



TOWN OF PORT HEDLAND

SPECIAL COUNCIL MEETING MINUTES

TUESDAY 12 MAY 2015 AT 6:30PM

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

Items:

- *Financial Management – 2015/16 Budget – Differential General Rates and General Minimum Payments*

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

*M.J. (Mal) Osborne
Chief Executive Officer*

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ITEM 1 OPENING OF MEETING

The Mayor declared the meeting open at 6:31pm.

ITEM 2 ACKNOWLEDGMENT OF TRADITIONAL OWNERS

Mayor acknowledged the traditional owners, the Kariyarra people.

ITEM 3 RECORDING OF ATTENDANCE**3.1 Attendance**

Elected Members

Mayor Kelly Howlett

Councillor Gloria Jacob

Councillor George Daccache

Councillor Jan Gillingham

Councillor David Hooper

Councillor Julie Hunt

Councillor Lorraine Butson

Councillor Troy Melville

Officers

Mal Osborne

Sid Jain

Chris Linnell

Peter Kocian

Grace Waugh

Chief Executive Officer

Director Corporate Services

Acting Director Community and Development
Services

Manager Financial Services

Minute Taker/ Governance Officer

Members of the public 11

Media 1

ToPH officers 3

3.2 Apologies

Nil

3.3 Approved Leave of Absence

Nil

ITEM 4 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 also 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.”

Mayor opened Public Question Time at 6:33pm.

4.1 Public Question Time**4.1.1 Mr Camilo Blanco**

At last night's community consultation on the rates strategy, a few people that attended are clearly against certain aspects. The rate payers association is definitely against the strategy. Is there an opportunity to adjust the recommendation?

Mayor advised that tonight's decision will start the public comment period. Members of the community will have the opportunity to comment on the rating strategy which closes on 5 June 2015.

Attachment 2 of the item is the proposed public notice. Is that the advertisement that will be going public after Council adopts the rating strategy tonight?

Chief Executive Officer advised in the affirmative.

When was the decision made to adopt the current rating strategy?

Chief Executive Officer advised that the rating strategy is a living document. Given the changes in the economic environment Town officers have reduced the impact on rate payers in the strategy that was adopted in 2014 which indicated a rate yield increase of 5% year on year. The Town did modelling on a 4% and 3% increase and the most recent model which was discussed informally with Elected Members.

When was the recent modelling adopted?

Chief Executive Officer advised that it hasn't been formally adopted.

If it hasn't been adopted then why has it already been advertised?

Mayor advised that it hasn't been advertised. The advertising will start after tonight's meeting.

The North West Telegraph has advertised the rating strategy already in the electronic version of the newspaper.

Mayor asked Mr Blanco to show her the advertisement.

Manager Financial Services advised that the advertisement has been scheduled in tomorrow's newspaper. To meet the advertising deadlines for the North West Telegraph and the West Australian the Town had to lodge the advertisement before the meeting. The advertisement is pending tonight's Council decision.

Mayor advised that the newspaper is dated with tomorrow's date, 13 May 2015.

Who authorised the rating strategy and when was the advert listed with the newspaper?

Chief Executive Officer advised that the rating strategy has been developed informally with Elected Members and that this is the first time it has been presented to Council for formal consideration. Due to deadline requirements and the budget timeline Town officers pre-empted and submitted advertisements to the North West Telegraph and the West Australian before tonight's meeting.

Council has not voted on the rating strategy yet. The item states it is the proposed model however the Town has already advertised it.

Mayor advised that the advertisement is due to appear in the newspaper that is dated tomorrow, 13 May 2015. If a different decision is made by Council tonight then a clarification or correction will be published in each of the newspapers.

The Town has breached the Local Government Act 1995.

Mayor advised that the Town has not breached the Local Government Act 1995. If Council make any changes then a clarification or correction will be issued.

What is the point of holding a Special Council Meeting if the decision has already been made?

Mayor advised that a decision has not been made. The decision being made tonight is for the advertising period to commence. Once the public comment period has closed on 5 June 2015 then the rating strategy will be considered formally by Council for adoption.

What was the point of the public consultation session last night?

Mayor advised that the public consultation session last night was to inform members of the community of the strategy, the formulation of the strategy and the proposal moving forward. There were approximately ten people in attendance last night and there have been mixed responses from those ten. The Town will continue advertising the rating strategy throughout the public comment period and will be having one on one and group sessions with various categories within the rating strategy to ensure that the Town is receiving feedback from all rating categories.

I am requesting that a change be made in the rating strategy so that we receive the same treatment as given to the shopping centre sector which is a 20% reduction on the 2015/16 rate charges.

Mayor clarified which rating categories Mr Blanco was referring to.

Residential, commercial and industry should be treated the same as the shopping centre sector.

Mayor advised that it is a great suggestion and suggests Mr Blanco makes a public submission on that matter. Elected Members will take Mr Blanco's comments into consideration.

Mayor closed Public Question Time at 6:40pm.

Mayor opened Public Statement Time at 6:41pm.

4.2 Public Statement Time

4.2.1 Mr George Anagnostopallos

Mr Anagnostopallos stated that all shop owners are suffering and many are declaring bankruptcy. Mr Anagnostopallos thanked the Town for the rating strategy as he believes it is great however would like the shopping centre rates lowered more. Mr Anagnostopallos has 20 shops within his centre all of which are struggling and asks that Council consider the shop owners as they need help otherwise they will go under.

4.2.2 Mr Camilo Blanco

Who are Elected Members working for? The South Hedland shopping centre 'Charter Hall' has put in an objection to the rates charged and received a 20% reduction, staff have stated in documents obtained by myself that:

"The reduction in rates from the shopping centre is redistributed across all residential, commercial and industrial properties thereby sharing the rate burden equitably".

So that's a pretty complicated strategy, reduce the rates for big business with no guarantee the saving will be passed on to the local business operators, and add the reduction to the rates of the people that you are representing.

You are saying rates will not increase for residential but your documents state, "92% or 6336 properties will receive a rate increase of between 2.5% and 5% with an average rate increase of 3.59%."

The business sector is struggling to keep the doors open, there are meetings every day about necessary cost reductions that will allow those doors to stay open. Staff and wage reductions, rental assistance gone, shift changes that increase work time, all critical to the survivability of the business sector yet this council clearly has no clue because your rating strategy states:

"The 353 properties which will receive a rate increase of between 7.5 and 10% are all industrial properties, as these properties received a lower rate in the dollar in 14/15"

Look at the people creating these documents. They have houses, cars, power and water all paid for by the Town. There is no real reflection on how hedland people are feeling.

So the fact that you have advertised the rating strategy before the document has been officially voted on and adopted clearly makes a mockery of this whole system and shows that you really do not care about the Hedland people's struggle in surviving the months ahead.

Mayor clarified that not all Town staff receive free housing, water or power and most staff have other accommodation situations. Directors and Managers were not the only staff involved with creating the rating strategy. The adjustment for the shopping centres is not distributed over every single rating category, it is equalised over the commercial category only over the next four years.

Mayor closed Public Statement Time at 6:48pm.

ITEM 5 QUESTIONS FROM MEMBERS WITHOUT NOTICE

5.1 Councillor Gillingham

At the public consultation last night members of the public asked for further clarification on the rating strategy modelling. I didn't catch what the Manager Financial Services or Director Corporate Services said however they advised that they would provide more information. Can the information be further explained?

Manager Financial Services advised that at the public consultation it was discussed that through the specific stakeholder consultation the Town would provide rate payers with information on their valuation reduction from last year as well as their proposed 2015/16 rates under the advertised rates model. Part of the recommendation tonight is to consult individually with the ratepayer groups with less than 30 properties in the general rate category with exact information being provided to those groups.

Mayor advised that all this material and everything associated with tonight's decision is freely available and can be collected in hard copy from the Civic Centre and libraries and electronically on the website. If there are any troubles accessing the information please contact the Town of Port Hedland or the Mayor's office on 08 9158 9306. The Town wants everyone to be involved and have their say which is why the public comment period has been extended.

5.2 Councillor Butson

How many ratepayers are to receive an increase on their rates?

Manager Financial Services advised that exact numbers aren't on hand however under the proposed model for advertising the rate yield would increase with the exception of residential, mining exploration and shopping centre rate categories. These categories' rate bill will depend on how individual property valuations have moved relative to the average change in valuation. For example in residential there is a 39% average reduction in valuation and a nil increase being proposed. It is a general rule that any property valuation that has reduced less than the average 39% will receive a rate increase and any property valuation that has reduced more than the average 39% will receive a reduction in their rates bill. There are two variables on whether there will be an increase or decrease to a person's rate bill, these being the valuation and the rate in the dollar in terms of the rates payable.

What percentage of residential rate payers' rates are going to increase?

Manager Financial Services advised that the Town does have that information available that can be released as part of the rates public consultation process. Approximately 50% of properties in the residential rates category will receive a reduction based on the proposed rate in the dollar that is being considered tonight and 50% of properties will receive an increase. Approximately half of the properties valuations' have fallen by more than the average 39%.

Was the actual valuations for the GRV done on the 1 August 2014 as indicated in the presentation?

Manager Financial Services advised in the affirmative. The Valuer General set that date across the state to ensure consistency and uniformity in terms of how valuations are assessed.

Chief Executive Officer advised that the physical valuations or inspections may not have occurred on that date but that is when the Town received the revised valuations.

Manager Financial Services advised that it reflects the market conditions as of 1 August 2014 with the valuations coming into force on 1 July 2015. They are an indication of the economic conditions at that point in time. Even though the conditions may have further deteriorated the valuations won't be reassessed until the next valuation date of 1 August 2017.

When is the construction of the Catamore Court houses going to be completed? How many houses is the Town of Port Hedland receiving? What is the total cost for the construction?

Chief Executive Officer advised that there are eight units in the Catamore Court development for the Town of Port Hedland, six two bedroom units and two three bedroom units. Construction should be completed around September/October this year.

What is the total cost to Council?

Mayor advised that the question is taken on notice.

Did the Town pre-empt Council's decision tonight as it was advertised in the North West Telegraph electronically today at 3:00pm?

Mayor advised that the Town did not pre-empt the Council's decision. If there are any changes to the recommendation tonight then a correction will be issued and the public comment period extended.

ITEM 6 DECLARATION OF ALL MEMBERS TO HAVE GIVEN DUE CONSIDERATION TO ALL MATTERS CONTAINED IN THE BUSINESS PAPER BEFORE THE MEETING

Mayor Howlett	Councillor Hooper
Councillor Jacob	Councillor Hunt
Councillor Daccache	Councillor Butson
Councillor Gillingham	Councillor Melville

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 7 REPORTS OF OFFICERS**7.1 Corporate Services****7.1.1 Financial Management – 2015/16 Budget – Differential General Rates and General Minimum Payments**

Peter Kocian, Manager Financial Services
File No.

DISCLOSURE OF INTEREST BY OFFICER

Nil

201415/240 RECOMMENDATION/ COUNCIL DECISION

MOVED: CR JACOB

SECONDED: CR HUNT

That Council:

- 1. Receive the report from the Manager Financial Services and note the relevant attachments, specifically the Statement of Rating Objects and Reasons, the Town of Port Hedland Rating Strategy, and rates modelling information for the 2015/16 rating year;**
- 2. Note the following summary from the Statement of Rating Objects and Reasons:**
 - Gross Rental Values apply to the following differential general rate categories; Residential, Commercial, Industrial, Shopping Centre, Mass Accommodation, Tourist Accommodation;**
 - Unimproved Values apply to the following differential general rate categories; Mining, Mining Exploration, Mining Other, UV Other and UV Pastoral;**
 - Properties are rated according to Town Planning zonings and predominant land use with each having a separate calculated rate in the dollar to achieve greater equity across all sectors;**
 - The current Gross Rental Values have a date of valuation of 1 August 2014 – that is, the Town has received a general valuation in the last 12 months with valuations to come into force on 1 July 2015;**
 - Unimproved Values are determined annually by the Valuer General and proposed rates have been calculated on provisional valuations provided with a date in force of 1 July 2015;**
 - Following the general valuation, Residential valuations have decreased by an average of 39%, Commercial valuations have decreased by an average of 22%, and Industrial valuations have increased by an average of 19%;**
 - The relative movement in valuations between Industrial properties and Residential properties has resulted in the Industrial rate category becoming the lowest rate in the dollar for the calculation of rating differentials;**

- The proposed rates model will yield \$26,102,360 in total rate revenue which is a 0% increase on 2014/15 year to date rate revenue which includes interim rate revenue raised.
 - It is proposed to increase the rate yield by 3% for all general rate categories with the exception of Residential, Shopping Centre and Mining Exploration;
 - The 3% increase in yield for these rate categories is in keeping with the Town's adopted Rating Strategy and represents a commitment by Council to keep any rate increases consistent with the growth in costs, with the Local Government Cost Index forecast to be 2.9% for the 15/16 financial year (Source: WALGA March 2015 Economic Briefing). The Town also has asset management requirements and the Rating Strategy provides for 50% of the rate increase to be dedicated to asset management initiatives such as renewal of roads and drainage;
 - Council is proposing a 0% increase in the rate yield from Residential properties to recognise the 39% average decrease in property valuations. This does not mean some ratepayers will not experience an increase in their rates bill – any property values that have decreased by greater than the 39% average will receive a reduction in their general rate bill from 2014/15, whilst those property values that have decreased by less than the 39% average will receive an increase in their general rate bill from 2014/15;
 - It is proposed to reduce Shopping Centre rates by 20% with a view of equalizing the Shopping Centre rate in the dollar with the Commercial rate in the dollar within 4 years (i.e. by 2018/19). This is in response to a submission received from Charter Hall that was considered by Council at the November 2014 Ordinary Council Meeting;
 - It is proposed to introduce a new differential general rate category called UV Mining Exploration to capture recent State Government amendment to the *Valuation of Land Act 1978* to provide rate relief to owners of mineral exploration licenses. Valuations for these properties have decreased by 30.19% and Council is proposing to reduce the rate yield from these properties by an equivalent amount. This action supports the tone of the Minister for Lands and the Minister for Mines and Petroleum in a joint media release dated 10 March 2015 titled 'Rates relief fast-tracked for resources sector';
 - It is proposed to increase the uniform minimum rate by 3% from \$1,223 to \$1,260 to ensure that all ratepayers make an equitable contribution to the rate base. The only minimum rate exception is the UV Mining Exploration general rate category with a proposed minimum of \$1,100 for the reasons outlined above;
3. Endorse the Statement of Rating Objects and Reasons for the 2015/16 rating year as presented;

4. Endorse the following proposed Differential General Rates and Minimum Payments for the Town of Port Hedland for the 2015/16 rating year:

Rate Category	Rate in Dollar (expressed as cents in \$)	Minimum Payment in \$
GRV Residential	5.7904	\$1,260
GRV Commercial	4.3026	\$1,260
GRV Industrial	2.8978	\$1,260
GRV Shopping Centre	5.7891	\$1,260
GRV Mass Accommodation	28.6116	\$1,260
GRV Tourist Accommodation	12.7926	\$1,260
UV Mining	42.3693	\$1,260
UV Mining Exploration	36.1702	\$1,100
UV Mining Other	36.9834	\$1,260
UV Other	18.8800	\$1,260
UV Pastoral	10.8292	\$1,260

5. Endorse a public consultation process on the proposed 2015/16 differential general rates and general minimum rates as follows:

- Statewide and local public notice on Wednesday 13 May 2015 as per the requirements of section 6.36 of the *Local Government Act 1995* and contained in the Department of Local Government and Communities Rating policy 'Giving Notice';
- Individual ratepayer consultation (letters and invitation to a briefing session) for all ratepayers in general rate categories with less than 30 rateable properties. This includes the UV Pastoral, GRV Shopping Centre, GRV Mass Accommodation, GRV Tourist Accommodation and UV Other rate categories.

6. Note that following the submission period, a final report will be presented to Council considering ratepayer submissions, and Ministerial Approval will be required to impose the following differential general rates and general minimum payments as the proposed rates in the dollar are more than twice the lowest and/or there are minimum payments on more than 50% of vacant properties:

- GRV Tourist Accommodation (rate in the dollar)
- GRV Mass Accommodation (rate in the dollar)
- UV Mining (rate in the dollar)
- UV Mining Exploration (rate in the dollar)
- UV Mining Other (rate in the dollar)
- UV Mining Other (minimum payment)

CARRIED 8/0

EXECUTIVE SUMMARY

This report recommends that Council endorse the Statement of Rating Objects and Reasons and advertise the proposed Differential General Rates and General Minimum Payments for public comment, as required by section 6.36 of the *Local Government Act 1995*.

DETAILED REPORT

Background

Rate revenue is a substantial source of discretionary revenue for the Town of Port Hedland, accounting for approximately 33% of operating revenue in the 2014/15 Budget. The *Local Government Act 1995* (the Act) empowers local governments to impose differential general rates and minimum payments on rateable land.

The Town of Port Hedland has adopted a differential general rate and general minimum payment for a number of years. The imposition of differential rates represents a conscious decision by a Council to redistribute the rate burden in its district by imposing a higher impost on some ratepayers and a lower impost on others.

The overall objective of a rating model is to provide for the net funding requirements of the Town's services, activities, financing costs and the current and future capital requirements of the Town as outlined in the Strategic Community Plan and Corporate Business Plan. Asset management is a significant challenge for all local governments in Western Australia and any rating model must also support asset renewal and replacement requirements in line with defined service levels.

Pursuant to section 6.36 of the *Local Government Act 1995*, local governments are required to give a minimum period of 21 days' notice of the proposed differential general rates and minimum payments and to consider any submissions received. The proposed differential general rates and minimum payments can then be imposed, with or without modifications.

Under the Act, the Minister for Local Government is required to approve the following in relation to rates:

- The imposition of a differential general rate which is twice the lowest differential general rate imposed by a local government;
- A minimum payment on vacant land that does not comply with legislative provisions;
- Changes in the method of valuation of land; and
- Land exempt from rates.

The Department of Local Government and Communities has developed policies and application forms to ensure that local governments provide all the necessary information.

The following information is required to be submitted to the Minister for assessment:

- Description of the characteristics of the land that have been used to determine the basis for the differential rates and minimum payments;
- Details of the differential rates and minimum payments being proposed and the percentage of assessments on the minimum payment as well as the average rates per assessment;
- The objects of, and reasons for, each proposed differential rate and minimum rate;
- What the reasons are for seeking to impose a differential rate which is more than twice the lowest differential rate;
- How does a particular category of ratepayers receive greater benefit from council services;
- Information on the likely impact on the rate assessments on the affected land;
- The year that land was last revalued by the Valuer General;
- Whether the proposed differential rates align with the rating strategies in the Corporate Business Plan and/or Long Term Financial Plan;
- Details on the consultation that has occurred, including the Council's response.

This information is to be supported by nine (9) attachments being:

1. A Statement of the Objects and Reasons for each proposed rate;
2. An extract of the public notice from the relevant newspaper (to include the Statement of Objects and Reasons);
3. Any other communication with landowners/ratepayers;
4. Copies of any submissions/objections that have been received;
5. The Council's response to these;
6. Officer's report to Council;
7. Relevant Council minutes;
8. Council resolution; and
9. The Town's Rating Strategy.

2015/16 Budget Proposal

The following are the proposed Differential General Rates and Minimum Payments for the Town of Port Hedland for the 2015/16 financial year, to be effective from 1 July 2015.

Rate Category	Rate in Dollar (expressed as cents in \$)	Minimum Payment
GRV Residential	5.7904	\$1,260
GRV Commercial	4.3026	\$1,260
GRV Industrial	2.8978	\$1,260
GRV Shopping Centre	5.7891	\$1,260
GRV Mass Accommodation	28.6116	\$1,260
GRV Tourist Accommodation	12.7926	\$1,260

UV Mining	42.3693	\$1,260
UV Mining Exploration	36.1702	\$1,100
UV Mining Other	36.9834	\$1,260
UV Other	18.8800	\$1,260
UV Pastoral	10.8292	\$1,260

The above rate model will yield **\$26,102,360** in rate revenue which is a **0%** increase on current year to date actual rate revenue of \$26,102,361. Whilst the above model is revenue neutral (no increase in rate yield), there will be some rate increases due the use of differential rating to achieve an equitable distribution of the rate burden. A copy of the full rates modelling is provided as Attachment 4 to this report.

The objects and reasons for each of the above proposed rates are discussed in detail in Attachment 1 to this report – Statement of Rating Objects and Reasons. This discussion paper will be released as part of the mandatory advertising requirements. Rather than repeat commentary in the body of this report, the following summary is provided:

- Gross Rental Values apply to the following differential general rate categories; Residential, Commercial, Industrial, Shopping Centre, Mass Accommodation, Tourist Accommodation;
- Unimproved Values apply to the following differential general rate categories; Mining, Mining Exploration, Mining Other, UV Other and UV Pastoral;
- Properties are rated according to Town Planning zonings and predominant land use with each having a separate calculated rate in the dollar to achieve greater equity across all sectors;
- The current Gross Rental Values have a date of valuation of 1 August 2014 – that is, the Town has received a general valuation in the last 12 months with valuations to come into force on 1 July 2015;
- Unimproved Values are determined annually by the Valuer General and proposed rates have been calculated on provisional valuations provided with a date in force of 1 July 2015;
- Following the general valuation, Residential valuations have decreased by an average of 39%, Commercial valuations have decreased by an average of 22%, and Industrial valuations have increased by an average of 19%;
- The relative movement in valuations between Industrial properties and Residential properties has resulted in the Industrial rate category becoming the lowest rate in the dollar for the calculation of rating differentials;
- The proposed rates model will yield \$26,102,360 in total rate revenue which is a 0% increase on 2014/15 year to date rate revenue which includes interim rate revenue raised.
- It is proposed to increase the rate yield by 3% for all general rate categories with the exception of Residential, Shopping Centre and Mining Exploration;

- The 3% increase in yield for these rate categories is in keeping with the Towns adopted Rating Strategy and represents a commitment by Council to keep any rate increases consistent with the growth in costs, with the Local Government Cost Index forecast to be 2.9% for the 15/16 financial year (Source: WALGA March 2015 Economic Briefing). The Town also has asset management requirements and the Rating Strategy provides for 50% of the rate increase to be dedicated to asset management initiatives such as renewal of roads and drainage;
- Council is proposing a 0% increase in the rate yield from Residential properties to recognise the 39% average decrease in property valuations. This does not mean some ratepayers will not experience an increase in their rates bill – any property values that have decreased by greater than the 39% average will receive a reduction in their general rate bill from 2014/15, whilst those property values that have decreased by less than the 39% average will receive an increase in their general rate bill from 2014/15;
- It is proposed to reduce Shopping Centre rates by 20% with a view of equalizing the Shopping Centre rate in the dollar with the Commercial rate in the dollar within 4 years (i.e. by 2018/19). This is in response to a submission received from Charter Hall that was considered by Council at the November 2014 Ordinary Council Meeting;
- It is proposed to introduce a new differential general rate category called UV Mining Exploration to capture recent State Government amendment to the *Valuation of Land Act 1978* to provide rate relief to owners of mineral exploration licenses. Valuations for these properties have decreased by 30.19% and Council is proposing to reduce the rate yield from these properties by an equivalent amount. This action supports the tone of the Minister for Lands and the Minister for Mines and Petroleum in a joint media release dated 10 March 2015 titled 'Rates relief fast-tracked for resources sector';
- It is proposed to increase the uniform minimum rate by 3% from \$1,223 to \$1,260 to ensure that all ratepayers make an equitable contribution to the rate base. The only minimum rate exception is the UV Mining Exploration general rate category with a proposed minimum of \$1,100 for the reasons outlined above;

Subject to endorsement of the proposed rates model by Council, the proposed differential general rates and general minimum rates will be advertised in the West Australian newspaper, North West Telegraph and on the Town's website on Wednesday 13 May 2015 inviting submissions to close on Friday 5 June 2015. This will exceed the required mandatory minimum 21 day advertising period. The Notice must also be placed on public notice boards and in all libraries. The Notice of Intention to Levy Differential Rates will be accompanied by the discussion paper Statement of Rating Objects and Reasons.

FINANCIAL IMPLICATIONS

The proposed differential general rates and minimum payments is expected to yield a total rate revenue of approximately \$26,102,360 in 2015/16.

STATUTORY AND POLICY IMPLICATIONS

- Section 6.33 of the Local Government Act 1995 – Differential General Rates
- Section 6.35 of the Local Government Act 1995 – Minimum Payments
- Section 6.36 of the Local Government Act 1995 – Giving Notice

Council Policy 2/002 Budget Strategy - states that the Annual Budget is to be prepared based on concepts and assumptions in the Strategic Community Plan and Long Term Financial Plan.

The Department of Local Government and Communities has prepared four (4) Rating Policies that local governments must consider and comply with:

1. Rating Policy – Giving Notice (section 6.36 of the Local Government Act 1995) August 2013. The public notice process should start on 1 May or shortly thereafter (cannot be prior); every differential general rate and or minimum payment that is intended to be imposed must be stated in the notice; a document must be prepared which states the objects of, and reasons for, each rate and minimum payment; the minimum period that ratepayers have to make submissions is 21 days; submissions received must be considered by Council; Ministerial approval must be obtained prior to rates being imposed otherwise the budget is invalid and rates imposed are not recoverable.
2. Rating Policy – Minimum Payments (section 6.35 of the Local Government Act 1995) August 2013. A minimum payment can be separately applied to GRV properties, UV properties or each differential rating category where differential rates are imposed. This is known as the general minimum for each category. Ministerial approval is required when a differential general rate is applied to land because it is vacant in the following circumstances: where the minimum payment is to be imposed on more than 50% of the UV or GRV properties in the district or on more than 50% of the properties in any differential rating category, unless the minimum is no more than \$200. If the land subject to the minimum is not vacant, there is no ministerial discretion to approve a local government imposing a minimum that applies to more than half of the properties.
3. Rating Policy – Differential Rates (section 6.33 of the Local Government Act 1995) August 2013. A differential rate occurs when categories of property within the UV or GRV land valuation methods are rated differently. A local government may impose differential general rates according to any, or a combination, of the following characteristics – the purpose for which the land is zoned, a purpose for which the land is held or used as determined by the local government, whether or not the land is vacant land. In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.
4. Rating Policy – Rateable Land (section 6.26 of the Local Government Act 1995) August 2013.

ATTACHMENTS

1. Statement of Rating Objects and Reasons
2. Proposed Public Notice
3. Town of Port Hedland Rating Strategy
4. 2015/16 Rates Modelling Information

6 May 2015

ATTACHMENT 1 TO ITEM 7.1.1
Attachment 1 to Item 7.1.1

STATEMENT OF RATING OBJECTS AND REASONS

FOR THE 2015/16 RATING YEAR

In accordance with section 6.36 of the Local Government Act 1995 and the Council's "Notice of Intention to Levy Differential Rates and Minimum Payments", the following information details the objectives and reasons for those proposals.

EXECUTIVE SUMMARY

The following rating principles are proposed in this Statement of Rating Objects and Reasons for the 2015/16 rating year:

- Gross Rental Values apply to the following differential general rate categories; Residential, Commercial, Industrial, Shopping Centre, Mass Accommodation, Tourist Accommodation;
- Unimproved Values apply to the following differential general rate categories; Mining, Mining Exploration, Mining Other, UV Other and UV Pastoral;
- Properties are rated according to Town Planning zonings and predominant land use with each having a separate calculated rate in the dollar to achieve greater equity across all sectors;
- The current Gross Rental Values have a date of valuation of 1 August 2014 – that is, the Town has received a general valuation in the last 12 months with valuations to come into force on 1 July 2015;
- Unimproved Values are determined annually by the Valuer General and proposed rates have been calculated on provisional valuations provided with a date in force of 1 July 2015;
- Following the general valuation, Residential valuations have decreased by an average of 39%, Commercial valuations have decreased by an average of 22%, and Industrial valuations have increased by an average of 19%;
- The relative movement in valuations between Industrial properties and Residential properties has resulted in the Industrial rate category becoming the lowest rate in the dollar for the calculation of rating differentials;
- The proposed rates model will yield \$26,102,360 in total rate revenue which is a 0% increase on 2014/15 year to date rate revenue which includes interim rate revenue raised.
- It is proposed to increase the rate yield by 3% for all general rate categories with the exception of Residential, Shopping Centre and Mining Exploration;
- The 3% increase in yield for these rate categories is in keeping with the Towns adopted Rating Strategy and represents a commitment by Council to keep any rate increases consistent with the growth in costs, with the Local Government Cost Index forecast to be 2.9% for the 15/16 financial year (Source: WALGA March 2015 Economic Briefing). The Town also has asset management requirements and the Rating Strategy provides for 50% of the rate increase to be dedicated to asset management initiatives such as renewal of roads and drainage;

- Council is proposing a 0% increase in the rate yield from Residential properties to recognise the 39% average decrease in property valuations. This does not mean some ratepayers will not experience an increase in their rates bill – any property values that have decreased by greater than the 39% average will receive a reduction in their general rate bill from 2014/15, whilst those property values that have decreased by less than the 39% average will receive an increase in their general rate bill from 2014/15;
- It is proposed to reduce Shopping Centre rates by 20% with a view of equalizing the Shopping Centre rate in the dollar with the Commercial rate in the dollar within 4 years (i.e. by 2018/19). This is in response to a submission received from Charter Hall that was considered by Council at the November 2014 Ordinary Council Meeting;
- It is proposed to introduce a new differential general rate category called UV Mining Exploration to capture recent State Government amendment to the *Valuation of Land Act 1978* to provide rate relief to owners of mineral exploration licenses. Valuations for these properties have decreased by 30.19% and Council is proposing to reduce the rate yield from these properties by an equivalent amount. This action supports the tone of the Minister for Lands and the Minister for Mines and Petroleum in a joint media release dated 10 March 2015 titled 'Rates relief fast-tracked for resources sector';
- It is proposed to increase the uniform minimum rate by 3% from \$1,223 to \$1,260 to ensure that all ratepayers make an equitable contribution to the rate base. The only minimum rate exception is the UV Mining Exploration general rate category with a proposed minimum of \$1,100 for the reasons outlined above;

WHAT ARE RATES?

Rates are a tax levied on all rateable properties within the boundaries of the Town of Port Hedland Municipality in accordance with the *Local Government Act 1995*.

The overall objective of the proposed rates in the 2015/16 Budget is to provide for the net funding requirements of the Town's services, activities, financing costs and the current and future capital requirements of the Town, after taking into account all other forms of revenue.

The formulation of a rating system is about achieving a means by which Council can raise sufficient revenue to pay for the services it provides. Throughout Australia, the basis of using property valuations has been found to be the most appropriate means of achieving rating equity; however, the achievement of a wholly equitable rating system for all properties, in all areas, is a difficult task if it is based on the property valuations alone. For this reason there are refinement options made available, such as differential rating, the Town of Port Hedland has elected to use.

In Western Australia land is valued by Landgate Valuation Services (Valuer General's Office – a state government agency) and those values are forwarded to each Local Government.

Two types of values are calculated - Gross Rental Value (GRV) which generally applies for urban areas; and Unimproved Value which generally applies for rural land.

LOCAL GOVERNMENT ACT 1995 – RATING PROVISIONS

The *Local Government Act 1995* sets out the basis on which differential general rates may be based as follows:

Section 6.32 (1) of the *Local Government Act 1995* states:

- (1) When adopting the annual budget, a local government –
 - a. in order to make up the budget deficiency, is to impose* a general rate on rateable land within its district, which rate may be imposed either –
 - i. uniformly; or
 - ii. differentially

DIFFERENTIAL RATES

6.33. Differential general rates

- (1) A local government may impose differential general rates according to any, or a combination, of the following characteristics –
 - a. (a) the purpose for which the land is zoned, whether or not under a local planning scheme in force under the Planning and Development Act 2005;
 - b. a purpose for which the land is held or used as determined by the local government;
 - c. whether or not the land is vacant land; or
 - d. any other characteristic or combination of characteristics prescribed.
- (2) Regulations may –
 - a. specify the characteristics under subsection (1) which a local government is to use; or
 - b. limit the characteristics under subsection (1) which a local government is permitted to use.
- (3) In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.
- (4) If during a financial year, the characteristics of any land which form the basis for the imposition of a differential general rate have changed, the local government is not to, on account of that change, amend the assessment of rates payable on that land in respect of that financial year but this subsection does not apply in any case where section 6.40(1) (a) applies.
- (5) A differential general rate that a local government purported to impose under this Act before the Local Government Amendment Act 2009 section 39(1) (a) came into operation is to be taken to have been as valid as if the amendment made by that paragraph had been made before the purported imposition of that rate.

 MINIMUM RATES

6.35. Minimum payment

- (1) Subject to this section, a local government may impose on any rateable land in its district a minimum payment which is greater than the general rate which would otherwise be payable on that land.
- (2) A minimum payment is to be a general minimum but, subject to subsection (3), a lesser minimum may be imposed in respect of any portion of the district.
- (3) In applying subsection (2) the local government is to ensure the general minimum is imposed on not less than –
 - a. 50 per cent of the total number of separately rated properties in the district; or
 - b. 50 per cent of the number of properties in each category referred to in subsection (6), on which a minimum payment is imposed.
- (4) A minimum payment is not to be imposed on more than the prescribed percentage of -
 - a. the number of separately rated properties in the district;
 - Or
 - b. the number of properties in each category referred to in subsection (6), unless the general minimum does not exceed the prescribed amount.
- (5) If a local government imposes a differential general rate on any land on the basis that the land is vacant land it may, with the approval of the Minister, impose a minimum payment in a manner that does not comply with subsections (2), (3) and (4) for that land.
- (6) For the purposes of this section a minimum payment is to be applied separately, in accordance with the principles set forth in subsections (2), (3) and (4) in respect of each of the following categories –
 - a. to land rated on gross rental value;
 - b. to land rated on unimproved value; and
 - c. to each differential rating category where a differential general rate is imposed.

2015/16 BUDGET PROPOSAL

The following are the proposed Differential General Rates and Minimum Payments for the Town of Port Hedland for the 2015/16 financial year, to be effective from 1 July 2015.

Rate Category	Rate in Dollar (expressed as cents in \$)	Minimum Payment
GRV Residential	5.7904	\$1,260
GRV Commercial	4.3026	\$1,260
GRV Industrial	2.8978	\$1,260
GRV Shopping Centre	5.7891	\$1,260
GRV Mass Accommodation	28.6116	\$1,260
GRV Tourist Accommodation	12.7926	\$1,260
UV Mining	42.3693	\$1,260
UV Mining Exploration	36.1702	\$1,100
UV Mining Other	36.9834	\$1,260
UV Other	18.8800	\$1,260
UV Pastoral	10.8292	\$1,260

The above rate model will yield \$26,102,360 in rate revenue which is a 0% increase on current year to date actual rate revenue of \$26,102,361. Whilst the above model is revenue neutral, there will be some rate increases within individual rate categories due to the use of differential rating to achieve an equitable distribution of the rate burden. This is discussed further in this paper.

GROSS RENTAL VALUATION (GRV)

Council has adopted differential rates in its Gross Rental Valuation area for Residential properties, Commercial properties, Industrial properties, Shopping Centres, Mass Accommodation properties and Tourist Accommodation properties to all town site properties utilizing property valuations supplied by the Valuer General.

Properties are grouped according to Town Planning zonings and predominant land use with each having a separately calculated rate in the dollar to achieve greater equity across all sectors.

The rates in the dollar are based on the *general valuation* as supplied by the Valuer General (VG) in respect of gross rental values (GRV's) effective from **1 July 2015**.

The Valuer General is required to maintain valuations of all rateable land in Western Australia for rating and taxing purposes. These values are assessed every three years by Landgate Valuers to complete what is known as a General Valuation. Every property is valued as a date set by the Valuer General and this is referred to as the Date of Valuation. Rating valuations are therefore assessed at a snapshot in time reflecting the property market for the local area as the same time. This ensures consistency and fairness in the allocation of rates.

The current GRV has a date of valuation of **1 August 2014**. The GRV is determined by collecting rental evidence to determine the fair rental value for each property. The rental value for a house will be influenced by factors such as age, construction, size, car shelters, pools and locations. As the GRV is currently assessed every three years, despite possible changes to the rental market, the GRV remains fixed until the next general valuation (1 August 2017).

The General Valuation Summary for Port Hedland (GRV) 2015 is as follows:

Date of Valuation: 1 August 2014
Date of coming into force: 1 July 2015

Category	%Inc/Dec	# of Assessments	Aggregate Values	Total
Residential	-39.33%	5718	\$265,831,268	70.57%
Commercial	-22.07%	105	\$34,526,040	9.17%
Industrial	+18.95%	425	\$65,782,469	17.46%
Vacant Land	-18.29%	638	\$10,559,560	2.80%
TOTALS	-31.60%	6886	\$376,699,337	100.00%

The Town is still awaiting a small number of valuations from the Valuer General.

The % change in values for industrial is significant when compared to other land categories and will result in the rate in the dollar for the GRV Industrial rate category becoming the lowest rate or base rate for calculating differentials. The Valuer General advises that despite a declining property market, there was good evidence at the date of valuation that the overall industrial market had grown strongly since the last valuation. There was also evidence of hardstand rents which the Valuer General included in many more of the properties compared to the previous revaluation.

UNIMPROVED VALUATION (UV)

Council has adopted differential rates in its Unimproved Valuation area for mining leases, pastoral leases and vacant UV Other.

Unimproved values are determined annually by the Valuer General with a valuation roll provided to local governments. The Town has completed rates modelling based on the provisional valuations provided with a date in force of 1 July 2015.

PROPOSED DIFFERENTIAL GENERAL RATES AND GENERAL MINIMUM PAYMENTS

Following are the objects and reasons for each of the differential rates:

GRV RESIDENTIAL

The residential category covers properties that are used for singular and multi-dwellings and are zoned Residential under the Town Planning Scheme.

Following the general valuation, Residential valuations have decreased by an average of 39%. This is by far the most significant reduction when compared to other land use classifications, with Commercial valuations falling by an average of 22% and Industrial valuations increasing by an average of 20%.

Due to the relative movement in valuations between the GRV Residential and GRV Industrial rate categories, the rate in the dollar has adjusted between these two rating categories and the GRV Industrial rate in the dollar has now become the base rate for the assessment of differential general rates. The proposed GRV Industrial rate in the dollar is 2.8978 cents. Ministerial approval will be required for the GRV Residential rate in the dollar if the rate in the dollar exceeds 5.7956 cents.

Given that valuations have decreased by an average of 39%, Council is proposing no increase to the total rate yield from residential properties. 3067 properties or 49% of rateable assessments will receive a reduction in rates from 2014/15. The remaining properties will all receive an increase in rates as their valuation has decreased by less than the average of 39%. The extent of the increase will depend on the variance between the valuation decrease and the average decrease of 39%, the greater the variance the greater the increase in the rates. However, as an overall average, the rates bill will decrease by \$3 per rateable property compared to the 14/15 financial year.

Proposed Rate in \$:	5.7904 cents
Minimum Rate:	\$1,260
Number Rateable Assessments 14/15:	5,859
Number Rateable Assessments 15/16:	6,261
Average Rates per Assessment 14/15:	\$2,581
Average Rates per Assessment 15/16:	\$2,578
Average Valuation 14/15:	\$71,147
Average Valuation 15/16:	\$43,443
Average % Change in Valuation:	-39%

GRV COMMERCIAL

The commercial category covers the town centre, commercial business precincts, mixed business and the airport. All properties rated under this category are zoned Commercial under the Town Planning Scheme.

The Town of Port Hedland is the owner/operator of the Port Hedland International Airport. All commercial premises leased to third parties are rated under the GRV Commercial rate category. In the event that the Airport is leased, the Town would apply rates to all income producing facilities including the carparks. Airside infrastructure would remain exempt from rates as would non-commercial space within the Terminal Building.

Proposed Rate in \$:	4.3026 cents
Minimum Rate:	\$1,260
Number Rateable Assessments 14/15:	247
Number Rateable Assessments 15/16:	237
Average Rates per Assessment 14/15:	\$4,157
Average Rates per Assessment 15/16:	\$4,283
Average Valuation 14/15:	\$107,385
Average Valuation 15/16:	\$95,040
Average % Change in Valuation:	-11.5%

Please note that the overall 22% average decrease in Commercial property valuations, as advised in the general valuation summary, includes all properties in the GRV Commercial, Shopping Centre, Mass Accommodation and Tourist Accommodation rate categories.

GRV INDUSTRIAL

The industrial category covers the Wedgefield Industrial Estate and light industry. This category applies to all properties zoned Industrial under the Town Planning Scheme.

A 3% increase in rate yield for these properties has been proposed as there is a heavy capital investment program budgeted for the Wedgefield light industrial area including upgrades to critical infrastructure such as roads and drainage. The GRV Industrial rate in the dollar is also the lowest differential general rate and an increase is required to ensure an equitable distribution of the rate burden with residential land owners.

Proposed Rate in \$:	2.8978 cents
Minimum Rate:	\$1,260
Number Rateable Assessments 14/15:	392
Number Rateable Assessments 15/16:	413
Average Rates per Assessment 14/15:	\$4,120
Average Rates per Assessment 15/16:	\$4,244
Average Valuation 14/15:	\$120,224
Average Valuation 15/16:	\$144,406
Average % Change in Valuation:	20%

GRV SHOPPING CENTRE

This rating category applies to two rateable assessments being the shopping centre complexes in Port and South Hedland.

The positive differential rate for these properties is in order to fund the additional costs of servicing these types of properties. The CBD generates high volumes of pedestrian and traffic movements and this results in increased road and streetscape maintenance requirements, additional onsite parking needs and the requirement to install additional traffic treatments. The Town is also required to provide additional litter collection services to these areas.

The Town of Port Hedland did receive a rates submission from Charter Hall (shopping centre owner) in 2014 in response to the Towns advertised Rating Strategy. Charter Hall requested Council consideration to reducing the rate in the dollar for the GRV Shopping Centre rate category or even applying the same rate in the dollar as GRV Commercial. The matter was considered at the Ordinary Council Meeting of 26 November 2014 where Council resolved to review the GRV Shopping Centre rate category and assess whether the shopping centre rate in the dollar could be normalised with the commercial rate in the dollar. It is the Towns intention to equalise the rate in the dollar over a 4-year period to ensure that there is not an unequitable redistribution in the rate burden from GRV Shopping Centre to GRV Commercial in any given year. The proposed model below illustrates a 20% reduction in rates for shopping centre properties with a proposed rate in the dollar of 5.7891 cents against a proposed GRV Commercial rate in the dollar of 4.3026 cents. This compares to a GRV Shopping Centre rate in the dollar of 7.2971 cents in 2014/15 against a GRV Commercial rate in the dollar of 3.7202 cents.

Proposed Rate in \$:	5.7891 cents
Minimum Rate:	\$1,260
Number Rateable Assessments 14/15:	2
Number Rateable Assessments 15/16:	2
Average Rates per Assessment 14/15:	\$348,877
Average Rates per Assessment 15/16:	\$279,102
Average Valuation 14/15:	\$4,781,045
Average Valuation 15/16:	\$4,821,155
Average % Change in Valuation:	0.84%

GRV MASS ACCOMMODATION

The GRV mass accommodation rating category covers transient workforce accommodation facilities.

Patrons and employees of these premises are consumers of municipal services but unless they are also property owners within the Town, are not contributing to the costs of services used by them in the Town of Port Hedland. There are 6 rateable assessments in this category.

14% of the budgeted total rate yield is derived from this rate category. The Town maintains information on residential dwelling numbers, short stay accommodation and transient workforce accommodation facilities. The following is current at December 2014:

Facility	Total Dwellings/Rooms	Average Occupancy	Percentage Vacant	Total Population
Residential Dwellings	5,690	2.8	5%	15,135
Hotels/Motels	829	389	53%	389
Caravan Parks	258	170	34%	170
TWAs	5249	3150	40%	3,150
TOTAL				18,884

Transient Workforce Accommodation Facilities therefore provides for 16.7% of the population. It is not unreasonable to expect that this percentage (or approximate) be reflected with the rates revenue generated.

Proposed Rate in \$:	28.6116 cents
Minimum Rate:	\$1,260
Number Rateable Assessments 14/15:	9
Number Rateable Assessments 15/16:	6
Average Rates per Assessment 14/15:	\$596,306
Average Rates per Assessment 15/16:	\$614,196
Average Valuation 14/15:	\$4,352,953
Average Valuation 15/16:	\$2,146,667
Average % Change in Valuation:	-51%

GRV TOURIST ACCOMMODATION

The GRV tourism accommodation rating category covers hotels, motels and caravan parks that provide large scale accommodation for visitors to the Town of Port Hedland. This rate category includes ten (10) hotels, motels and caravan parks that were previously rated under Mass Accommodation.

This category applies to all properties exceeding 80sqm within the district boundaries, approved and predominantly used for the following activities as identified in the Town Planning Scheme; Holiday Accommodation, Hotel, Lodge, Motel, Tourist Development and Tourism Resort.

Whilst these accommodation providers do provide short term accommodation for visitors, there is strong evidence to suggest there is significant unmet demand for short stay accommodation in Port Hedland as many of these providers have historically and continue to provide accommodation for the non-residential workforce. These patrons are consumers of municipal services and hence a positive differential rate exists for GRV Tourist Accommodation.

Tourist Accommodation Facilities provides for approximately 3% of the population (based on a current average vacancy rate of 51%). This compares to 3.6% of budgeted rate yield derived from this rate category.

Proposed Rate in \$:	12.7926 cents
Minimum Rate:	\$1,260
Number Rateable Assessments 14/15:	7
Number Rateable Assessments 15/16:	10
Average Rates per Assessment 14/15:	\$91,411
Average Rates per Assessment 15/16:	\$94,154
Average Valuation 14/15:	\$1,013,584
Average Valuation 15/16:	\$736,008
Average % Change in Valuation:	-27%

UV MINING

This rating category covers all Mining Leases as defined under the *Mining Act*.

Proposed Rate in \$:	42.3693 cents
Minimum Rate:	\$1,260
Number Rateable Assessments 14/15:	94
Number Rateable Assessments 15/16:	105
Average Rates per Assessment 14/15:	\$9,929
Average Rates per Assessment 15/16:	\$10,227
Average Valuation 14/15:	\$23,447
Average Valuation 15/16:	\$23,447
Average % Change in Valuation:	0%

UV MINING OTHER

This rating category covers all mining tenements, other than Mining Leases and Exploration Licences, including Prospecting Licences, Special Prospecting Licences for Gold, Retention Licences, General Purpose Leases and Miscellaneous Licences as defined under the *Mining Act*.

There are 192 rateable assessments in this rate category, 188 of which receive the minimum rate. Ministerial approval is therefore required pursuant to section 6.35 of the *Local Government Act 1995* as more than 50% of properties are on the minimum rate and the minimum rate exceeds the prescribed amount.

Proposed Rate in \$:	36.9834 cents
Minimum Rate:	\$1,260
Number Rateable Assessments 14/15:	238
Number Rateable Assessments 15/16:	192
Average Rates per Assessment 14/15:	\$1,306
Average Rates per Assessment 15/16:	\$1,345
Average Valuation 14/15:	\$969
Average Valuation 15/16:	\$969
Average % Change in Valuation:	0%

UV MINING EXPLORATION

This rating category covers all Exploration Licences as defined under the *Mining Act*. This rate category has been specifically introduced for the 2015/16 financial year to capture the intent of recent amendments to the *Valuation of Land Act 1978* to provide rate relief to owners of mineral exploration licences. As a result of the valuation changes, valuations have reduced by an average of 30.19% for exploration licences, with the new valuations to come into effect 1 July 2015. Accordingly, the Town of Port Hedland is proposing to reduce the rate yield from these properties by 30.19%.

The Town of Port Hedland received a number of submissions from owners of Exploration Licences in 2014 in response to the Notice of Intention to Impose Differential Rates. These submissions were considered at the Ordinary Council Meeting of 26 November 2014 where Council resolved to assess whether rate relief could be provided to small tenement owners, particularly with respect to prospecting and exploration licences. The Town has responded to these submissions by reducing the rate burden accordingly.

Proposed Rate in \$:	36.1702 cents
Minimum Rate:	\$1,100
Number Rateable Assessments 14/15:	100
Number Rateable Assessments 15/16:	100
Average Rates per Assessment 14/15:	\$3,482
Average Rates per Assessment 15/16:	\$2,431
Average Valuation 14/15:	\$8,444
Average Valuation 15/16:	\$5,895
Average % Change in Valuation	-30%

UV PASTORAL

This rating category applies to all pastoral leases that have been granted under the repealed *Land Act 1933* and expire on 30 June 2015. Renewal of pastoral leases is administered by the Department of Lands.

Proposed Rate in \$:	10.8292 cents
Minimum Rate:	\$1,260
Number Rateable Assessments 14/15:	11
Number Rateable Assessments 15/16:	11
Average Rates per Assessment 14/15:	\$11,917
Average Rates per Assessment 15/16:	\$12,275
Average Valuation 14/15:	\$175,580
Average Valuation 15/16:	\$113,348
Average % Change in Valuation:	-35%

UV OTHER

This rating category applies to crown leases which are assessed as rural.

Proposed Rate in \$:	18.8800 cents
Minimum Rate:	\$1,260
Number Rateable Assessments 14/15:	22
Number Rateable Assessments 15/16:	24
Average Rates per Assessment 14/15:	\$12,002
Average Rates per Assessment 15/16:	\$12,363
Average Valuation 14/15:	\$70,112
Average Valuation 15/16:	\$62,873
Average % Change in Valuation:	-10%

TOWN'S RATING STRATEGY

The Town of Port Hedland Rating Strategy was endorsed at the Ordinary Council Meeting of 26 November 2014. Page 15 of the Strategy refers to a Rating Improvement Plan for 2014/15 which identifies the following:

- Review of the number and type of rating categories including whether GRV Shopping Centre remains as a stand-alone category or part of a broader Commercial rate category
- Review Statement of Objects and Reasons for Differential Rates to provide clear definitions of rate categories
- Review of the rating categorisation for each individual assessment (focus on UV Other and UV Vacant)
- Review of the yield to be derived from each category with particular emphasis on UV Mining

All of the above have been considered in framing the proposed 2015/16 differential rates model.

The Towns Rating Strategy also provides for a 4% increase in rate yield to underpin the Towns Long Term Financial Plan, with 2.5% of the increase in yield allocated against the local government cost index, and 1.5% dedicated wholly to asset management initiatives.

In recognition of the economic climate in the Pilbara, Council have committed to a maximum 3% increase in rate yield from any one rate category for the 2015/16 financial year, with the following proposed increases/decreases:

Rate Category	% Increase/Decrease in Rate Yield
GRV Residential	-0.14%
GRV Commercial	3.00%
GRV Industrial	3.00%
GRV Shopping Centre	-20.00%
GRV Mass Accommodation	3.00%
GRV Tourist Accommodation	3.00%
UV Mining	3.00%
UV Mining Exploration	-30.19%
UV Mining Other	3.00%
UV Other	3.00%
UV Pastoral	3.00%

The exempted rate categories from the proposed 3% increase are GRV Residential, GRV Shopping Centre and UV Mining Exploration for the reasons outlined earlier in this discussion paper. The above rate model will yield \$26,102,360 in rate revenue which is a 0% increase on current year to date actual rate revenue of \$26,102,361. Rate increases have been kept to a minimum, and in the case of Residential a small decrease, to smooth out the relativity in valuation movements and provide a more equitable distribution of the rate burden.

The Town of Port Hedland will also be completing a full review of all rateable properties in the 2015/16 financial year to ensure that all rateable properties are captured with an emphasis on the following:

- Industrial and Commercial properties
- All assessments covered by State Agreement Acts to determine foregone revenue attributable to State Agreement Acts
- GRV spot rating for in-situ infrastructure on resource projects

MINIMUM RATES

The Town imposes a uniform general minimum rate payment (with the exception of a lesser minimum for Mining Exploration Tenements) that applies to all rateable properties within the boundaries of the municipality. The minimum payment impacts mainly in the residential category and UV mining category.

The rate is imposed to discourage holding undeveloped land within the Town, which reduces the amenity of the area, and thereby encourages its early development.

Regarding the UV mining category, the minimum is applied to ensure that the rate burden is distributed equitably between all property owners. A lesser minimum has been applied for Exploration Tenements to reflect recent State Government amendment to the *Valuation of Land Act 1978* with the objective of providing some minor rate relief to small tenement owners.

SUBMISSIONS

Submissions are invited from any elector or ratepayer with respect to the proposed rates, and any related matter, within a minimum 21 days of the date of this notice. Submissions should be addressed to the Chief Executive Officer, Town of Port Hedland, PO Box 41, Port Hedland WA 6721 or emailed to council@porthedland.wa.gov.au and clearly marked Submission – Differential Rating 2015/16.

All submissions should be received no later than 5.00pm on Friday 5 June 2015.

M J (MAL) OSBORNE
CHIEF EXECUTIVE OFFICER

ATTACHMENT 2 TO ITEM 7.1.1

Notice of Intention to Levy Differential Rates

The Town of Port Hedland is in the process of finalising its budget for the 2015/16 financial year. The funding proposals include the following principles in relation to each rating category for differential general rates and minimum rates.

The following are the proposed Differential General Rates and Minimum Payments for the Town of Port Hedland for the 2015/16 financial year, to be implemented on 1 July 2015.

Rate Category	Rate in Dollar (expressed as cents in \$)	Minimum Payment
GRV Residential	5.7904	\$1,260
GRV Commercial	4.3026	\$1,260
GRV Industrial	2.8978	\$1,260
GRV Shopping Centre	5.7891	\$1,260
GRV Mass Accommodation	28.6116	\$1,260
GRV Tourist Accommodation	12.7926	\$1,260
UV Mining	42.3693	\$1,260
UV Mining Exploration	36.1702	\$1,100
UV Mining Other	36.9834	\$1,260
UV Other	18.8800	\$1,260
UV Pastoral	10.8292	\$1,260

A Statement of Objects and Reasons for adopting these differential general and minimum rates has been prepared and is available at the Civic Centre, McGregor Street, Port Hedland between 8.00am and 4.30pm and at Town of Port Hedland libraries during normal library opening hours. It is also available on the Towns website www.porthedland.wa.gov.au along with a copy of this public notice.

For more information please contact Peter Kocian on 9158 9332 or email council@porthedland.wa.gov.au.

Submissions are invited from any elector or ratepayer with respect to the proposed rates, and any related matters, within a minimum 21 days of the date of this notice. Submissions should be addressed to the Chief Executive Officer, Town of Port Hedland, PO Box 41, Port Hedland WA 6721 or emailed to council@porthedland.wa.gov.au and clearly marked Submission - Differential Rating 2015/16.

All submissions should be received by no later than **5.00pm on Friday 5 June 2015**.

Mal Osborne
Chief Executive Officer

ATTACHMENT 3 TO ITEM 7.1.1

Attachment 3 to Item 7.1.1



RATING STRATEGY



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OBJECTIVES

The objective of the Rating strategy is to:

- Provide a robust and considered framework for Rates categories, Minimum Rates, and Differential Rates that incorporates the principles of:
 - Objectivity;
 - Fairness and Equity;
 - Consistency;
 - Transparency; and
 - Administrative efficiency
- Ensure a stable rates revenue stream for the Town from year to year; and
- Deliver a stable rating price path for our community.

WHAT ARE RATES?

Rates are levied on all rateable properties within the boundaries of the Town of Port Hedland Municipality in accordance with the *Local Government Act 1995*. Rates are a tax, not a fee-for-service; as such they need to be set in accordance with principles of taxation – equity, efficiency, simplicity, sustainability and policy consistency.

The overall objective of the proposed rates in the 2014/15 Budget is to provide for the net funding requirements of the Town's services, activities, financing costs and the current and future capital requirements of the Town, after taking into account all other forms of revenue.

The formulation of a rating system is about achieving a means by which Council can raise sufficient revenue to pay for the services it provides. Throughout Australia, the basis of using property valuations has been found to be the most appropriate means of achieving rating equity; however, the achievement of a wholly equitable rating system for all properties, in all areas, is a difficult task if it is based on the property valuations alone. For this reason there are refinement options made available, such as differential rating, the Town of Port Hedland has elected to use.

In Western Australia land is valued by Landgate Valuation Services (Valuer-General's Office – a state government agency) and those values are forwarded to each Local Government.

Two types of values are calculated - Gross Rental Value (GRV) which generally applies for urban areas; and Unimproved Value (UV) which generally applies for rural land. Two types of rates may be imposed – Minimum Rates; and Differential Rates.

WHAT DO RATES PAY FOR?

Rates revenue represents a significant percentage of the Town's operating income each year, and is an income stream that the Town has a substantial degree of control over. This reliability and control is an

important consideration in terms of the Town's financial flexibility. General rates revenue supports a broad range of Municipal infrastructure and services, including building control; animal control; community services; active and passive open space; roads, bridges, footpaths and drainage; libraries; youth centres; Swimming Pools; community events; town planning; governance and corporate support; cemeteries; emergency management; public conveniences; economic development; and tourism and regional promotion. Rates are also used to service debt.

Rates do represent a high proportion of the Town's annual income, and our annual planning processes will continue to assess the community's capacity and willingness to pay rates. However we will first always seek to maximise alternative revenue streams such as grant funding, and user pays fees and charges.

As discussed in further detail below, the Town's ratepayers have experienced significant rating increases over recent years, largely driven by the operational impact of new or refurbished recreational facilities such as Wanangkura Stadium, Marquee Park, JD Hardie, and SHAC. As part of this Strategy, the Town's objective is to achieve a stable rating price path for our community over the term of the Long Term Financial Plan (LTFP). Where new major projects or initiatives are likely to place an increased burden on ratepayers beyond the price path of the LTFP, increased community consultation, and demonstrated community support for such increases must be achieved.

OTHER SIGNIFICANT REVENUE SOURCES

The Town generates approximately 30% to 35% of its annual operating revenue from Rates. This equates to approximately 32% of operating expenditure. The greater this rates coverage ratio, the more financial flexibility the Town has, as its reliance on grants or discretionary user charges and fees is reduced. However we will first always seek to maximise alternative revenue streams such as grant funding, and user pays fees and charges.

FEES & CHARGES

Many of the facilities and services provided by the Town are offered on a full or partial user pays basis. The Town has endorsed a Pricing Principles framework that applies to the setting of fees and charges, as follows:

Public Benefit – Zero to Partial Cost Recovery

The service provides a broad community benefit. Partial cost recovery may apply in some circumstances.

Private Benefit – Full Cost Recovery

The service benefits particular users, for example by making a contribution to their individual income, welfare or profits generally without delivering broader benefits to the community.

Shared Benefit – Partial Cost Recovery

The service provides a mix of community benefit and a private benefit.

Regulatory

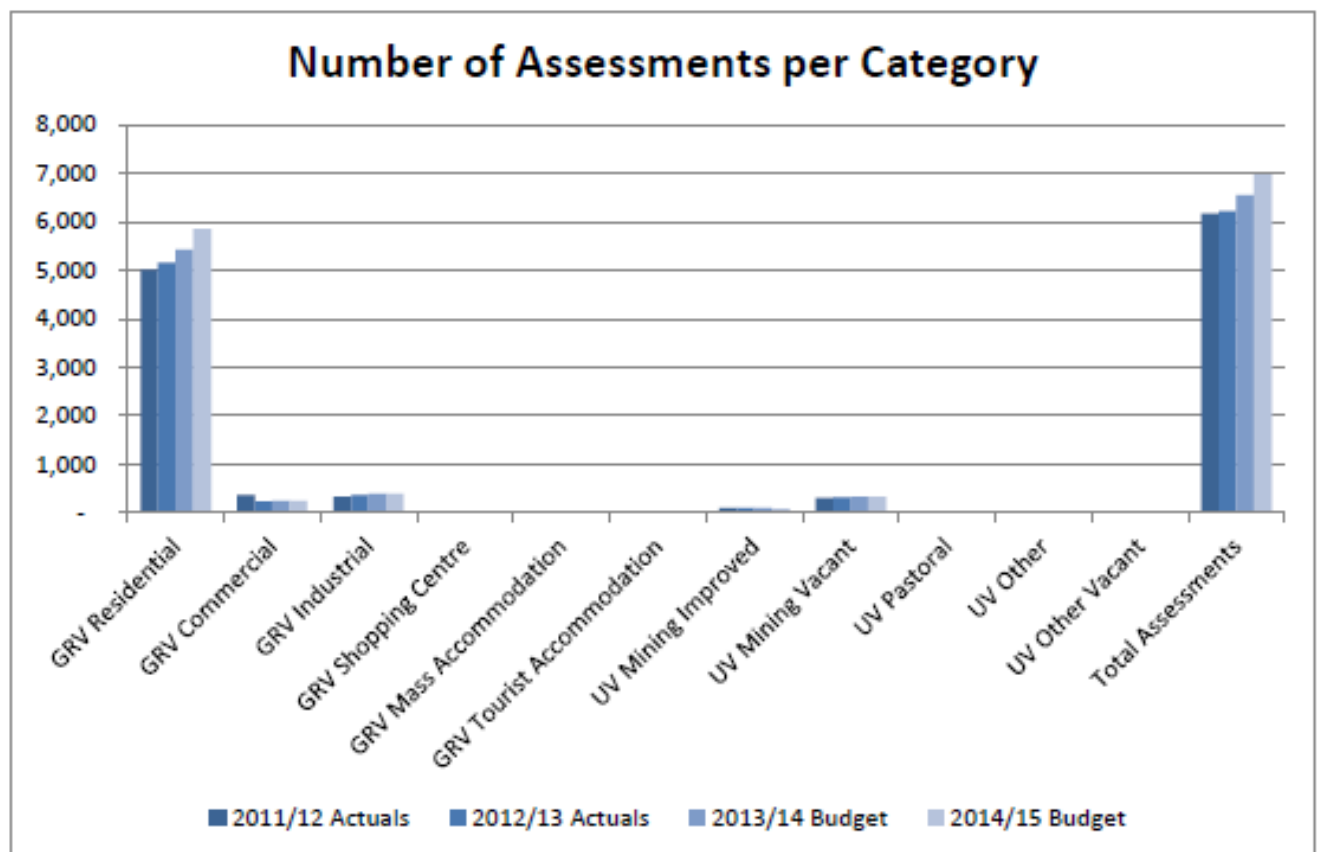
The fee or charge governing a service or function of the Town is fixed by legislation

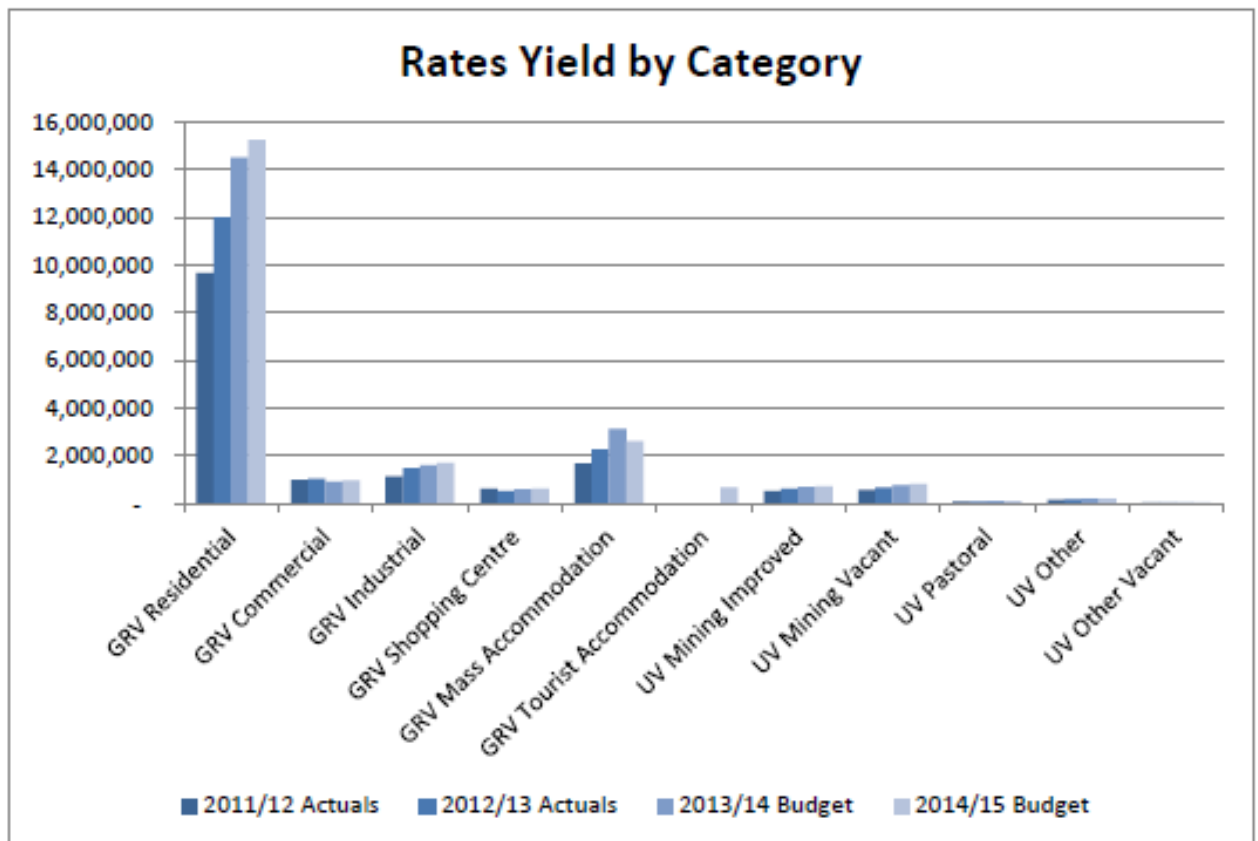
GRANTS, CONTRIBUTIONS AND SUBSIDIES

A number of services provided by the Town to the community are only possible because of specific grant funding from State and Federal Government. In preparing future year financial plans, we have assumed that the Town will continue to receive such grants. Should the level of grants and subsidies be reduced, the Town’s ability to provide the related services will be impacted, as a greater reliance on rates revenue would likely be required.

CURRENT RATING FRAMEWORK

The Town’s current rating framework includes both Minimum Rates and Differential Rates. The Town currently has 6,981 rateable properties, across 11 different rating categories. The number of assessable properties has increased by 13% from the end of 2011/12 to the start of 2014/15. Across the same period, the Town’s total rates yield has increased by 35%. Whilst it should not be a driver for rates increases, it is worth noting that the value of rateable land in the Town has increased by 97% over that period.



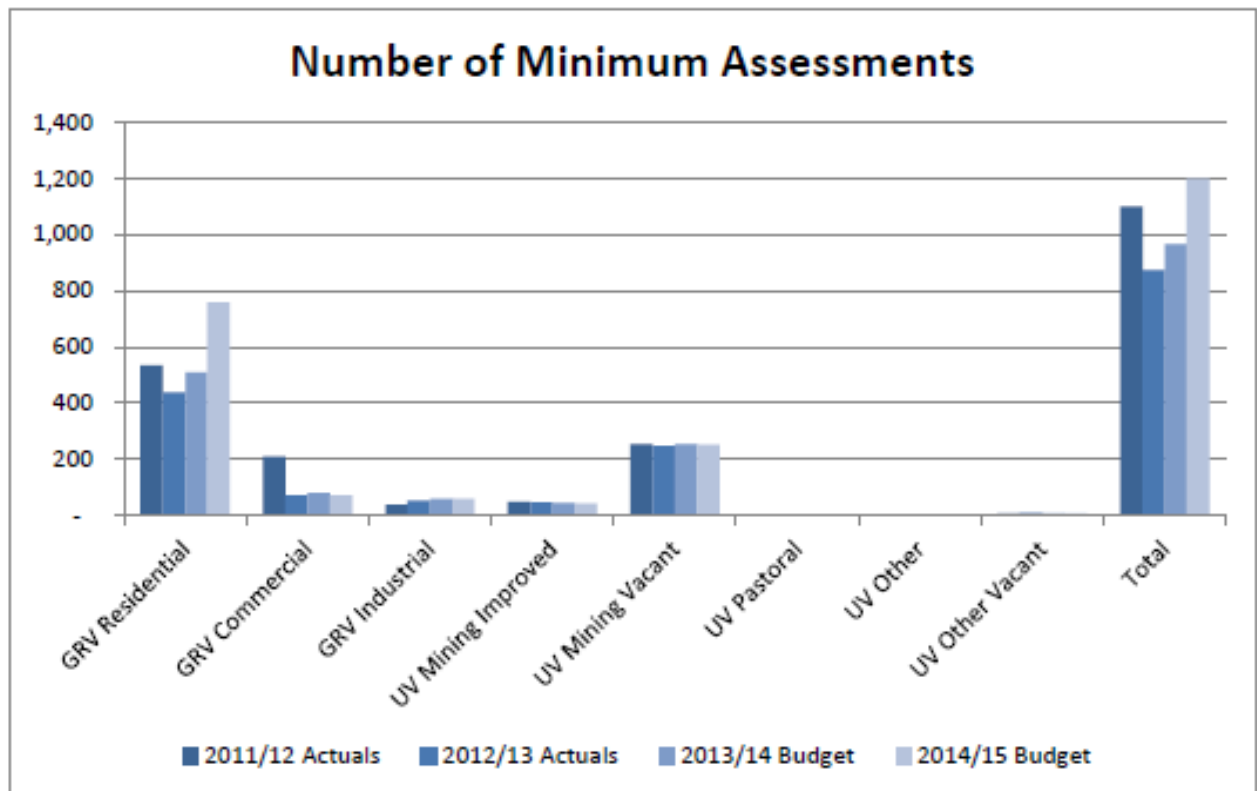


MINIMUM RATES

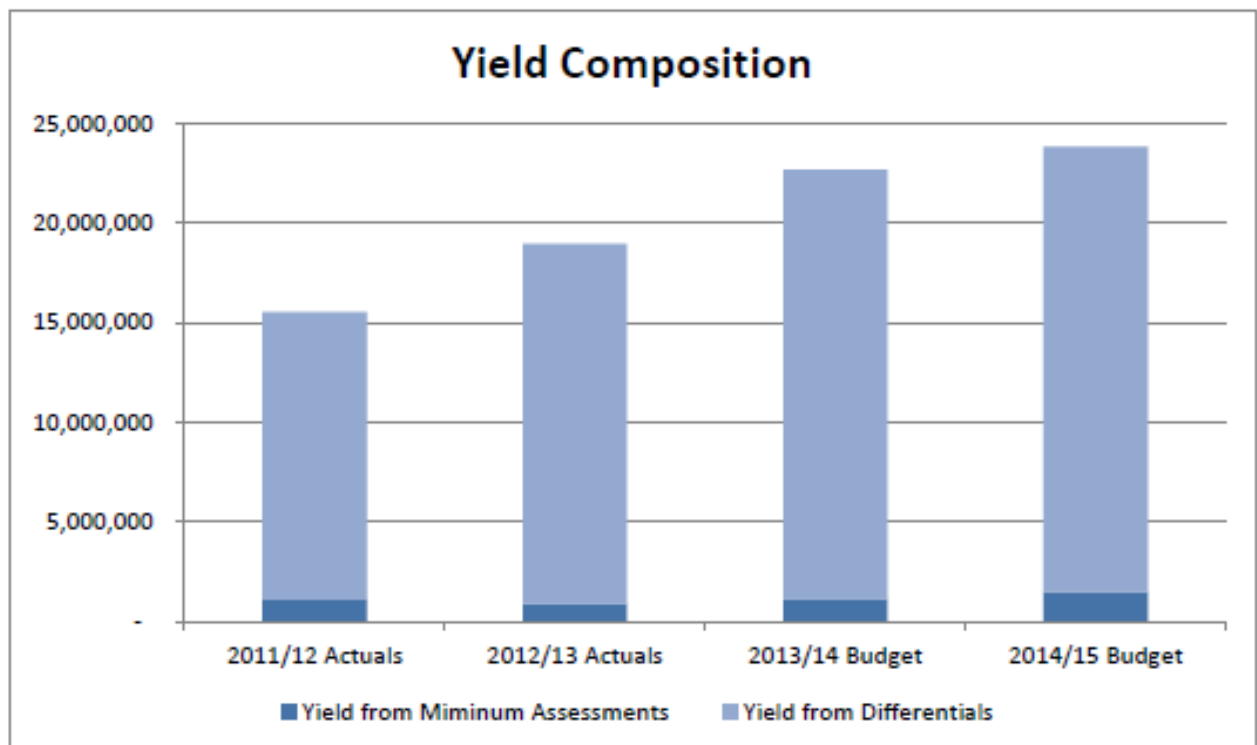
The Town imposes one general minimum rate that applies to all rateable properties within the boundaries of the municipality. The Town provides over \$53 million in operating expenditure on Municipal Fund services and infrastructure each year, and a minimum rate has been established to ensure that all rateable properties, regardless of their value, are making a contribution to those services and infrastructure.

\$	2011/12 Actuals	2012/13 Actuals	2013/14 Budget	2014/15 Budget
Minimum Rate	1,000	1,040	1,165	1,223

The percentage of assessments that are on the minimum rate has varied between 14% and 18% over the past three years. GRV Residential and UV Mining Vacant have the greatest number of properties falling into the minimum rates bracket, whilst UV Mining Vacant and UV Vacant Other have the highest proportions of minimums versus differentials. The cut-off value for Residential assessments to fall into minimum rates is \$34,799.



For 2014/15, a projected 1,198 assessments will be levied on the Minimum Rate. This represents 17% of the total number of rateable properties, and will generate approximately 6%, or \$1.465 million, of the Town’s total rates yield. This is consistent with previous periods, where the proportion of rates yield generated from Minimum Rates has been in the 5% to 7% range.

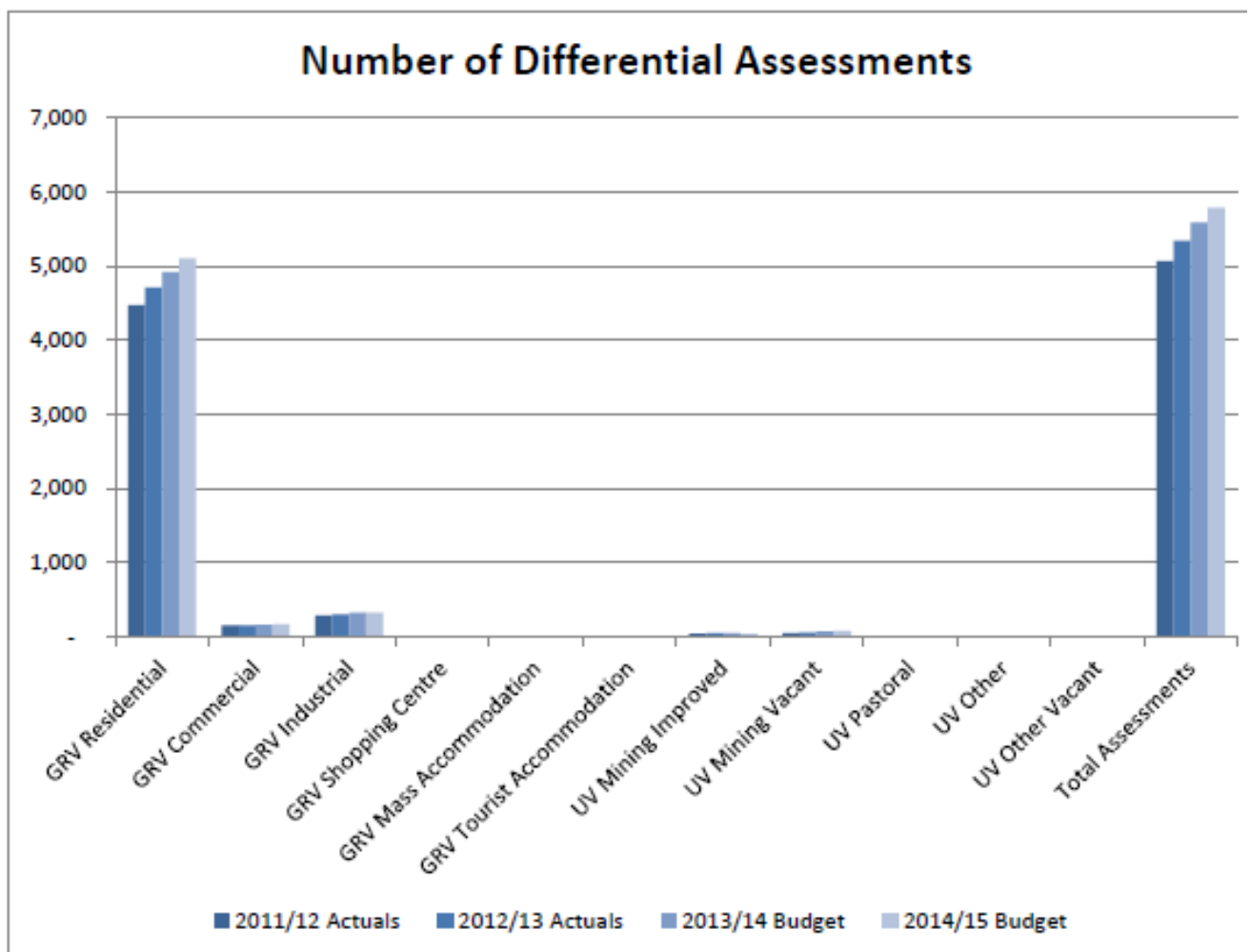


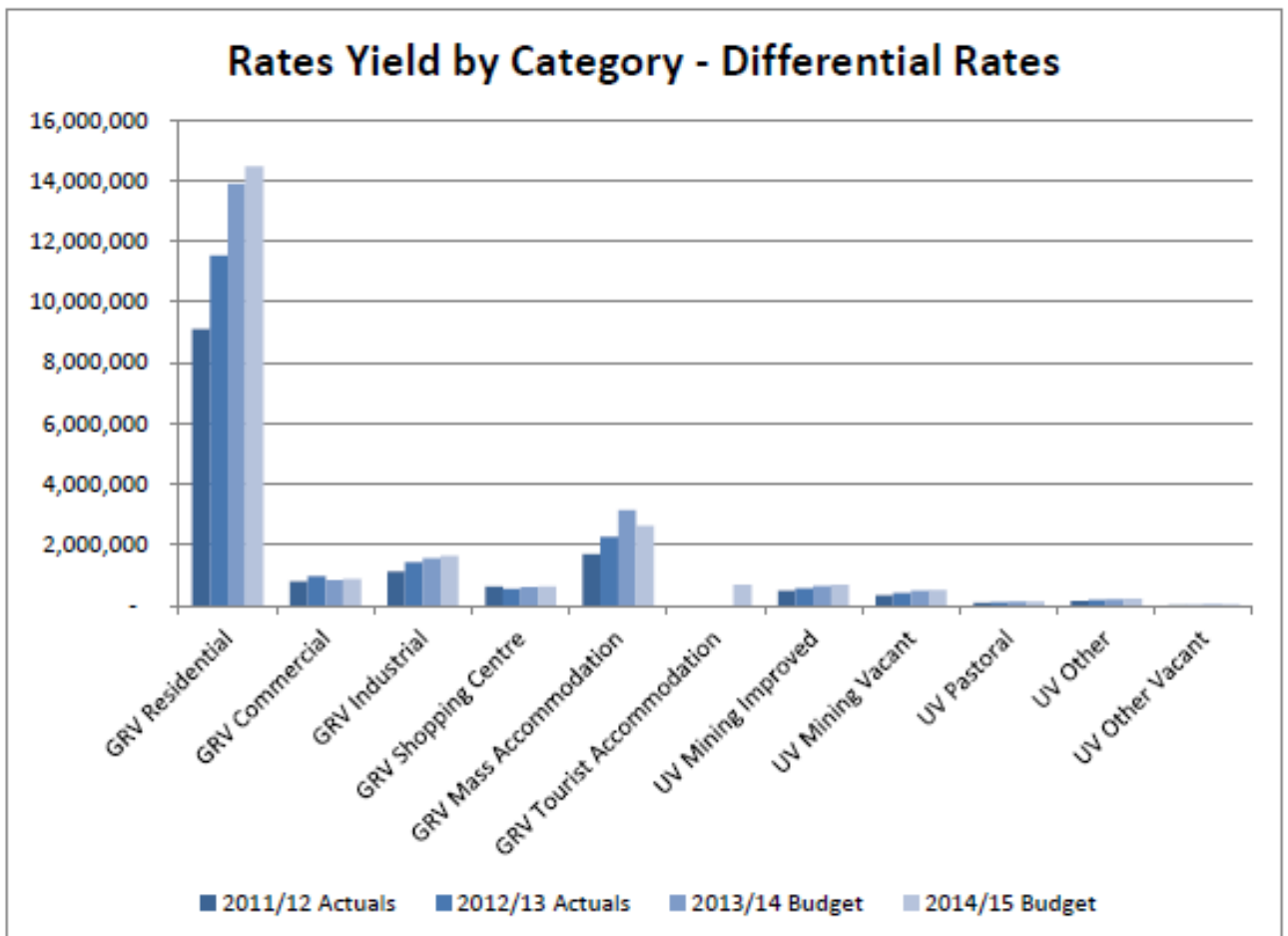
DIFFERENTIAL RATES

A differential rate occurs when categories of property within the UV or GRV land valuation methods are rated differently. The imposition of differential rates represents a policy decision of the Town to redistribute the rates burden in its local government area by imposing a higher rate on some ratepayers by comparison to others. In doing so, the Town gives consideration to the principles of objectivity; fairness; consistency; transparency; and administrative efficiency. The Town will also give appropriate bearing to the capacity of particular categories of ratepayers to pay. The objects and reasons for each of the differential rates categories are set out in Appendix B of this document.

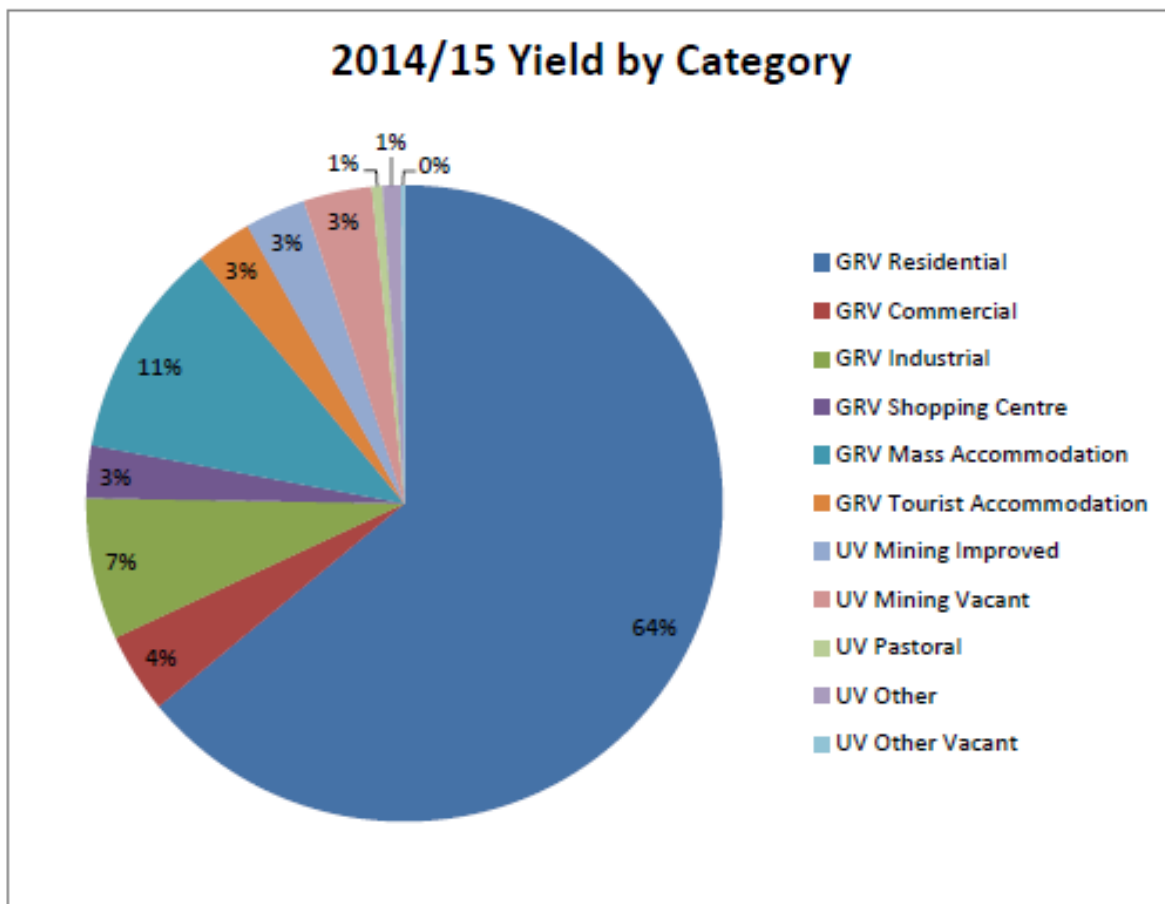
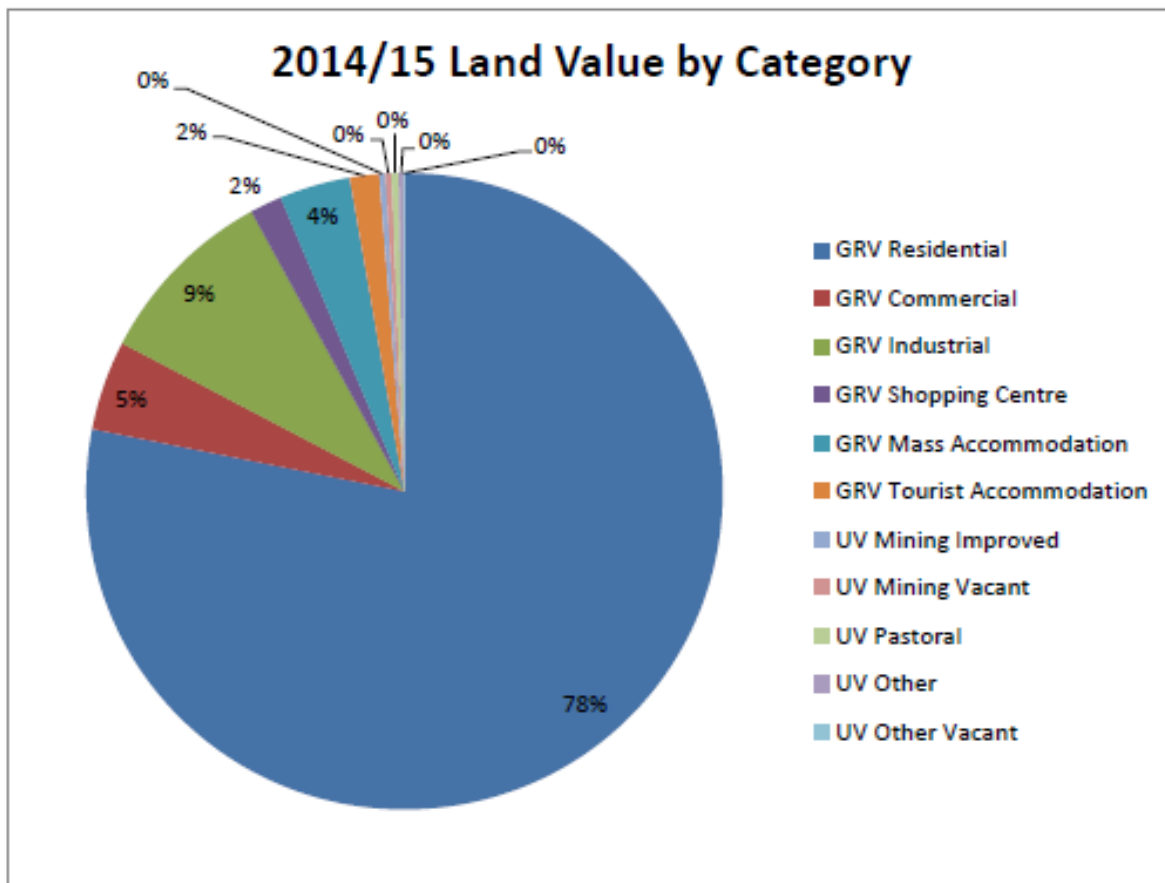
As property rates are a form of value or wealth tax, it is not possible to ensure equity between individual property owners, since not all properties will be assessed at the same value. Therefore our objective is to endeavour to ensure that each rating category bears its fair and reasonable share of the cost of providing local government services.

Typically, the number of properties subject to differential rates represent between 82% to 86% of total rateable properties. Those properties generate between 93% to 95% of the total rates yield each year.





The two pie charts set out on the following page provide a graphical representation of the composition of land values across categories, and the proportion of total rates yield generated by each category. This demonstrates that the contribution to total rates yield for each category is largely consistent with the proportion of land value represented by each category.



APPROVAL OF THE RATING STRUCTURE

The current framework for rates at the Town of Port Hedland necessitates the Town to seek Ministerial approval each year, prior to the making of the rates. Approval is necessary for two reasons, the first being because more than 50% of rateable properties within the UV Mining Vacant and UV Other Vacant categories fall into the Minimum Rate, and the Town's Minimum Rate is greater than the prescribed amount of \$200. With Ministerial approval, this is a permissible rating structure, since both UV Mining Vacant and UV Other Vacant are subject to a differential rate on the basis that the land is vacant.

Secondly, the Town's highest Differential Rates in both UV and GRV (UV Mining Improved and GRV Mass Accommodation) are more than twice its lowest Differential Rate (respectively UV Pastoral and GRV Residential).

LONG TERM FINANCIAL PLANNING

Our forecast financial planning will be based on annual yield increases of 4% on top of prior year yield. Of the 4% increase in yield, 2.5% will be absorbed within general purpose revenue, and 1.5% dedicated wholly to Asset Management Initiatives.

The Draft Rating Strategy, and the Long Term Financial Plan which it informs, were both prepared on the basis of a 5% increase in rate yield per annum – 3.5% for general purpose, and 1.5% specific purpose for Asset Management Initiatives. In light of feedback from ratepayers, Elected Members, and in consideration of current economic conditions, the annual rate yield increase as set out in the Rating Strategy has been reduced to 4%. The future year budgets and LTFP will be amended at the next review point to include a 4% pricing path.

Annual increases will be based on the prior year's estimated yield, plus any interim rates levied across the course of that year. This means that should a property change in status from rateable to non-rateable, the rates revenue lost as a result will be recouped across the balance of rateable assessments, either within that category or more broadly distributed. In pursuing this strategy, the Town recognises the importance of generating a stable rate yield year on year in helping to achieve long term financial stability.

The Town has historically derived revenue from the levying of interim rates across the course of a financial year. Given the degree of uncertainty surrounding interim rates, and the budgetary impact of failing to achieve estimated amounts of interim rates yields, the Town's policy is not to budget for any interim levies. Any material variances achieved from Interim's will be recognised and reported to Council through the Quarterly Budget Review process. The income realised from interim rates will form part of the base amount for calculating the proposed yield to be generated from rates in the next financial year. To illustrate:

Year 1 Budget Yield	Year 1 Actual Interims	Total Year 1	Proposed Increase Year 2	Year 2 Budget Yield
\$20,000,000	\$500,000	\$20,500,000	4%	\$21,320,000

However, the Town's LTFP does include population growth projections and their associated impact on rates yield for the outlying years beyond the 4 year budget. This gives an indication of our best estimates of what the total rate yield will be, following the philosophy with respect to interims as set out above. It is important

that interims form part of the base for the following years' calculations, as population growth necessarily has an impact on the Towns operating costs.

PROPOSED RATES YIELD PATH

The Town's rating strategy of taking the prior year's estimated yield, plus any interim rates levied across the course of that year and adding a total of 4% (2.5% general purpose; 1.5% asset management) will generate the following yields:

\$'000	14/15 Budget	15/16 Budget	16/17 Budget	17/18 Budget	18/19 Budget	19/20 Budget	20/21 Budget	21/22 Budget	22/23 Budget	23/24 Budget
Projected Yield	23,799	24,751	25,741	26,771	27,842	28,955	30,114	31,318	32,571	33,874
Annual Increase @ 4%	was 5% 2014/15	952	990	1,030	1,071	1,114	1,158	1,205	1,253	1,303
Allocation to Asset Mgmt	338	695	1,066	1,452	1,854	2,272	2,706	3,158	3,627	4,116

Note that the Transfer to Asset Management is cumulative, ie the annual transfer will be the 1.5% from prior years, plus the current years' 1.5%.

ALTERNATIVE SCENARIOS

NEW MAJOR PROJECTS AND INITIATIVES

It is the Town's intention to provide a stable rating price path for the community, and a stable revenue stream for the Town, based on 4% per annum increases in yield. The Town's strategy is formulated using the best available information at this point in time. Into the future, the Town may consider major projects or initiatives that have the potential to expand the Town's operating base, placing increased pressure on Rates. Major projects need to be properly assessed with due regard given to the impact on the Town's LTFP. Where an increased burden on rates is demonstrated, the Town is committed to undertaking adequate community consultation, and obtaining evidence of substantial community support for an increase in rates in order to achieve the delivery of that particular major project or new initiative.

For illustrative purposes, the Town, at the community's behest considers the development of a new Community Centre at \$5 million construction, with an estimated \$250,000 per annum of net operating expenditure for the new facility, commencing 2019/20. The Town proposes to loan fund the Community Centre, requiring an additional \$415,000 per annum for loan repayments. The projected yield for 2019/20 assuming a 4% increase will be \$28,955,000. As the Town will be incurring a further \$665,000 of expenditure (\$250,000 operations + \$415,000 loan servicing), a one-off rate increase beyond the adopted 4% would be required.

2018/19 Rates Yield	\$27,842,000
4% increase as per Strategy	\$1,071,000
Additional increase to fund new project	\$665,000
2019/20 Rates Yield Required	\$29,578,000

Effective increase for 2019/20

6.24%

As the additional revenue to fund the increased expenditure now forms part of the rates base, the 2020/21 rates increase would revert back to the adopted strategy of 4%. At the time that the associated loan matured, the Town would need to consider the potential for a one-off rates "reduction" to return the \$415,000 back to the community.

Prior to committing to the project, the Town would need to test levels of community support for the proposal including the impact on rates.

SPECIFIED AREA RATES

Local government may impose a separate additional rate over a specified area to fund a service or facility which benefits the ratepayers and residents of that specified area. This provision is increasingly being used by councils to fund maintenance of landscaping and canals within new subdivision estates, sewerage, fire breaks, security, drainage, CBD marketing and the construction of jetties.

As the Town works towards the Pilbara Cities vision, we are actively working in partnership with developers to encourage higher quality subdivisions. Where subdivisions are developed to a higher specification than our minimum requirements, for example by providing additional public open space or canal style waterfront development, the Town subsequently inherits assets that necessarily require a higher than typical level of service. In such circumstances, the Town could seek to impose a specified area rate for the purpose of meeting the cost of the provision of specific works, services or facilities.

VALUATIONS

In Western Australia land is valued by Landgate Valuation Services (of the WA Valuer General's Office) and those values are forwarded to each Local Government for rating purposes.

Two types of values are calculated - Gross Rental Value (GRV) which generally applies for urban areas; and Unimproved Value (UV) which generally applies for rural land. GRV general valuations are currently carried out on a triennial basis in the Perth metropolitan area and every 3-5 years in country areas of the State. UV's are determined annually.

The date of valuation in relation to a general valuation is fixed by the Valuer General. Values are then determined relative to sales and rentals that are negotiated in the marketplace at or close to the date of valuation, which is set at 1 August each year. The date of valuation is not the same as the date that the GRV or UV comes into force. The date in force is the date from which the values must be used by the rating and taxing authority. For GRV's it is 1 July each year whereas for UV's it is 30 June.

Town of Port Hedland is included in Landgate's General Valuation program for 2014/15 with new valuations coming into effect on 1 July 2015.

GRV means the gross annual rental that the land might reasonably be expected to realise if let on a tenancy from year to year upon condition that the landlord was liable for all rates, taxes and other charges thereon and the insurance and other outgoings necessary to maintain the value of the land. The GRV normally

represents the annual equivalent of a fair weekly rental. For instance a GRV of \$52,000 represents a weekly rental of \$1,000.

Given the strong nexus between GRV and rental, property owners and the Town are exposed to the potential for large variations in land values from one valuation cycle to the next (97% change in total rateable land value between 2011/12 and 2014/15). It is very important for both ratepayers and Council to recognise that changes in land values do not automatically drive changes to rates englobo. In seeking to achieve a stable rates revenue path for the term of its LTFP, the Town will amend its rates-in-the-dollar, and review the relative rates burden placed on each category, to ensure that it achieves its strategy of prior year rates estimates plus interims plus 4%.

To illustrate, if all other things remain equal:

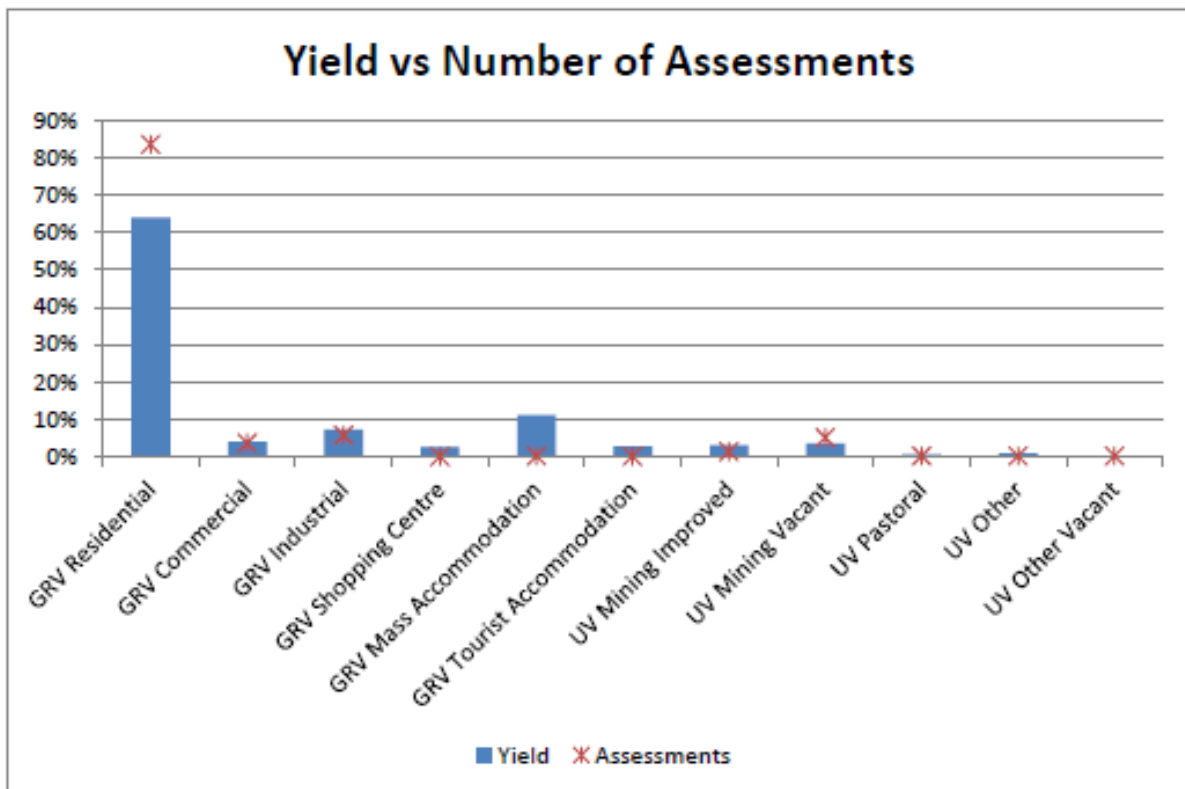
	Year 1	Year 2	Year 3
Desired Rates Yield	20,000,000	20,800,000	21,632,000
Land Value	100,000,000	120,000,000	95,000,000
Rate in the Dollar	0.200	0.173	0.228

As demonstrated above, the relevant rate in the dollar is adjusted such that the yield remains unaffected. This is because it is levels of service and infrastructure provided by the Town in response to community expectations that determines the amount of rates revenue required to be generated, as opposed to the value of land at any point in time. To allow total rates yield to fluctuate in proportion with land values would expose the community and the Town to significant variations in both service provision and rates bills on a yearly basis, and compromise the long term financial sustainability of the Town.

Similarly, the Town's strategy in relation to properties that revert from rateable to non-rateable is focussed on maintaining the total desired rates yield. This means that where a property falls out of the rate base during the course of a financial year, or effective from the start of the following financial year, that "lost" rates revenue will be redistributed across the balance of the assessments within the category from which the loss arose. An example of this would be where the Crown grants a lease to a third party for the operation of a mass accommodation facility. Once the lease expires, the land reverts to the Crown, and is no longer rateable. This lost revenue would be redistributed across the balance of assessments within the mass accommodation category.

In pursuing this strategy, the Town will assess the burden that the redistribution places on remaining assessments within the affected category, and determine whether a broader distribution method (eg across *all* assessments) is a more equitable outcome.

Clearly the highest risk to the Town is those categories with higher average rates, that is, categories that contribute a high percentage of rate yield in comparison to the percentage of assessments in that category. Further exacerbating the risk is the fact that a number of these properties are rateable only because they have been leased by Government to third parties.



RATING IMPROVEMENT PLANS

The Town is committed to achieving best practice in relation to its implementation and administration of Rates. To that end, a number of key focus areas for improvements have been identified, and are set out below:

2014/15

- Review of the number and type of rating categories
 - Including whether GRV Shopping Centre remains as stand-alone category or part of a broader Commercial rate category
- Review Statement of Objects and Reasons for Differential Rates to provide very clear definitions of the Differential General Rate categories,
 - Particular emphasis on GRV Mass Accommodation and GRV Tourist Accommodation
- Review of the rating categorisation for each individual assessment
 - Focus on UV Other, UV Other Vacant
- Review of the yield to be derived from each category
 - Particular emphasis on Differential General Rate and Minimum Rate for UV Mining Improved and UV Mining Vacant
- Implementation of a revised Rates Incentive program
- New GRV valuations to be undertaken effective for rates levy from 1 July 2015
- Undertake an audit of properties to ensure all rateable properties are captured
 - Emphasis on Industrial and Commercial

- Rating of mining related land
 - Identify all assessments covered by State Agreement Acts
 - Compare current UV (as per State Agreement Act) with otherwise calculated UV (as per Valuation of Land Act) to determine foregone rate revenue attributable to State Agreement Act
 - Review GRV spot rating for onsite infrastructure

2015/16

- Review of the rating categorisation for each individual assessment
 - Remaining categories
- Review of the yield to be derived from each category
- Undertake an audit of properties to ensure all rateable properties are captured

2016/17

- Review of the yield to be derived from each category
- Undertake an audit of properties to ensure all rateable properties are captured

BENCHMARKING

A limited comparison of the Town's GRV rating structure compared to other local governments in the region has been undertaken. However, the rating structure of each local government is a reflection of their individual circumstances, including policy decisions, community aspirations, mix of properties, and service and infrastructure levels. As such, without delving into each these aspects, a comparison of rates with other local government entities will only be of limited value.

LGA*	Category	2013/14 Rate in Dollar	2013/14 Minimum Rate
Shire of Ashburton	GRV Residential	3.6637	550
	GRV Tourism	4.5788	550
	GRV Industrial	4.5788	550
	GRV Commercial/Industrial	4.5788	550
	GRV Community Groups General	3.6637	550
	GRV Other	4.5788	550
Shire of Broome	GRV Residential	8.0653	1,131
	GRV Residential Vacant	14.7494	1,131
	GRV Commercial	9.3794	1,131
	GRV Tourism	11.7902	1,131
Shire of East Pilbara	GRV Industrial	1.6516	650
	GRV Transient Workforce	3.1729	650
	GRV Town Centre	3.9931	650
	GRV Town Centre - Nullagine	7.1047	400
	GRV Other	1.7169	650
Shire of Roebourne	GRV Residential	2.7223	1,300
	GRV Commercial/Tourism/Town	5.3450	1,300

	GRV Strategic Industry	9.7030	1,300
	GRV Transient Workforce	11.0890	1,300
Town of Port Hedland	GRV Residential	3.3507	1,165
	GRV Commercial	3.3847	1,165
	GRV Industrial	3.3507	1,165
	GRV Mass Accommodation	9.9212	1,165
	GRV Shopping Centre	6.9496	1,165
Statewide	GRV Highest	38.1100	1,660
	GRV Lowest		150
	GRV Average	7.9412	768

**Source: West Australian Local Government Rates Comparison 2013/14 Rate Year, UHY Haines Norton*

CONCLUSION

The Rating Strategy has been formulated to provide insight into the legislative framework surrounding rates in WA local government; the existing rating structure imposed by the Town of Port Hedland; and the Town's strategy with regard to future rate movements. The key objective is to levy rates so as to provide a stable price path for the community, and certainty around the Town's primary revenue source in a fair and equitable manner, having due regard to objectivity; consistency; transparency; and administrative efficiency.

APPENDIX A LOCAL GOVERNMENT ACT 1995 RATING PROVISIONS

The *Local Government Act 1995* sets out the basis on which differential general rates may be based as follows:

Section 6.32 (1) of the *Local Government Act 1995* states:

- (1) When adopting the annual budget, a local government –
 - a. in order to make up the budget deficiency, is to impose* a general rate on rateable land within its district, which rate may be imposed either –
 - i. uniformly; or
 - ii. differentially; and
 - b. may impose* on rateable land within its district –
 - i. a specified area rate; or
 - ii. a minimum payment; and
 - c. may impose* a service charge on land within its district.

- (2) Where a local government resolves to impose a rate it is required to –
 - a. set a rate which is expressed as a rate in the dollar of the gross rental value of rateable land within its district to be rated on gross rental value; and
 - b. set a rate which is expressed as a rate in the dollar of the unimproved value of rateable land within its district to be rated on unimproved value.

- (3) A local government –
 - a. may, at any time after the imposition of rates in a financial year, in an emergency, impose* a supplementary general rate or specified area rate for the unexpired portion of the current financial year; and
 - b. is to, after a court or the State Administrative Tribunal has quashed a general valuation, rate or service charge, impose* a new general rate, specified area rate or service charge.

- (4) Where a court or the State Administrative Tribunal has quashed a general valuation the quashing does not render invalid a rate imposed on the basis of the quashed valuation in respect of any financial year prior to the financial year in which the proceedings which resulted in that quashing were commenced.

DIFFERENTIAL RATES

6.33. Differential general rates

- (1) A local government may impose differential general rates according to any, or a combination, of the following characteristics –
 - a. (a) the purpose for which the land is zoned, whether or not under a local planning scheme in force under the Planning and Development Act 2005;
 - b. a purpose for which the land is held or used as determined by the local government;

- c. whether or not the land is vacant land; or
 - d. any other characteristic or combination of characteristics prescribed.
- (2) Regulations may –
- a. specify the characteristics under subsection (1) which a local government is to use; or
 - b. limit the characteristics under subsection (1) which a local government is permitted to use.
- (3) In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.
- (4) If during a financial year, the characteristics of any land which form the basis for the imposition of a differential general rate have changed, the local government is not to, on account of that change, amend the assessment of rates payable on that land in respect of that financial year but this subsection does not apply in any case where section 6.40(1) (a) applies.
- (5) A differential general rate that a local government purported to impose under this Act before the Local Government Amendment Act 2009 section 39(1) (a) came into operation 1 is to be taken to have been as valid as if the amendment made by that paragraph had been made before the purported imposition of that rate.

MINIMUM RATES

6.35. Minimum payment

- (1) Subject to this section, a local government may impose on any rateable land in its district a minimum payment which is greater than the general rate which would otherwise be payable on that land.
- (2) A minimum payment is to be a general minimum but, subject to subsection (3), a lesser minimum may be imposed in respect of any portion of the district.
- (3) In applying subsection (2) the local government is to ensure the general minimum is imposed on not less than –
 - a. 50 per cent of the total number of separately rated properties in the district; or
 - b. 50 per cent of the number of properties in each category referred to in subsection (6), on which a minimum payment is imposed.
- (4) A minimum payment is not to be imposed on more than the prescribed percentage of -
 - a. the number of separately rated properties in the district;Or
 - b. the number of properties in each category referred to in subsection (6), unless the general minimum does not exceed the prescribed amount.

- (5) If a local government imposes a differential general rate on any land on the basis that the land is vacant land it may, with the approval of the Minister, impose a minimum payment in a manner that does not comply with subsections (2), (3) and (4) for that land.
- (6) For the purposes of this section a minimum payment is to be applied separately, in accordance with the principles set forth in subsections (2), (3) and (4) in respect of each of the following categories —
- to land rated on gross rental value;
 - to land rated on unimproved value; and
 - to each differential rating category where a differential general rate is imposed.

SPECIFIED AREA RATES

- (1) A local government may impose a specified area rate on rateable land within a portion of its district for the purpose of meeting the cost of the provision by it of a specific work, service or facility if the local government considers that the ratepayers or residents within that area —
- have benefited or will benefit from; or
 - have access to or will have access to; or
 - have contributed or will contribute to the need for,
- that work, service or facility.
- (2) A local government is required to —
- use the money from a specified area rate for the purpose for which the rate is imposed in the financial year in which the rate is imposed; or
 - to place it in a reserve account established under section 6.11 for that purpose.
- (3) Where money has been placed in a reserve account under subsection (2)(b), the local government is not to —
- change the purpose of the reserve account; or
 - use the money in the reserve account for a purpose other than the service for which the specified area rate was imposed,
- and section 6.11(2), (3) and (4) do not apply to such a reserve account.
- (4) A local government may only use the money raised from a specified area rate —
- to meet the cost of providing the specific work, service or facility for which the rate was imposed; or
 - to repay money borrowed for anything referred to in paragraph (a) and interest on that money.
- (5) If a local government receives more money than it requires from a specified area rate on any land or if the money received from the rate is no longer required for the work, service or facility the local government —
- may, and if so requested by the owner of the land is required to, make a refund to that owner which is proportionate to the contributions received by the local government; or

- b. is required to allow a credit of an amount proportionate to the contribution received by the local government in relation to the land on which the rate was imposed against future liabilities for rates or service charges in respect of that land.

(6) Where —

- a. before the coming into operation of the Local Government Amendment Act 2012 Part 2 Division 5, a specified area rate was imposed, or purportedly imposed, under this section by a local government for the purpose of the provision of underground electricity; and
- b. the underground electricity was not, or will not, be provided, or not wholly provided, by the local government,

the rate is, and is taken always to have been, as validly imposed under this section as it would have been if, at the time of the imposition of the rate, the local government were to provide the underground electricity.

APPENDIX B OBJECTS AND REASONS FOR DIFFERENTIAL RATES**GRV RESIDENTIAL**

The residential category covers properties that are used for singular and multi-dwellings and are zoned Residential under the Town Planning Scheme. The residential rate in the dollar of GRV is relatively low to offset the comparatively high gross rental values in Port Hedland.

GRV COMMERCIAL

The commercial category covers the town centre, commercial business precincts, tourism, mixed business and the airport. The commercial rate in the dollar of GRV is similar to the GRV residential rate.

GRV INDUSTRIAL

The industrial category covers the Wedgefield Industrial Estate and light industry. The proposed industrial rate in the dollar of GRV is comparative to the residential GRV rate and commercial GRV rate.

GRV SHOPPING CENTRE

This rating category applies to two rateable assessments being the shopping centre complexes in Port and South Hedland.

The positive differential rate for these properties is in order to fund the additional costs of servicing these types of properties. The shopping centres generate high volumes of pedestrian and traffic movements, resulting increased road and streetscape maintenance requirements, additional onsite parking needs and the requirement to install additional traffic treatments. The Town is also required to provide additional litter collection services to these areas.

GRV EX GRATIA

There are currently no rateable properties under this rate category. This category often refers to arrangements with Co-operative Bulk Handling Limited or land leased from the Crown or a statutory authority and the company has agreed in writing to make a contribution to the local government.

GRV MASS ACCOMMODATION

The GRV mass accommodation rating category covers transient workforce accommodation facilities.

The Mass Accommodation category was established in 2010/11 to include all properties exceeding 80sqm within the district boundaries, approved and predominantly used for the following activities, as identified in Town Planning Scheme No. 5; Holiday Accommodation, Hotel, Lodge, Motel, Transient Workforce Accommodation, Tourist Development and Tourism Resort. T11% of the total rate yield is generated from mass accommodation rates. The Town has utilised statistics from the 2011 ABS census which indicate that 22% of the Town's population resides in Hotels, Motels, Bed and Breakfast accommodation and staff quarter's accommodation. A factor of 50% has been applied for mass accommodation facilities. It is not unreasonable to expect that this percentage should be reflected within the rates revenue generated.

Patrons and employees of these facilities are consumers of municipal services but unless they are property owners within the Town, are not contributing to the costs of services used by them in the Town of Port Hedland.

GRV TOURIST ACCOMMODATION

This rating category covers hotels and motels that provide large scale accommodation for visitors to the Town of Port Hedland. These properties were previously rated under Mass Accommodation in 2013/14 and this new category has been established for 2014/15. The positive differential rate reflects the higher servicing costs in road maintenance, streetscape, traffic treatments, litter control, and provision of public open space and amenities. The Town invests heavily in Tourism and Area Promotion (approximately \$500,000 per annum), and properties falling within this rating category are significant beneficiaries of that investment.

UV MINING IMPROVED

This rating category covers mining leases that have improvements on the land. All of these mining leases are located in the vicinity of Port Hedland. The mining rate in the dollar of UV is comparatively high to offset the relatively low property valuations (mining leases may be subject to the State Agreement Act) in this rating category. The higher differential rates for UV Mining Improved are reflective of the additional costs incurred by the Town. The mining activity causes higher road infrastructure maintenance costs to Council as a result of frequent heavy vehicle use on Town of Port Hedland roads. The Town has significantly increased its investment into roads infrastructure for 2014/15, driven largely by the impact of mining related vehicle movements.

UV MINING VACANT

This rating category covers all other mining tenements including exploration, prospecting and general purpose leases. The mining vacant rate in the dollar of UV is comparatively high to offset the relatively low property valuations in this rating category. The higher differential rates for UV Mining Vacant are reflective of the additional costs incurred by the Town. The mining activity causes higher road infrastructure maintenance costs to Council as a result of frequent heavy vehicle use on Town of Port Hedland roads. The Town has significantly increased its investment into roads infrastructure for 2014/15, driven largely by the impact of mining related vehicle movements.

UV PASTORAL

This rating category applies to all pastoral leases that have been granted under the repealed *Land Act 1933* and expire on 30 June 2015. Renewal of pastoral leases is administered by the Department of Lands. The rate in the dollar of UV is comparatively low to offset the relatively high property valuations in this rating category.

UV OTHER

This rating category applies to crown leases which are assessed as rural. The rate in the dollar of UV is comparatively low to offset the relatively high property valuations in this rating category.

UV OTHER VACANT

This rating category applies to all other vacant land in the non-urban area that is not used for pastoral, mining or rural purposes. The positive differential compared to the UV Pastoral base rate is in part due to the higher relative valuations for pastoral properties. This rating category applies to nine rateable assessments, eight of which receive the minimum payment. All properties are owned by mining companies, and whilst not directly subject to a mining tenement, play an important role in supporting the mining activities undertaken in the Town boundaries, and thus impose a burden on the Town comparable with UV Mining/UV Mining Vacant.

ATTACHMENT 4 TO ITEM 7.1.1



Model: (39) Model 6.5.15 (3) - Model for Council Presentation
6.5.2015 Option 3

Group	14/15		Calc	Adjustment	Model 15/16	VARIANCE	count		with adj		with adj %
	Rtbl Val	All N/A					min	avg	max		
09 - UV PASTORAL	Rtbl Val		1,931,389		1,246,833	-684,556		11			
	All N/A		1,931,389		0	-1,931,389		11	0	0.00%	
	Rates		\$131,089	\$0	\$135,022	3,933		\$1,841	\$12,275	\$45,957	
	Other		\$0	\$0	\$0	\$0		\$0	\$0	\$0	
			\$131,089	\$0	\$135,022	\$3,933		\$1,841	\$12,275	\$45,957	
20 - RESIDENTIAL	Rtbl Val		445,451,569		271,997,730	-173,453,839		6,261			
	All N/A		445,451,569					6,261	622	9.93%	
	Rates		\$16,164,930	\$393,024	\$16,142,875	-22,056		\$1,260	\$2,578	\$392,939	
	Other		\$2,109,792	\$0	\$2,109,792	\$0		\$0	\$337	\$30,173	
			\$18,274,722	\$393,024	\$18,252,667	-22,056		\$1,260	\$2,915	\$423,112	
21 - COMMERCIAL	Rtbl Val		25,450,271		22,524,524	-2,925,747		237			
	All N/A		25,450,271					237	64	27.00%	
	Rates		\$985,430	\$45,844	\$1,014,992	29,563		\$1,260	\$4,283	\$46,457	
	Other		\$131,833	\$0	\$131,833	\$0		\$0	\$556	\$13,136	
			\$1,117,263	\$45,844	\$1,146,825	\$29,563		\$1,260	\$4,839	\$54,728	
22 - INDUSTRIAL	Rtbl Val		49,652,513		59,639,679	9,987,166		413			
	All N/A		49,652,513					413	41	9.93%	
	Rates		\$1,701,530	\$24,362	\$1,752,575	51,045		\$1,260	\$4,244	\$49,986	
	Other		\$158,414	\$0	\$158,414	\$0		\$0	\$384	\$3,406	
			\$1,859,945	\$24,362	\$1,910,989	\$51,045		\$1,260	\$4,627	\$50,261	
23 - SHOPPING CENTRE	Rtbl Val		9,562,090		9,642,311	80,221		2			
	All N/A		9,562,090					2	0	0.00%	
	Rates		\$697,755	\$0	\$558,204	-139,551		\$152,070	\$279,102	\$406,135	
	Other		\$0	\$0	\$0	\$0		\$0	\$0	\$0	
			\$697,755	\$0	\$558,204	-\$139,551		\$152,070	\$279,102	\$406,135	

Group	14/15		Calc	Adjustment	Model 15/16	VARIANCE		count	with adj		with adj %
	Rtbl Val	All N/A				min	avg		max		
<input type="checkbox"/> 24 - MASS ACCOMMODATION	26,117,720	26,117,720	12,880,000			-13,237,720	-50.68%	6			
Rates	\$3,577,840	\$3,685,176	\$0			107,335	3.00%	6	\$238,049	\$614,196	\$1,056,341
Other	\$175,799	\$175,799	\$0			\$0	0.00%	\$0	\$29,300	\$175,195	
	\$3,753,639	\$3,860,974	\$0	\$3,860,974		\$107,335	2.86%	\$238,597	\$643,496	#####	
<input type="checkbox"/> 25 - TOURIST ACCOMMODATION	10,135,840	10,135,840	7,360,080			-2,775,760	-27.39%	10			
Rates	\$914,119	\$941,543	\$0			27,424	3.00%	10	\$39,447	\$94,154	\$150,671
Other	\$123,806	\$123,806	\$0			\$0	0.00%	\$0	\$12,381	\$84,706	
	\$1,037,925	\$1,065,349	\$0	\$1,065,349		\$27,424	2.64%	\$39,721	\$106,535	\$152,672	
<input type="checkbox"/> UV Mining	2,461,998	2,461,998	2,461,998			0	0.00%	105			
Rates	\$1,042,591	\$1,043,132	\$30,734			31,274	3.00%	105	\$1,260	\$10,227	\$203,797
Other	\$0	\$0	\$0			\$0	0.00%	\$0	\$0	\$0	\$0
	\$1,042,591	\$1,043,132	\$30,734	\$30,734		\$31,274	3.00%	\$1,260	\$10,227	\$203,797	
<input type="checkbox"/> UV Mining Exploration	844,440	844,440	589,515			-254,925	-30.19%	100			
Rates	\$348,233	\$213,229	\$29,872			-105,133	-30.19%	100	\$1,100	\$2,431	\$17,003
Other	\$0	\$0	\$0			\$0	0.00%	\$0	\$0	\$0	\$0
	\$348,233	\$213,229	\$29,872	\$29,872		-\$105,133	-30.19%	\$1,100	\$2,431	\$17,003	
<input type="checkbox"/> UV Mining Other	186,056	186,056	186,056			0	0.00%	192			
Rates	\$250,777	\$68,810	\$189,490			-186,056	-100.00%	192	188	188	97.92%
Other	\$0	\$0	\$0			\$7,523	3.00%	\$1,260	\$1,345	\$15,550	
	\$250,777	\$68,810	\$189,490	\$189,490		\$7,523	3.00%	\$1,260	\$1,345	\$15,550	
<input type="checkbox"/> UV OTHER	1,682,709	1,682,709	1,508,949			-173,760	-10.33%	24			
Rates	\$288,065	\$284,890	\$11,817			8,642	3.00%	\$1,260	\$12,363	\$94,400	
Other	\$0	\$0	\$0			\$0	0.00%	\$0	\$0	\$0	\$0
	\$288,065	\$284,890	\$11,817	\$11,817		\$8,642	3.00%	\$1,260	\$12,363	\$94,400	

Group	14/15	Calc	Adjustment	Model 15/16	VARIANCE		count	with adj	with adj %
					min	avg			
Totals	573,476,595			390,037,675	-183,438,920	-31.99%	7361		
All N/A	573,476,595			0	-7,106,592	-100.00%	7361		
Rates	\$26,102,361	\$25,377,217	\$725,143	\$26,102,360	-1	0.00%			
Other	\$2,699,644	\$2,699,644	\$0	\$2,699,644	\$0	0.00%			
	\$28,802,005	\$28,076,861	\$725,143	\$28,802,004	-\$1	0.00%			

ITEM 8 CONFIDENTIAL ITEMS

Nil

ITEM 9 CLOSURE**9.1 Date of Next Meeting**

The next Ordinary Meeting of Council will be held on Wednesday 27 May 2015, commencing at 5:30pm, with the Public Agenda Briefing being held on Wednesday 20 May 2015, commencing at 5:30pm.

A Special Council Meeting is being held on Wednesday 13 May 2015 at 5:30pm in Council Chambers.

9.2 Closure

There being no further business, the Mayor declared the meeting closed at 7:04pm.