

16.1 LATE ITEM - REVIEW OF PROPOSED TRANSIENT WORKFORCE ACCOMMODATION/ WORKFORCE ACCOMMODATION DIFFERENTIAL RATE

File No:	FM.1
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Financial Accountant
Date of Report:	17 June 2016
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Nil

PURPOSE

To review the Transient Workforce Accommodation/Workforce Accommodation (TWA) rate in the dollar in light of further valuation changes advised by Landgate and feedback from the Department of Local Government and Communities (DLGC).

BACKGROUND

At its Ordinary Council Meeting on 18 April 2016, Council resolved to advertise the following proposed differential rates for the 2016/17 financial year:

Differential Rates Categories 2015/16	Minimum Payment	Rate in the Dollar
Gross Rental Value (GRV)		
Residential	\$1,475	0.065211
Commercial / Tourism / Town Centre	\$1,475	0.074517
Industry / Mixed Business	\$1,475	0.057244
Airport / Strategic Industry	\$1,475	0.128666
Transient Workforce Accommodation / Workforce Accommodation	\$1,475	0.293013
Unimproved Value (UV)		
Pastoral	\$378	0.098627
Mining/Other	\$378	0.136288
Strategic Industry	\$378	0.197253

As part of the budget process, Councillors reviewed the projected changes in Operating Income and Expenditure, along with efficiency measures, proposed capital works, projects and new initiatives. Although Council's adopted Long Term Financial Plan includes a 5.5% rate increase in 2016/17 the proposed differential rates were based on a 1.7% increase in the rate in the dollar across most categories.

Seven submissions were received in relation to the proposed increase in the rate in the dollar for the TWA differential rating category from \$0.216481 to \$0.293013. These submissions were considered at a Special Council Meeting on 30 May 2016, where Council resolved to apply for Ministerial approval for the advertised TWA rate in the dollar despite having received notification of valuation changes that would otherwise require an increase in the rate in the dollar to \$0.321484 maintain a 1.7% yield increase.

Council officers have had discussions with officers from DLGC who have expressed concern regarding the magnitude of the increase for some properties as a consequence of the increase in the rate in the dollar. Officers discussed the possibility of a concession to limit the increase in TWAWA rates for those ratepayers who have not had a property devaluation.

Following Council’s resolution to apply for Ministerial approval for the proposed differential rate and both immediately prior to meeting with the DLGC and again after that meeting Council Officers have been advised by the Valuer General’s office of further valuation changes for the following TWAWA properties:

Property	2015/16 Valuation	2016/17 Valuation	Change in Valuation (\$)
Gap Ridge Village	\$7,800,000	\$6,110,000	-\$1,690,000
Fortescue River Village	\$1,664,000	\$957,000	-\$707,000
Searipple Village	\$3,900,000	\$3,180,000	-\$720,000
Camp 123	\$20	\$12,500	+\$12,480
TOTALS	\$13,364,020	\$10,259,500	\$3,104,520

As a result of these changes, the TWAWA rate in the dollar for which Ministerial approval has been applied would now raise \$0.56m less.

Officers propose that a concession be applied to limit the increase in TWAWA rates from 2015/16 to a maximum of 20% for those ratepayers who have not had a property devaluation, however given that this would further reduce rate yield from the TWAWA rate category it is proposed that this concession be considered based on the higher rate of \$0.321484 in light of the above valuation changes. The following table highlights the impact of the higher rate and the proposed concession:

	Accom. Units	Valuation	Rates Levied 2015/16	Proposed Rate Levy 2016/17	Proposed Concession	Proposed Rates Payable 2016/17
Gap Ridge Village (Woodside)	2,132	6,110,000	1,688,551.80	1,964,267.24	-	1,964,267.24
Searipple Village	1,546	3,180,000	844,275.90	1,022,319.12	-	1,022,319.12
Eramurra Village (CITIC)	2,014	3,158,800	2,082,547.22	1,015,503.66	-	1,015,503.66
Wickham Lodge (RTIO)	208	1,445,000	185,740.70	464,544.38	-	464,544.38
Aspen Karratha Village	180	1,040,000	225,140.24	334,343.36	-64,175.07	270,168.29
Cajuput Villas (RTIO)	157	1,014,000	162,100.97	325,984.78	-	325,984.78
Kingfisher Ausco Village	249	988,000	213,883.23	317,626.19	-60,966.32	256,659.87
Civeo (MAC Camp)	208	988,000	213,883.23	317,626.19	-60,966.32	256,659.87
Fortescue River (CITIC)	503	957,000	360,224.38	307,660.19	-	307,660.19
Velocity Village	184	587,600	127,204.24	188,904.00	-36,258.92	152,645.08
Bay Village (Woodside)	518	520,000	112,570.12	167,171.68	-	167,171.68
Cherratta Lodge	106	358,800	77,673.38	115,348.46	-22,140.40	93,208.06
Karratha Village	123	332,800	72,044.88	106,989.88	-20,536.02	86,453.85
Devils Creek (Quadrant)	210	258,000	219,511.73	82,942.87	-	82,942.87
Wickham Village (RTIO)	230	223,000	294,933.71	71,690.93	-	71,690.93
Point Samson Road Village	60	208,000	45,028.05	66,868.67	-12,835.01	54,033.66
Karratha Motel	42	171,600	37,148.14	55,166.65	-10,588.89	44,577.77
King Village TWA	56	135,200	29,268.23	43,464.64	-8,342.76	35,121.88
King Way TWA	47	119,600	25,891.13	38,449.49	-7,380.13	31,069.35
VV2 Village	60	88,400	19,136.92	28,419.19	-5,454.88	22,964.30
King Way Motel (VV2)	47	85,000	18,400.89	27,326.14	-5,245.08	22,081.06
Hall Street Village	28	83,200	18,011.22	26,747.47	-5,134.01	21,613.46
Camp 123 (Mineralogy)	1,500	12,500	1,450.00	4018.55	-2,278.55	1740.00
	10,408	22,064,500	7,074,620.31	7,093,383.72	-322,302.36	6,771,081.35

By levying TWA properties at a rate in the dollar of \$0.321484 and applying concessions as detailed above, the TWA differential rating category is proposed to raise \$6.77m, being a decrease of 4.3% from 2015/16 and 6% from the advertised rates model.

LEVEL OF SIGNIFICANCE

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

COUNCILLOR/OFFICER CONSULTATION

Councillors and the Executive Management Team were consulted at a Budget Workshop held on Monday 13 June 2016.

COMMUNITY CONSULTATION

The proposed changes respond to the feedback received from TWA/WA property owners. Subject to Council's resolution further correspondence will be sent to affected ratepayers providing details of the change and any impact.

STATUTORY IMPLICATIONS

Sections 6.33 and 6.36 of the *Local Government Act 1995* makes provision for the application and communication of differential rates. Section 6.33(3) stipulates that Ministerial approval is required to impose a differential rate which is more than twice the lowest differential rate. In accordance with s 6.36(5)(b) where a local government proposes to modify the proposed rates after considering submissions, it is not required to give local public notice of that proposed modified rate.

Section 6.47 of the Act provides for the local government to waive a rate or service charge or resolve to grant other concessions in relation to a rate or service charge.

POLICY IMPLICATIONS

CF-10 Rating Equity Policy.

FINANCIAL IMPLICATIONS

Properties in the TWA differential rating category were levied rates of \$7,074,620 in 2015/16. The proposed rate in the dollar, if approved, will raise rates of \$6,771,081 in 2016/17 after the proposed concessions are applied. This represents a decrease in rates for the TWA differential rating category of 4.3%.

STRATEGIC IMPLICATIONS

This item is relevant to Council's approved Strategic Community Plan 2012-2022 and Corporate Business Plan 2012-2016. In particular the Operational Plan 2015-2016 provided for this activity:

Our Program	4.d.1.1	Maximise opportunities for long term financial sustainability and equitable rating structure.
Our Services	4.d.1.1.1	Responsible financial management

RISK MANAGEMENT CONSIDERATIONS

The level of risk is considered to be high to the City in terms of maintaining Council's financial sustainability.

Further risks of valuation decreases exist, either directly from Landgate between budget adoption and levying of rates, or subsequent to levying of rates as a result of valuation objections from property owners.

Any valuation decreases after levying of rates will result in decreased rates revenue for the 2016/17 year.

IMPACT ON CAPACITY

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

RELEVANT PRECEDENTS

Council provides concessions each year to property owners in Cossack to cap their rates at \$50.

In past years concessions have also been provided to property owners in the UV Pastoral differential rating category.

VOTING REQUIREMENTS

Simple Majority.

OPTIONS:

Option 1

As per Officer’s recommendation.

Option 2

That Council by SIMPLE Majority pursuant to Section 6.33 of the *Local Government Act 1995* RESOLVES to:

1. SEEK Ministerial approval for the following differential rating category being an amendment to the previous application lodged:

Differential Rates Categories 2016/17	Minimum Payment	Rate in the Dollar	Multiplier	Basis
Gross Rental Value (GRV)				
Industry/Mixed Business	\$1,475	0.057244	1.00x	Lowest rate in the dollar for purpose of seeking approval for multiplier.
Transient Workforce Accommodation / Workforce Accommodation	\$1,475	_____	____x	

2. INSTRUCT officers to prepare the annual budget with provision for a concession to limit the increase in TWA/WA rates from 2015/16 to a maximum of _____% for those ratepayers who have not had a property devaluation.

CONCLUSION

Decreases in valuation in the TWA differential rating category require a commensurate increase in the rate in the dollar in order to maintain the desired rate yield. Since Council’s application for Ministerial approval of the TWAWA differential rate, further changes in valuation have impacted the proposed rate yield for the TWAWA category. The proposed change in the rate in the dollar and concessions will ameliorate this impact and the impact of increases on ratepayers in this category.

OFFICER’S RECOMMENDATION

That Council by SIMPLE Majority pursuant to Section 6.33 of the *Local Government Act 1995* RESOLVES to:

1. **SEEK Ministerial approval for the following differential rating category being an amendment to the previous application lodged:**

Differential Rates Categories 2016/17	Minimum Payment	Rate in the Dollar	Multiplier	Basis
Gross Rental Value (GRV)				
Industry/Mixed Business	\$1,475	0.057244	1.00x	Lowest rate in the dollar for purpose of seeking approval for multiplier.
Transient Workforce Accommodation / Workforce Accommodation	\$1,475	0.321484	5.62x	Maintain 2015/16 relativity by increasing rate yield from this category by 1.7% to be offset in part by concessions

2. **INSTRUCT officers to prepare the annual budget with provision for a concession to limit the increase in TWA/WA rates from 2015/16 to a maximum of 20% for those ratepayers who have not had a property devaluation.**