase from \$30k in last year's Annual Budget, and \$100k in this year's Annual Budget.

The Mayor advised that the difference includes the vacant Councillor position, which will be filled at the October 2017 election.

How many full time equivalent positions has the Town budgeted for this year, and how does it compare to last year?

The Chief Executive Officer advised that the question would be taken on notice and that the loss is not just from the number of positions. The Chief Executive Officer advised that it is also a result of re-banding previous positions and also from redundancies which were then recreated at a lower level and that this has achieved a \$3.5M reduction across the board.

There is a conflict of interest in the manner in which the Salaries and Allowances Tribunal sets the remuneration of the position of Chief Executive Officer of a Local Government. The CEO is personally incentivised in his own remuneration to run as large a Budget and organisation as possible. Tax and spend empire building is rewarded financially, shrinking Budgets and organisations is not. This is in direct contradiction of the interests of ratepayers of the community. Port Hedland is the only 'Town' in Band 1, with a community of 16,000, compared to cities of over 100,000 in the same Band. Will the Town place any submission it made to the Salaries and Allowances Tribunal to assist in the determination of the Town's banding on the Town's website?

The Mayor advised that the Band structure is decided by State Government, not by Council. The Mayor also advised that the remuneration for the Chief Executive Officer is determined by Council and that much the same as the private sector, in order to attract a decent Chief Executive Officer or staff, Council need to ensure that they are paid accordingly to achieve great results. The Mayor advised that it is clear that over the past 6 months, the Town's new Executive Team has achieved great things for Port Hedland, having restructured the organisation and saving over \$4M in staff costs.

I'm not questioning the achievements of staff, or the remuneration of the CEO, I'm questioning why the Town of Port Hedland is in Band 1 along with cities with a population of over 100,000?

The Mayor advised that as mentioned previously it is the State Government that determines the Bands, not the Council.

The formula that the Tribunal use to determine the Banding is based upon factors such as the size of the organisation, the size of the Budget and the amount of full time positions.

The Mayor advised that again, it is the State Government that determine the Bands and that it will be the State Government that reviews it, and not the Council.

The Mayor closed Public Question Time at 7:05pm

The Mayor opened Public Statement Time at 7:05pm

5.2 Public Statement Time

5.2.1 Mr Arnold Carter

My statement is in regards to the submission of the 2017/18 Annual Budget and the time permitted for anybody to analyse and accept it in 3 days. That is absurd. I am not bad on figures myself, but I am only half way through it to see what is in there. It is impossible to adopt a Budget of this magnitude with only 3 days of studying it. I think it is wrong and incorrect and it should never happen again.

5.2.2 Mr Scott Lowe

I wrote to Councillors today to raise the issue of the direct subsidy that owners of lower value property in Port Hedland are being forced to provide to higher value property owners through the mechanism of the high level of minimum rates being applied in this Budget. I will now reiterate that correspondence so that it is on public record.

The issue is one of the distortionary and inherently unfair effect applying a high minimum rate amount has on the rate of taxation some property owner's pay in this community.

Taxes on wealth, spending and income are supposed to be progressive in nature that is with the high income earners paying more than the low income earners. Placing a minimum rate on property will flip this and make the Town's rates a highly regressive wealth tax. In essence, people with lower value property will end up subsidising owners with higher value property and pay a higher rate of taxation on their property to ensure the rates are kept lower than they would otherwise need to be for owners of higher value property.

Based on the proposed rate for residential property of 5.5426c in the dollar, and a minimum rate of \$1,350 means that anyone whose property has a GRV of anything under \$24,356 will pay a higher rate in the dollar.

The reason the Town has done this is to use minimum rates as a method of keeping the headline rate in the dollar lower than it would otherwise be in this subsidy to higher value property owners wasn't in play. It is a method of hiding the real amount of tax being paid by the community and likely those that cannot afford to pay it.

I cannot understand why anyone in good conscience would support a local tax regime that has this effect.

The Town's argument that "it means everyone contributes a minimum amount to services" is bogus. Everyone already does via the date in the dollar and GRV method. A property valued at \$300 per week should pay \$846.56 which is already higher than the state average minimum rates amount.

The minimum rate amount in the residential category is set to be approved tonight at 62% higher than last year's state average of \$832. The minimum will be over 26% higher than Cottesloe, whose minimum is \$1,069. Surely everyone can agree that the time in the Town's history when this might have been appropriate has now passed.

Please note that this impact is also evident in the Commercial / Industrial category. We have small industrial units set to face a 30% increase in rates from last year due to the increasing of minimum rates to \$2,000. The 58% increase in this category from \$1,250 to \$2,000 is not justifiable.

The Town's staff will likely advise that only a limited number of properties will face these problems. Please note that this is a false indication of how widespread this will actually be. It is based on property value assumptions taken from August 2014 and assumes that these properties GRV has not changed since then. It is not correct but will only become apparent after the Valuer General's next valuation next month. It is our assessment that if the revaluation were to occur today, these minimum rate levels would likely have been in breach of the *Local Government Act 1995* provisions that no more than 50% of the properties in the community can be affected in this way. Based on prior comments made by Town staff, I believe they are clearly aware of this.

Subsequent to this, I was able to get more information out of the 2017/18 Annual Budget than what was provided to the community during the discussion regarding rates. It shows that roughly 1 in 5 properties in the residential category are in this position and they are paying on average \$470 per year more than they should be in order to subsidise higher value property owners. As bad as that statistic is, it is wrong. As I just explained, we will only see the true impact after the GRV revaluation next month.

I have looked at the rates yield, of the \$1m increase of the rates yield from the previous financial year, over \$500k came from the increase in the minimum rates in this rating strategy. The 6,246 rateable properties are paying half of the increase and the 1,200 properties that are on the minimum rate are going to pay the other half.

All I'm asking is that Council think about how this regime is being applied and what it means when they vote tonight.

The Mayor closed Public Statement Time at 7:13pm

Item 6 Questions from Members without Notice

Nil

Item 7 Declarations of All Members to Have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting

The following Elected Members declared that they had given due consideration to all matters contained in the agenda:

- Mayor Blanco
- Councillor Melville
- Councillor Gillingham
- Councillor Hooper
- Councillor Arif
- Councillor Newbery
- Councillor Whitwell
- Councillor Tavo

Disclaimer

Members of the public are cautioned against taking any action on Council decisions, on items on this evening's Agenda in which they may have an interest, until formal notification in writing by the Town has been received. Decisions made at this meeting can be revoked, pursuant to the Local Government Act 1995.

Item 8 Reports of Officers

8.1 Executive Services**8.1.1 Adoption of 2017/18 Town of Port Hedland Budget**

File No: 12/05/0012
 Applicant/ Proponent: N/A
 Subject Land/ Locality: N/A
 Date: 21 July 2017
 Author: Jodi Marchant, Management Accountant
 Authorising Officer: David Pentz, Chief Executive Officer
 Disclosure of Interest from Author: Nil
 Authority/Discretion: Advocacy
 Executive
 Legislative
 Quasi-Judicial
 Information Purposes

Attachments:

1. Municipal 2017/18 Budget (Under Separate Cover)
 2. Ministerial approval for Differential General Rates 2017/18
-

OFFICER RECOMMENDATION**PART B – CONCESSIONS AND INCENTIVES**

That Council:

1. Grant concessions in relation to 2017/18 rate charges listed in the attached schedule (Attachment 1, note 13), pursuant to section 6.47 of the Local Government Act 1995 and the Rates and Charges (Rebates and Deferments) Act 1992.
2. Grant concessions in relation to 2017/18 Fees & Charges Schedule in accordance with policy 2/021 Fee Waiver for Not-for-Profit and Non-Government Organisations and Groups, pursuant to section 6.12 of the Local Government Act 1995.
3. Grant fee waivers in relation to the 2017/18 Fees & Charges Schedule in accordance with the Western Australian Companion Card Program as described in the attached schedule (Attachment 1), pursuant to section 6.12 of the Local Government Act 1995.

CM201718/007 AMENDED RECOMMENDATION/ COUNCIL DECISION**MOVED: CR HOOPER****SECONDED: CR TAVO****PART B – CONCESSIONS AND INCENTIVES**

That Council:

1. Grant concessions in relation to 2017/18 rate charges listed in the attached schedule (Attachment 1, note 13), pursuant to section 6.47 of the Local

Government Act 1995 and the Rates and Charges (Rebates and Deferments) Act 1992.

2. **Grant concessions in relation to 2017/18 Fees & Charges Schedule in accordance with policy 2/021 Fee Waiver for Not-for-Profit and Non-Government Organisations and Groups, pursuant to section 6.12 of the Local Government Act 1995.**
3. **Grant fee waivers in relation to the 2017/18 Fees & Charges Schedule in accordance with the Western Australian Companion Card Program as described in the attached schedule (Attachment 1), pursuant to section 6.12 of the Local Government Act 1995.**
4. **Provide eligible Pensioners affected by the \$750.00 rebate capping, with a Council initiated concession (as of right, no application necessary) for the balance (gap) to their 50 percent rebate, as part of the 2017/18 Budget adoption and pursuant to section 6.47 of the Local Government Act 1995 and subject to the Rates and Charges (Rebates and Deferments) Act 1992.**

CARRIED BY ABSOLUTE MAJORITY 8/0

CM201718/008 COUNCIL DECISION

MOVED: CR TAVO

SECONDED: CR GILLINGHAM

That Council, pursuant to section 5.6 of the Standing Orders Local Law 2014, adopt officer recommendations parts A, C, D, E, F, G, H, I, and J by exception resolution.

CARRIED BY ABSOLUTE MAJORITY 5/3

For: Mayor Blanco, Cr Gillingham, Cr Hooper, Cr Arif, Cr Tavo
Against: Cr Melville, Cr Newbery, Cr Whitwell

OFFICER RECOMMENDATIONS

PART A – GENERAL AND MINIMUM RATES

That Council:

1. **Impose the following differential general rates and minimum payments on Gross Rental and Unimproved Values for the 2017/18 financial year, pursuant to sections 6.32, 6.33, 6.34 and 6.35 of the *Local Government Act 1995*:**
 - a) **General Rates**

(i) Residential (GRV)	5.4885 cents in the dollar
(ii) Commercial (GRV)	4.1897 cents in the dollar
(iii) Industrial (GRV)	3.0970 cents in the dollar
(iv) Commercial & Industrial – Vacant (GRV)	6.1555 cents in the dollar

(v) Mass Accommodation (GRV)	26.0000 cents in the dollar
(vi) Tourist Accommodation (GRV)	11.7197 cents in the dollar
(vii) Mining (UV)	37.9250 cents in the dollar
(viii) Pastoral (UV)	10.5449 cents in the dollar
(ix) Other (UV)	21.0000 cents in the dollar

b) Minimum payments

(i) Residential (GRV)	\$1,350
(ii) Commercial (GRV)	\$2,000
(iii) Industrial (GRV)	\$2,000
(iv) Commercial & Industrial – Vacant (GRV)	\$1,180
(v) Mass Accommodation (GRV)	\$2,000
(vi) Tourist Accommodation (GRV)	\$2,000
(vii) Mining (UV)	\$270
(viii) Pastoral (UV)	\$2,000
(ix) Other (UV)	\$2,000

CARRIED BY EXCEPTION RESOLUTION (ON AN ABSOLUTE MAJORITY)

PART C - INSTALMENT PAYMENT ARRANGEMENTS

That Council:

- Nominates the following due dates for the payment of rates in full by instalments, pursuant to section 6.45 of the *Local Government Act 1995* and regulation 64(2) of the *Local Government (Financial Management) Regulations 1996*:**

Full Payment and instalment due date	15 September 2017
2nd quarterly instalment date	15 December 2017
3rd quarterly instalment date	16 March 2017
4th quarterly instalment date	15 June 2017
- Adopts an initial instalment administration charge of \$0 and an instalment charge of \$14 for each instalment after the initial instalment is paid (excluding eligible pensioners and seniors) where the owner has elected to pay rates and service charges through an instalment option, pursuant to section 6.45 of the *Local Government Act 1995* and regulation 67 of the *Local Government (Financial Management) Regulations 1996*.**
- Adopts an interest rate of 5.5% per annum where the owner has elected to pay rates and service charges through an instalment option (excluding eligible pensioners and seniors), pursuant to section 6.45 of the *Local Government Act 1995* and regulation 68 of the *Local Government (Financial Management) Regulations 1996*.**

CARRIED BY EXCEPTION RESOLUTION (ON A SIMPLE MAJORITY)

PART D – INTEREST ON OVERDUE AMOUNTS

That Council:

1. Adopts an interest rate of 11% per annum for rates and service charges and on the costs of proceedings to recover such charges that remains unpaid after becoming due and payable (excluding eligible pensioners and seniors), pursuant to section 6.51 (1) and 6.51 (4) of the *Local Government Act 1995* and regulation 70 of the *Local Government (Financial Management) Regulations 1996*.
2. Adopts an interest rate of 5.5% per annum on all sundry debtor charges that remain unpaid longer than 35 days after the due date, pursuant to section 6.13 of the *Local Government Act 1995* and regulation 70 of the *Local Government (Financial Management) Regulations 1996*.

CARRIED BY EXCEPTION RESOLUTION (ON AN ABSOLUTE MAJORITY)

PART E – FEES AND CHARGES FOR 2017/18

That Council adopts the 2017/18 Schedule of Fees and Charges as included in Attachment 1 of this report, pursuant to section 6.16 of the *Local Government Act 1995*.

CARRIED BY EXCEPTION RESOLUTION (ON AN ABSOLUTE MAJORITY)

PART F – OTHER STATUTORY FEES FOR 2017/18

That Council, pursuant to:

1. Section 53 of the *Cemeteries Act 1986* adopts the Fees and Charges for the Cemeteries included in the Schedule of Fees and Charges included as Attachment 1.
2. Section 53 of the Building Regulations 2012, adopt an annual swimming pool inspection fee of \$55 (GST exempt), regardless of the number of inspections required to achieve compliance.
3. Section 67 of the *Waste Avoidance and Resources Recovery Act 2007*, adopt the following charges for the removal and deposit of domestic and commercial waste:

a)	240ltr bin weekly collection – Classic	\$282.50
b)	240ltr bin weekly collection – Classic - with eligible pensioner/senior (20% discount)	\$226.00
c)	240ltr bin weekly collection – Premium	\$501.00
d)	240ltr bin weekly collection – Premium - with eligible pensioner/senior (20% discount)	\$400.80

CARRIED BY EXCEPTION RESOLUTION (ON A SIMPLE MAJORITY)**PART G – ELECTED MEMBERS FEES AND ALLOWANCES FOR 2017/18**

That Council, pursuant to:

1. Section 5.99 of the *Local Government Act 1995* and regulation 34 of the *Local Government (Administration) Regulations 1996*, adopt the following annual fees for payment of Elected Members in lieu of individual meeting attendance fees:
 - a) Mayor \$42,341.00
 - b) Councillors \$28,228.00
2. Section 5.99A of the *Local Government Act 1995* and regulations 34A and 34AA of the *Local Government (Administration) Regulations 1996*, adopt the following annual allowances for Elected Members:
 - a) Information Technology Allowance \$3,500
3. Section 5.98 (5) of the *Local Government Act 1995* and regulation 33 of the *Local Government (Administration) Regulations 1996*, adopt the following annual local government allowance to be paid in addition to the annual meeting allowance:
 - a) Mayor \$79,978.00
4. Section 5.98A of the *Local Government Act 1995* and regulation 33A of the *Local Government (Administration) Regulations 1996*, adopt the following annual local government allowance to be paid in addition to the annual meeting allowance:
 - a) Deputy Mayor \$19,994.00

CARRIED BY EXCEPTION RESOLUTION (ON AN ABSOLUTE MAJORITY)

PART H – MATERIAL VARIANCE REPORTING FOR 2017/18

For the purposes of regulation 34(5) of the *Local Government (Financial Management) Regulations 1996*, regarding level of material variance for financial reporting in 2017/18, that Council adopt the following thresholds:

- a) With regards to expenditure classified as operating, a variance of 10% or \$10,000, whichever is the greater, of the year to date current month Current Budget, with Program as the level that requires explanation;
- b) With regards to expenditure classified as capital, a variance of 10% or \$10,000, whichever is the greater, of the 12 month Current Budget, with individual project as the level that requires explanation;
- c) With regards to income, a variance of 10% or \$100,000, whichever is the greater, of the year to date current month Current Budget, with Nature and Type as the level that requires explanation;
- d) With regards to all other items not specifically identified above, a variance of 10% or \$100,000, whichever is the greater, of the 12 month Current Budget, with Nature and Type as the level that requires explanation.

CARRIED BY EXCEPTION RESOLUTION (ON A SIMPLE MAJORTY)

PART I – RESERVES FOR 2017/18

That Council:

1. Adopts the consolidation of the Developer Contributions Car Parking Reserve and the Developer Contributions Public Open Space Reserve into one reserve account titled “Developer Contributions - Car Parking and Public Open Space Reserve” with an updated purpose to read: To hold contributions which arise from conditions applied to a Development Application for car parking and public open space.
2. Adopts the consolidation of the Asset Management Community Facilities Reserve and Asset Management Infrastructure Reserve into one reserve account titled “Asset Management - Community Facilities and Infrastructure Reserve” with an updated purpose to read: To fund the ongoing maintenance, refurbishment, renewal, replacement and upgrade of Council owned infrastructure assets within the Town of Port Hedland and community facilities within the Town of Port Hedland, specifically (but not limited to): Wanangkura Stadium, South Hedland Aquatic Centre, Gratwick Aquatic Centre, Marquee Park and JD Hardie Centre.
3. Re-introduce the “Insurance Reserve” with the purpose to read: To restrict unspent insurance income at the end of the financial year.

CARRIED BY EXCEPTION RESOLUTION (ON AN ABSOLUTE MAJORITY)

PART J – MUNICIPAL BUDGET FOR 2017/18

That Council adopt the Municipal 2017/18 Budget as presented (Attachment 1) including associated notes and supplementary information in accordance with section 6.2 of the *Local Government Act 1995* and Part 3 of the *Local Government (Financial Management) Regulations 1996*.

CARRIED BY EXCEPTION RESOLUTION (ON AN ABSOLUTE MAJORITY)

EXECUTIVE SUMMARY

For Council to consider and adopt the municipal fund Budget for the 2017/18 financial year together with supporting schedules, including imposition of rates and minimum payments, adoption of fees and charges, setting of Elected Member fees for the year and other consequential matters arising from the Budget papers.

DETAIL

The Municipal 2017/18 Budget and its related documentation is being presented to Council for adoption following extensive work by Officer's and consultation with Elected Members over the past seven months. The budget has been compiled on the principles contained in the Strategic Community Plan, Long Term Financial Plan and Corporate Business Plan to bring together a balanced budget in a challenging economic environment. The following three key themes were utilised in building the Budget documentation:

1. Cost awareness
2. Maximum resource utilization
3. Financial sustainability through continued focus on efficiencies via effective procurement and service level reviews

A considerable amount of work has been undertaken to review and reduce expenditure levels to ensure a realistic and deliverable program for 2017/18 is presented. Officers will continue to focus on efficiencies and effectiveness and seek out additional revenue to improve the Town's operating deficit and closing municipal surplus.

The proposed Municipal 2017/18 Budget has been prepared in accordance with the presentations made to Elected Members at the various Budget workshops over the last few months. The Budget has been prepared to include information required by the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.

Rate Model

The proposed differential rates model presented to Council was prepared under the guidelines of objectivity, fairness and equity, and transparency.

The model had an increased focus to smooth the rate burden between the categories and move towards reflecting a Rate in the Dollar which reflected a more equitable contribution to the community. Considerable work was also put into improving the Town's Statement of Objects and Reasons following feedback from the Minister in 2016/17.

The proposed differential general rates were approved by Council at the Special Council Meeting on 6 June 2017. At this meeting the Council also agreed to seek Ministerial approval for the following categories:

a) Rate in the Dollar for the GRV Mass Accommodation (26.0000), GRV Commercial & Industrial Vacant Land (11.0852) and Tourism Accommodation (11.7197) categories, due to these categories being more than two times the lowest Rate in the Dollar for the GRV Industrial rate category (3.0970), and

b) Rate in the Dollar for the UV Mining (37.9250) category, due to this category being more than two times the lowest Rate in the Dollar for the UV Pastoral (10.5449) category.

However conversations between Town Officers and Department of Local Government Officers subsequent to this meeting indicated that the Minister may not approve the rate in the dollar for the GRV Commercial & Industrial Vacant land.

For this reason, on the 10 July 2017 a Special meeting of Council was called where the Council resolved to amend the rate in the dollar for the GRV Commercial & Industrial Vacant land category, so that Ministerial approval would no longer be required.

Council cannot adopt the Budget without striking the rate in the dollar for differential general rates, which was dependent upon Ministerial approval as the Town proposes to:

(a) Impose differential general rates for both Gross Rental Value and Unimproved Value such that the rate for one or more categories is more than twice that of the lowest category;

The Town received Ministerial approval on 13 July 2017 for the following rate in the dollars as they are more than twice the lowest rate in the GRV and UV categories:

- GRV Mass Accommodation 26.0000 Cents
- GRV Tourist Accommodation 11.7197 Cents
- UV Mining 37.9250 Cents

Fees and Charges

The draft 2017/18 Budget provides for total fees and charge revenue of \$11.9M. Of the total budgeted fees and charges revenue for 2017/18, \$8.865M is to be received from waste management services and restricted to the Waste Reserve. The balance of \$3.038M is received from all other facilities.

The preparation of the 2017/18 Fees & Charges Schedule was more robust this year. Additional information was sought from Officers including justification of the fee/charge to understand the basis of the fee structure (legislative, market comparison, cost recover, or other) and quantification of the fee/charge to underpin the 2017/18 Fees & Charges revenue Budget. This year there was a much stronger strategic focus and a better understanding of what each fee generated in revenue for the Town.

Through extensive discussions with Elected Members the key changes in the 2017/18 Fees & Charges Schedule were recommended:

- Landfill - re-introduce the Premium Collection charge
- Sports Ground – simplify the club fees to a per season charge per team

- Companion Cards - Ensure that people who are unable to attend venues and events without a companion to provide attendant care support, are not charged two admission fees.
- Community Groups – introduction of policy 2/021 Fee Waiver for Not-for-Profit and Non-Government Organisations and Groups to simplify the schedule and improved consistency for application of community discounts for facility hire

Elected Members Fees and Allowances

At the Ordinary Meeting of 24 May 2017, Council resolved to adopt the amounts for Elected Member fees and allowances as per the Salaries and Allowances determination (resolution number CM201617/204). These amounts have been incorporated into the 2017/18 Budget.

Capital Works Program

A capital works program totalling \$21.16M for investment in infrastructure, land and buildings and plant and equipment is planned. Projects are itemised in the Capital Expenditure Program included in the Supplementary Information to the draft Budget.

Loans

Budgeted total loan principal outstanding of \$20.477M as at 30 June 2017. There are no new loans budgeted for 2017/18.

Grant Funding

Total operating and non-operating grant funding and external contributions of \$6.95M. The Town will continue to seek grant funding for projects as it becomes available.

Engagement and Communications

At the Special Council Meeting dated 26 April 2017, Council resolved to endorse the 2017/18 Differential Rating Model for advertising and community consultation (decision CM201617/194). The Rating Strategy was subsequently advertised on 3 May 2017 via state-wide and local public notice in accordance with section 6.36 of the Local Government Act 1995 and 25 submissions were received.

The 2017/18 Budget is driven by the current Community Strategic Plan and Corporate Business Plan. The development of the Strategic Community Plan involved significant community consultation and engagement. The Community Strategic Plan, Corporate Business Plan and associated documents are currently being reviewed.

Extensive internal consultation has also occurred between all Directorates and through briefings and workshops with elected members.

LEGISLATION AND POLICY IMPLICATIONS

Section 6.2 of the *Local Government Act 1995* requires that no later than 31 August in each financial year, or such extended time as the Minister allows, each local government is to prepare and adopt (absolute majority required), in the form and manner prescribed, a Budget for its municipal fund for the financial year ending on the next following 30 June.

Divisions 5 and 6 of Part 6 of the *Local Government Act 1995* refer to the setting of Budgets and raising of rates and charges. The *Local Government (Financial Management) Regulations 1996* details the form and content of the Budget. The draft 2017/18 Budget as presented is considered to meet statutory requirements.

Section 5.63(1) of the *Local Government Act 1995* specifically excludes the need to declare a financial interest where matters; have an interest common to a significant number of ratepayers/electors; relate to the imposition of any rate, charge or fee; relate to a fee, reimbursement of an expense or an allowance payable to Elected Members.

The Budget is based on the principles contained in the Strategic Community Plan, the Long Term Financial Plan, Asset Management Plans and the Corporate Business Plan.

FINANCIAL IMPLICATIONS

The 2017/18 Budget presents a balanced budget with an estimated municipal surplus of \$355K. This surplus is based on the assumption of a municipal surplus brought forward from 2016/17 (opening balance) of \$4.5M. The municipal surplus brought forward from 2016/17 will be finalised through the End of Financial Year reporting and brought back to Council for adoption once confirmed.

It is recommended that Council adopts a balanced Budget with a carried forward municipal surplus. In 2017/18 municipal rates are a predominant source of income at over 50% of the total operating revenue budgeted.

STRATEGIC AND RISK IMPLICATIONS

Environmental

Upon adoption of the 2017/18 municipal Budget, substantial positive environmental impacts will be achieved, including the investment in environmental infrastructure and programs and the utilisation of local trades and businesses where possible, practical and available.

Economic

There are significant benefits to the local economy arising from adoption of the 2017/18 municipal Budget, including the investment in local infrastructure and the utilisation of local trades and businesses where possible, practical and available.

Social

Significant social impacts will be achieved upon adoption of the 2017/18 municipal Budget, including the investment into community infrastructure and programs and the promotion of the Town as a great place to live and work.

Financial

The Town is required to have an established 2017/18 Budget to ensure its daily operations are carried out effectively and efficiently and in a timely manner.

The 2016/17 actual figures provided in the budget document are interim as at 30 June 2017 and are subject to change following the completion of the audited annual financial report.

Strategic

The Budget is based on the principles contained in the Strategic Community Plan and the Corporate Business Plan.

Risk

There is a risk rating of medium (6) assigned to the risk that if the Budget is not adopted it will fail to achieve a clear financial position for the 2017/18 financial year.

There is a risk rating of medium (6) assigned to the risk that if the Budget is not adopted there would be reputational damage causing widespread public embarrassment and media interest.

There is a risk rating of medium (6) assigned to the risk that if the Budget is not adopted there would be a significant chance that the Town will breach its legislative requirements outlined in section 6.2(1) of the *Local Government Act 1995* which requires the annual budget to be adopted by 31 August each year.

There is a risk rating of medium (6) assigned to the risk that a reduction in income or increase in expense throughout the 2017/18 financial year is likely to have an impact on the Town's ability to meet service levels or asset renewal funding requirements.

OPTIONS

Option 1 - Adopt Officer's Recommendation

Should the Council wish to adopt all officer's recommendation then it can employ the En-bloc method of voting.

Option 2 - Amended Officer's Recommendation

Should Council decide to amend some of the officer's recommendations then it must do so in accordance with the relevant voting requirements listed under each part of the recommendation.

CONCLUSION

The proposed Municipal 2017/18 Budget has been prepared in accordance with the presentations made to Elected Members at the various Budget workshops over the last few months. This year there was a much stronger strategic focus and a better understanding of what each fee generated in revenue for the Town. The preparation of the 2017/18 Fees & Charges Schedule was more robust this year and the Minister has approved the Differential General Rates 2017/18 which is a very positive outcome for the Town.

The 2017/18 Budget has been prepared in a financially responsible manner and through reduction in operating expenditure to ensure a balanced Budget is achieved. The 2017/18 Budget will ensure both the current needs of residents are met while at the same time providing infrastructure developments to meet any future requirements.

ATTACHMENT 2 TO ITEM 8.1.1



Department of
**Local Government, Sport
and Cultural Industries**

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Mr David Pentz
Chief Executive Officer
Town of Port Hedland
PO Box 41
PORT HEDLAND WA 6721

Dear Mr Pentz

DIFFERENTIAL GENERAL RATES 2017/18

I refer to the Town of Port Hedland's application received 13 June 2017 requesting approval to impose differential general rates that are more than twice the lowest rate in the gross rental value (GRV) and unimproved value (UV) categories.

Under delegated authority from the Minister for Local Government and in accordance with section 6.33(3) of the *Local Government Act 1995*, I have approved the Town's application to impose differential general rates that are more than twice the lowest rate, as follows:

Category of Rating	Rate in the dollar 2017/18 (cents)
GRV Industrial	3.0970
GRV Mass Accommodation	26.0000
GRV Tourist Accommodation	11.7197

Category of Rating	Rate in the dollar 2017/18 (cents)
UV Pastoral	10.5449
UV Other	21.0000
UV Mining	37.9250

The approval is valid for the 2017/18 financial year.

I thank the Town for their continued effort of working with the Department to ensure a fair and equitable outcome to the ratepayers of Port Hedland. I would encourage this dialogue to continue during the budget setting process for 2018/19.

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If you have any questions, please do not hesitate to contact Ms Darrelle Merritt on 6552 1479 or by e-mail at darrelle.merritt@dlgsc.wa.gov.au.

Yours sincerely



Michael Connolly
Deputy Director General, Regulation

 July 2017

Item 9 Matters for Which Meeting May Be Closed (Confidential Matters)

Nil

Item 10 Closure

10.1 Date of Next Meeting

The next Ordinary Meeting of Council will be held on Wednesday 23 August 2017, commencing at 5:30pm, with the Public Agenda Briefing being held on Wednesday 16 August 2017, commencing at 5:30pm.

10.2 Closure

There being no further business, the Mayor declared the meeting closed at 7:39pm.