



## TOWN OF PORT HEDLAND

### SPECIAL COUNCIL MEETING MINUTES

**28 JUNE 2018 AT 5:30PM**

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

*Agenda Item:*

1. 2018/19 Rating Strategy

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#### **Our Vision:**

**"To be Australia's leading Port Town embracing community, culture and environment"**

*David Pentz  
Chief Executive Officer*

*Distribution Date: 6 July 2018*

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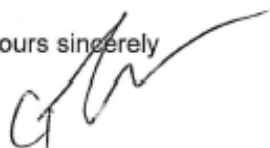
Dear Mr Pentz,

**SPECIAL MEETING OF COUNCIL**

In accordance with Section 5.4 of Local Government Act 1995, I hereby request that you arrange for a Special Meeting of Council to be held on Thursday 28 June 2018 at 5:30pm to consider the following matter:

- 2018/2019 Rating Strategy

Yours sincerely

  
**Camilo Blanco**  
**MAYOR**

6 June 2018

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**Item 1 Opening of Meeting**

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The Mayor declared the meeting open at 5:30pm.

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**Item 2 Acknowledgement of Traditional Owners and Dignitaries**

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

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**Item 3 Recording of Attendance**

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**3.1 Attendance**

Mayor Camilo Blanco  
Deputy Mayor Louise Newbery  
Councillor Julie Arif  
Councillor Richard Whitwell  
Councillor Peter Carter  
Councillor George Daccache  
Councillor Tricia Hebbard  
Councillor Warren McDonogh  
Councillor Telona Pitt

David Pentz	Chief Executive Officer
Anthea Bird	Director Corporate and Performance
Robert Leeds	Director Development, Sustainability and Lifestyle
Gerard Sherlock	Director Infrastructure and Town Services
Jodi Marchant	Manager Financial Services
Louise O'Donnell	Governance Officer/ Minute Taker

Public	9
Media	0
Officers	8

**3.2 Attendance by Telephone / Instantaneous Communications**

Nil

**3.3 Apologies**

Nil

**3.4 Approved Leave of Absence**

Nil

**3.5 Disclosure of Interests**

Nil

The Mayor made the following statement:

“I’d like to thank Elected Members, Town Executive Members and members of the community for being here this evening to discuss the proposed 2018/19 rating strategy. For everyone’s background, this strategy determines how Council collects rates for the coming financial year. It details the percentage of rates yield from categories such as residential, commercial, mining and mass accommodation. If Elected Members endorse the strategy tonight, it will then be delivered to the Minister for Local Government, Heritage, Culture and the Arts for approval. Once the strategy receives Ministerial approval, Council will then proceed to budget adoption.

This rating strategy is the result of many months of planning and consultation. I’d like to thank those that attended our consultation sessions in May, and those that provided formal submissions to Council detailing your views. We appreciate your feedback and have taken your views into consideration.

The driving factor behind the 2018/19 rating strategy is Council’s need to face the reality of decreasing property values across Hedland in recent years. This has impacted the revenue generated by Council and has meant we’ve had to make hard decisions to secure our financial position for the future. In saying that, the proposed strategy will result in 91% of residential ratepayers receiving a reduction in their rates from last year.

The community has said they expect service delivery to continue at current levels into the future, which was made clear during the SCP consultation process. However as everyone knows, Town wide upgrades to roads, infrastructure and facilities can only happen if Council generates enough revenue to pay for it. The Roads we all use and waste management services we rely on require funding to remain operational.

It’s important to highlight that any amendment to Council Rates should be viewed in the context of recent increases to utility charges, such as electricity and water, which contribute to Council’s operational costs. The factors contributing to the cost of running a Local Government Authority are complex, and are often effected by factors outside our control and jurisdiction.

The proposed strategy seeks a more equal distribution of how the rates yield is collected, and we have tried to strike the right balance between the needs and concerns of residents, businesses and industry.

There is often never a perfect answer to the question of how to collect rates, however we should all agree on the common need to maintain the services that we all rely on.

I kindly ask that those wishing to contribute to the debate tonight do so in a respectful manner and respect the views of others.”

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**Item 4 Public Time**

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*Important note:*

*'This meeting is being recorded on audio tape and streamed live online as an additional record of the meeting and to assist with minute-taking purposes which may be released upon request to third parties. If you do not give permission for recording your participation please indicate this at the meeting. The public is reminded that in accordance with Section 6.16 of the Town of Port Hedland Local Law on Standing Orders nobody shall use any visual or vocal electronic device or instrument to record the proceedings of any meeting unless that person has been given permission by the chairperson to do so. Members of the public are also reminded that in accordance with section 6.17(4) of the Town of Port Hedland Local Law on Standing Orders mobile telephones must be switched off and not used during the meeting.'*

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

The Mayor opened public question time at 5:36pm.

#### **4.1 Public Question Time**

##### **4.1.1 Mr Rob Cavanagh**

*The Town has addressed the Gross Rental Value (GRV) and has doubled the cent in the dollar, which has resulted in a rate increase. Why can't the Town use the money from the lease of the airport to help out ratepayers?*

The Mayor advised that the funds from the lease of the airport have not been used and that the Town will look into trying to build the funds to generate more interest. The Mayor advised that if the interest if it is built to an appropriate level, they may be applied to services and reductions in the future.

*We are going through the biggest downturn and you're not doing anything to help us out. Right now we need some help and the money should be used now, not in twenty years' time. Rates should be halved. No-one else pays rates like this.*

The Mayor advised that the Town has cut the budget to the bone and that if the Town reduced its rates by half it would have to reduce its staffing and services to the community by half. The Mayor also advised that during the consultation with the community for the Strategic Community Plan, the majority of people surveyed stated that they would rather keep services as they are, which means the Town needs to generate enough money to pay for the current service levels.

*The people that were surveyed might not have been ratepayers. I think this airport funds need to be used now, not in the future.*

The Mayor advised that the option would be considered when the airport funds are decided on by Council.

**4.1.2 Mr Jim Henneberry**

*The 2018/19 Rating Strategy states that it will yield \$30.598 Million in rates revenue and that the funds will be used to maintain current service levels as outlined in the Strategic Community Plan (SCP). When I asked the Town what it would be used for, I was told there was no budget until the end of 2019. If we have no itemised budget figures for the SCP, why is it in the budget and why have the rates been increased to cover them?*

The Mayor advised that the reason that there is a figure of \$30 Million is because the Town has identified other land that it is able to rate and that it is a legislative requirement that the rates yield be included in the current budget. The Mayor also advised that the additional rates yield is a high risk and that the Town does not want to use the money until it is absolutely clear that it is able to.

Mr Henneberry stated that all of the submissions that the Town has received are asking to keep the rates as they are or to be subsidised through the airport funds.

**4.1.3 Mr Tighe O'Donoghue**

*The value of my house has decreased 300% since 2014, and rental values have all gone down. Why is there a 70% increase the residential rate in the dollar from 5.4885 to 9.3483?*

The Manager Financial Services advised that when developing a rating strategy, the Town needs to consider how to deliver a certain level of service and how to raise revenue to deliver that level of service. The Manager Financial Services advised that for the 2018/19 Rating Strategy the rates were determined by the total yield, not the rate in the dollar and advised that a comparable application has been provided for all the other Local Governments which have had the similar [GRV] revaluations.

*The Budget this year is estimated at \$25 Million, why has it increased in the new proposal to \$30.5 Million?*

The Manager Financial Services advised that at the time of advertising the initial rates model, it was based on information and assumptions that the Town was aware of at that point in time. The Manager Financial Services advised that there has been a revaluation through the GRV and UV, which happens every three years and that since the initial rates model was advertised the Town has received additional information in relation to the UV valuations which include leases that are now rateable and amending the basis of rating for a number of affected properties. The Manager Financial Services advised that this new information has had a material impact on the rates yield and that detailed workshops have been with Elected Members around how the Town will manage and appropriately distribute the additional yield. The Manager Financial Services also advised that there are about \$500,000 of concessions which will come off the total rates yield and that the Town have also provided for a provision to ensure possible revaluation reviews does not impact service levels and asset renewal.

*What will the extra \$5 Million [in rates yield] be spent on this year?*

The Manager Financial Services advised that the money will not be spent and will go into a provision.

*This means there is an 18% increase which could then be applied as an 18% decrease to the rate in the dollar.*



The Manager Financial Services advised that there is a very high risk that these funds will be not be realisable and that it is very risky for the Town to expect to receive the funds and then be left in a difficult position.

*In 2015/16, the UV mining rate in the dollar was 42.3693. This year its 37.1665. That's a decrease of 12%, why hasn't the UV mining category had a 70% increase like the residential rates?*

The Mayor advised that the Town has been instructed by the State Government to reduce the rates in specific areas. The Mayor advised that rates are required to go to the Minister [of Local Government] for approval and that if the Town does not comply with the Minister's requirements, the Town's proposal will be rejected.

*If they've instructed to have a reduction in UV mining, is there any money in the State budget to help offset that reduction? Or is the Town always going to try and raise \$25 - \$30 Million each year for its operating budget?*

The Chief Executive Officer advised that to maintain the current level of service the Town requires an operating budget of \$25 to \$26 Million and that if there is a reduction in the level of service there could certainly be a reduction in rates.

#### 4.1.4 Mr Rob Cavanagh

*I called Landgate couple of years ago [in regards to GRV assessments] and they told me that Local Governments in the city have to do their assessments every three years and in the country it is every five years.*

The Mayor advised that the assessments are done every three years and not five.

*Is the reason you have raised the rate in the dollar dramatically so that you have a basis to argue the GRV with Landgate?*

The Mayor advised that every ratepayer has the opportunity to submit an objection to Landgate on their GRV. The Mayor advised that there may be a risk that their valuation could go up or an opportunity for it to go down, but that it is for the Valuer-General to determine.

*You can only object to the GRV amount, and not to the rate in the dollar increase. You've left us with no leg to stand on.*

The Manager Financial Services advised that the valuations that have been provided through the Valuer-General and Landgate are done so under the *Valuation of Land Act 1978* every three years and that the Town does not have any determination over the valuations that are provided. The Manager Financial Services advised that the only decision Council can make is in relation to the rate in the dollar and that the Town conducts a very comprehensive consultation process to receive submissions for consideration by Council prior to the adoption of the rate in the dollar each financial year.

Mr Cavanagh stated that he had put a submission in to the Town and the Minister for Local Government and had not received a reply.

#### 4.1.5 Mr Trevor Brodie

*What is the Town's plan in relation to small businesses? Our rates increase is 115%, the plan to drive small business out and let the big players come in who can just swallow these rates?*

The Mayor advised that the plan is to equalise the rate in the dollar across all rating categories and that the commercial and industrial categories have generally been 60% lower than the residential category over the years. The Mayor advised that in order to generate enough rates in the industry and commercial sector to repair the roads, drainage and infrastructure that the Town is responsible for, the Town has put this rating strategy together to make it fair for all.

*Years ago, was the Town doing something so bad that it created a monster debt?*

The Mayor advised that that in previous years the Town did not invest in infrastructure like it should have and that over the last eighteen months the Town has turned that around and is focussed on spending rates revenue on the Town's infrastructure. The Mayor advised that it is clear to a lot of people and that they can see large improvements in the way the Town is being managed, serviced and repaired. The Mayor also advised that by reducing the rates for the community, it will then reduce the renewals, road repairs, drainage and maintenance and create a further backlog of maintenance and repairs that the Town is dealing with currently.

*Is there a way to raise the rates slowly? Last year we took a 12.5% increase, this year my rates have increased by 115% and some other people's rates have increased by 70 or 80%.*

The Mayor stated that he understands Mr Brodie's concern, as he is in the same rating category himself, but that it comes down to being fair and equal across the whole community. The Mayor advised that it is why the Town has chosen to equalise the rate in the dollar for all categories so that everyone is paying the same amount and that the end of the day, the industrial and commercial categories remain significantly lower than the residential component of Port Hedland.

*Would you consider slowly raising it over five years?*

The Chief Executive Officer advised that although the draft budget is not being considered tonight, the draft budget which has been workshopped with Council is very austere and does not include a lot for asset renewal and that if the Town raises the assets up to the level they should be, the budget would have to be around \$40 Million rather than the \$25 Million proposed. The Chief Executive Officer advised that it comes down to the cost of keeping the current level of service and keeping the doors open.

*I appreciate that, but it has been tough over the last few years. We've all had to reduce spending and I had to sell one of my factories because I just couldn't afford to keep it and I've had to lower the wages for my workers. It's been the hardest two years out of the last thirty two years that I've been here. I understand that you need funding to maintain the services, but there should be a better strategy by ramping it up, instead of taking a monster gouge out of us.*

The Mayor advised that last year the Town advertised a \$4 Million reduction in operational costs and that this year it has cut the budget to the bone. The Mayor advised that there are no other options for the Town to reduce rates other than to cut the services and staff.

*We already have massive insurance premiums.*

The Mayor advised that the Town is also subject to the higher insurance premiums that businesses incur.

*Hopefully the State Government steps in to look at it.*

The Mayor advised that State Government funding for the Town has been reducing considerably over the last few years.

#### **4.1.6 Mr Rob Cavanagh**

*How much money did the airport contribute towards the budget before it was sold [leased]?*

The Mayor stated that it was his understanding that it was around \$12 to \$13 Million per year.

#### **4.1.7 Mr Tighe O'Donoghue**

*Can the Town use the funds received from the sale [lease] of the airport to pay off the Town's \$25 to \$30 Million debt which is costing \$1.2 Million in interest?*

The Mayor advised that Council has considered that option and that if the debt is paid back, the Town will be charged break fees which does not offer any advantages to the Town.

*Is all of the debt subject to long term interest payments? Who authorised all of that?*

The Mayor advised that all of the Town's current loans are ongoing from previous years.

*Some of these loans go on for sixteen years, are the exit fees for the \$25 Million debt going to cost \$16 Million?*

The Director Corporate and Performance advised that this option was considered in detail by Council in March where the payment plans over the life of the loans and the payout figures provided by the WA Treasury Corporation (the lender) were reviewed. The Director Corporate and Performance advised that over the long term it is in Councils best interest to not pay the loans out because of the way that the loans are structured, and because the interest rates are fixed, there is no benefit to paying them out.

*What is the fixed interest rate on the loans?*

The Director Corporate and Performance advised that she did not recall the interest rates.

*How much interest are we earning on the money from the lease of the airport?*

The Director Corporate and Performance advised that the interest rate is between approximately 2.5% to 2.8% and stated that under the current *Local Government Act [1995]* the Town can only invest in safe, low risk investments such as term deposits.

The Mayor closed public question time at 6:05pm.

The Mayor opened public statement time at 6:05pm.

## 4.2 Public Statement Time

### 4.2.1 Ms Morag Lowe

I am addressing my statement specifically to Councillors and I will read off a prepared statement.

I cannot bear witness to the behaviour of Councillors without making comment on my disappointment and disgust at your behaviour as our elected representatives. When I noticed the agenda item recommending a mentor to facilitate improvement in the relationships between you all at the cost of \$50,000 to us ratepayers, I am astounded that such a small group of adults are unable to come together a few times a month to facilitate timely, sensible and prudent management of community needs without resorting to mindless sniping and pointless challenging of each other's authority and abilities.

Trust me, from where I'm sitting none of you are covering yourselves in glory or filling me with the confidence to view you as anything other than inept, incompetent and self-serving individuals, only sitting around the table for self-gratification; an opinion arrived at due to the lack of any intelligent debate by most of you on the issues that matter, and your enthusiasm for focussing on personality differences and not arriving at solutions to problems that are overwhelming our community.

I was absolutely disgusted at last night's meeting, Councillor Daccache and Deputy Mayor [Newbery], what expected outcome did you decide from that pointless niggling questioning of the Mayor last night? Do you really believe that ratepayers care that the Deputy Mayor was asked to leave a meeting while a confidential matter was discussed?, the nature of the subject matter I am very confident that she was fully aware of, and what exactly did Councillor Daccache hope to achieve last night other than to illustrate his own ignorance of Local Government procedure?

I have stopped coming to meetings as it is apparent to me that on the issues of budgeting, rates, town planning and the strategic positioning of this town, most you have no opinion and have done no homework. If I am too harsh in this assessment of the current Council then prove me wrong by arriving at the meetings prepared, asking pertinent questions on behalf of the community and offering intelligent debate on topics of critical importance to us ratepayers. Why don't we begin tonight? I look forward to hearing Councillors represent the interests of the ratepayers of this community.

### 4.2.2 Mr Jim Henneberry

I believe the message from the community is that they understand what Council is doing with the equalisation of the rates across all of the categories. In the documentation where it says the Town needs the extra \$5 Million to tend to the needs for the strategic community plan, I have no idea what these needs are, or whether those funds are for provisions.

We hope that Councillors will keep the rates as they are at \$25 Million, and ask that if there are any other increases to use the interest from the airport funds. The community and businesses are hurting right now. We have the highest level of repossessions in the country and businesses are just scraping by. They need to see support.

The Mayor corrected Mr Henneberry's statement and advised that there are no additional funds added to the budget and that the interest raised from the airport funds are included in the current proposed budget.

**4.2.3 Mr Tony Vuyevich**

I've lived here for thirty two years and it's ridiculous that you've put my rates up over 100%. I'll be paying \$8,500. I think you need to look at the budget and use the money from the airport funds. How much is in there?

The Mayor advised that there is around \$200 Million in the bank.

You should take \$10 Million a year of that to help some of these people in the Town. A lot of people up here are really hurting and have lost their whole livelihoods and their houses. How can you turn around and put the rates up? People renovate their houses and their GRV goes up. They shouldn't be penalised for that. Why should I pay \$8,500 and the guy next to me pay \$4,000? Do you think that's fair?

If you've got a business and it's running at a loss, what do you do? You get rid of them. Look at where you're spending money. When the big companies came to the downfall, they looked at saving money, now you've got to put people off to save us money.

You were all voted to represent all of us and we put you there on good faith that you would look after us as ratepayers of this Town and that's what you need to be doing.

**4.2.4 Mr Rob Cavanagh**

I would just like to urge Council to vote against this because it's bad for everyone.

It's become even more obvious tonight that it was a mistake to lease the airport out and now we can't afford to live here anymore. Some of that money needs to come back.

I find it ridiculous that the airport money is getting such a poor interest rate in return. It just seems out of proportion. It's illegal now to have fixed interest loans, there must be a way that you can get out of them.

Use the money from the airport and put it back in to helping the people out because that's what you're here for. I urge you all to vote against it.

The Mayor closed Public Statement time at 6:16pm.

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**Item 5 Questions from Members without Notice**

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**5.1 Deputy Mayor Louise Newbery**

*Where in this agenda item have we allowed for the extreme high risk of the [newly identified] rates that we discussed during the budget workshop held on Saturday 23 June 2018?*

The Chief Executive Officer advised that Council is considering the rating strategy, not the budget and that when the budget is presented to Council it will reflect where the money will be set aside.

*Do we have a rough estimate of what the final figure is in this budget?*

The Manager Financial Services advised that the estimated budget figures were discussed at the workshop on Saturday, which is approximately \$48 Million in operational expenditure and \$13.5 Million in Capital Projects.

*Sorry, I meant what is carried over from last year's budget to this year's budget?*

The Chief Executive Officer advised that no money is carried over and that each financial year a fresh budget is adopted.

**5.2 Councillor Richard Whitwell**

*It would be useful for everyone to view all of the budget because when we're comparing rates we need to understand where it fits in.*

The Mayor advised that Council were provided with the section of the budget which determines how much the rate in the dollar would be during the budget workshop held on Saturday 23 June 2018.

The Chief Executive Officer advised that during the workshop Council reviewed the capital projects, the operational costs and the revenue sources and what options they have. The Chief Executive Officer advised that if there are any changes to the rates the operational budget would need to be refined.

*Are you interested in using sensitivity analysis to see what options there are for the budget?*

The Director Corporate and Performance advised that she is aware of sensitivity analysis, but that it is too late to implement it this year. The Director Corporate and Performance advised that she has spoken with Council about overhauling the way the Town does its reporting from budgeting, right through to monthly accounts and the year-end process, and also advised that at this stage the Town will be working to a balanced budget with what comes through in rates revenue, and then will start to cull projects. The Director Corporate and Performance advised that operating expenditure that was discussed at the workshop on Saturday has been reviewed by the executive team in great detail and is threadbare, and that it's enough to keep the operations running and to provide the level of service that is expected by the community only. The Director Corporate and Performance advised that if the rates go up or down, it will be the projects that will determine what the Town does or does not do and that the only thing sensitivity analysis can be used on at this stage is the projects.



### 5.3 Councillor George Daccache

*Have all the rate payments been received from last year's rates, and if not, how much is still owing?*

The Director Corporate and Performance advised that not all rate payments for the financial year ending 30 June 2018 have been received and that currently there is around \$3 Million outstanding. The Director Corporate and Performance advised that there are figures included in that [outstanding] amount in relation to Mia Mia which the Town must recognise as rates and that at this stage the recovery on those amounts are not known.

The Mayor advised that the Town could provide details to Councillor Daccache of the amounts owed by Mia Mia.

The Chief Executive Officer advised that Council cannot discuss individual assessments in public.

### 5.4 Councillor Tricia Hebbard

*In relation to the 8.3% of residential and commercial properties that previously had an increase [to 11.1577 cents in the dollar], have they received a revised statement with this extra reduction?*

The Mayor advised that it was his understanding that it had not occurred yet but that they should expect to receive a reduction from 11.1577 to 9.3483 cents in the dollar.

### 5.5 Councillor Telona Pitt

*Is the Town able to give concessions to small businesses?*

The Mayor advised that the matter was discussed during the workshop held on Saturday 23 June 2018 and that there will be the ability for businesses suffering hardship to apply for a reduction to the Town.

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## Item 6 Declarations of All Members to Have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting

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

- Mayor Camilo Blanco
- Deputy Mayor Louise Newbery
- Councillor Julie Arif
- Councillor Richard Whitwell
- Councillor Peter Carter
- Councillor George Daccache
- Councillor Tricia Hebbard
- Councillor Warren McDonogh
- Councillor Telona Pitt

*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.*



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**Item 7 Reports of Officers**

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**7.1 Corporate and Performance****7.1.1 Rating Strategy 2018/19 (File No. 24/04/0002)**

**Author** Manager Finance  
**Authorising Officer** Director Corporate and Performance  
**Disclosure of Interest** Nil - The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

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**CM201718/236 COUNCIL DECISION****MOVED: DEPUTY MAYOR NEWBERY****SECONDED: CR PITT**

**That Council suspend sections 9.4, 9.5 and 9.9 of the Town of Port Hedland Standing Orders Local Law 2014 in accordance with section 18.2 'Suspension for Standing Orders' to discuss item 7.1.1 Rating Strategy 2018/19.**

**CARRIED 9/0**

6:30pm The Mayor advised that sections 9.4, 9.5 and 9.9 of the Town of Port Hedland Standing Orders Local Law 2014 have been suspended.

**CM201718/237 COUNCIL DECISION****MOVED: CR DACCACHE****SECONDED: CR ARIF**

**That Council resume sections 9.4, 9.5 and 9.9 of the Town of Port Hedland Standing Orders Local Law 2014.**

**CARRIED 9/0**

6:42pm The Mayor advised that sections 9.4, 9.5 and 9.9 of the Town of Port Hedland Standing Orders Local Law 2014 are resumed.

**CM201718/238 OFFICER RECOMMENDATION/ COUNCIL DECISION****MOVED: CR MCDONOGH****SECONDED: CR CARTER****That with respect to the 2018/19 Rating Strategy, Council:**

- 1. Consider the 38 submissions that have been received regarding the advertised 2018/19 Differential Rating Model, with a summary provided in Attachment 1, and all submissions being provided in full detail as per Attachment 2 (under confidential cover) to this report;**
- 2. With respect to the public submissions, pursuant to sections 6.32, 6.33, 6.34 and 6.35 of the *Local Government Act 1995*, endorse the following differential general rates and minimum payments on Gross Rental and Unimproved Values with the view of striking these rates as part of the 2018/19 Budget adoption:**

<b>Rate Category</b>	<b>Rate in Dollar (expressed as cents in \$)</b>	<b>Minimum Payment</b>
<b>GRV Residential</b>	<b>9.3483</b>	<b>\$1,300</b>
<b>- Differential Minimum GRV Residential – Vacant</b>		<b>\$1,900</b>
<b>GRV Commercial / Industrial</b>	<b>9.3483</b>	<b>\$1,900</b>
<b>GRV Commercial / Industrial – Vacant</b>	<b>14.0225</b>	<b>\$1,900</b>
<b>GRV Mass Accommodation</b>	<b>32.6058</b>	<b>\$1,900</b>
<b>GRV Tourist Accommodation</b>	<b>22.3154</b>	<b>\$1,900</b>
<b>UV Mining</b>	<b>37.1665</b>	<b>\$270</b>
<b>UV Pastoral</b>	<b>10.7558</b>	<b>\$1,900</b>
<b>UV Other</b>	<b>19.1760</b>	<b>\$1,900</b>

- 3. Endorse the 2018/19 Statement of Objects & Reasons as per Attachment 3;**
- 4. Request that the Chief Executive Officer, or the officer's delegate(s), seek approval from the Minister for Local Government, Heritage, Culture and the Arts for the Town's application of the above 2018/19 Differential Rating Model as proposed, with respect to:**
  - a) Rate in the Dollar for the GRV Mass Accommodation (32.6058), and Tourism Accommodation (22.3154) categories, due to them being more than two times the lowest Rate in the Dollar for the GRV Residential rate category (9.3483);**
  - b) Minimum number of properties rated under GRV Residential – Vacant as a differential minimum and GRV Commercial / Industrial – Vacant, due to them exceeding more than 50% of the total differential properties in each category; and**
  - c) Rate in the Dollar for the UV Mining (37.1665) category, due to it being more than two times the lowest Rate in the Dollar for the UV Pastoral (10.7558) category.**

**CARRIED 8/1**

For: Mayor Blanco, Deputy Mayor Newbery, Cr Arif, Cr Whitwell, Cr Carter, Cr Hebbard, Cr McDonogh, Cr Pitt  
 Against: Cr Daccache

## PURPOSE

This report recommends that Council endorse the 2018/19 Differential Rating Model to allow the Chief Executive Officer to apply to the Minister for Local Government, Heritage, Culture and the Arts to approve the Town of Port Hedland's proposed differential rates for both Unimproved Value and Gross Rental Value, where the rate in the dollar (RiD) for a category is more than twice that of the lowest category, and the number of properties on minimum is greater than 50% of the total properties in any differential. Under the model presented, application is required for:

- GRV Residential – Vacant (differential minimum);
- GRV Commercial/Industrial - Vacant (minimum properties);
- GRV Mass Accommodation;
- GRV Tourist Accommodation; and
- UV Mining.

This report presents all public submissions received regarding the advertised rating strategy for the 2018/19 financial year and outlines the rates model that will be considered as part of the 2018/19 Budget adoption.

Submissions from the rate payers and electors were requested and received after a 21 day submission period. The officer's recommendation is included in the below table, and has been discussed at length with the Elected Members in a confidential workshop held on Saturday 23 June 2018. The model presented below has considered all feedback, as well as additional valuation amendments received since the original rating strategy was advertised. The model proposes amendments to the advertised rating strategy namely; reduced minimums for all categories excluding UV Mining; and reductions to the proposed rate in the dollar for GRV Residential, GRV Commercial/Industrial, GRV Commercial/Industrial – Vacant and UV Other.

Category	Mininum	RiD	Yield	RiD Multiplier
GRV Residential	\$1,300	9.3483	\$13,008,098	100%
Differential Minimum GRV Residential – Vacant	\$1,900			
GRV Commercial / Industrial	\$1,900	9.3483	\$4,640,601	100%
GRV Commercial / Industrial – Vacant	\$1,900	14.0225	\$277,058	150%
GRV Mass Accommodation	\$1,900	32.6058	\$3,726,712	349%
GRV Tourist Accommodation	\$1,900	22.3154	\$822,938	239%
UV Mining	\$270	37.1665	\$1,362,194	346%
UV Pastoral	\$1,900	10.7558	\$122,195	100%
UV Other	\$1,900	19.1760	\$6,638,477	178%

It should be noted that Ministerial approval must be obtained for the proposed rating strategy prior to Council adopting the 2018/19 Budget. If Ministerial approval is not sought, the budget will be invalid, and rates imposed will not be recoverable and can be quashed by the State

Administrative Tribunal. Under the model proposed, Ministerial approval is required with respect to the following;

- GRV Residential – Vacant differential minimum;
- GRV Commercial/Industrial – Vacant minimum;
- GRV Mass Accommodation rate in the dollar;
- GRV Tourist Accommodation rate in the dollar; and
- UV Mining rate in the dollar.

## DETAIL

### *Rating Strategy - Background*

At the Ordinary Council Meeting dated 23 April 2018, Council resolved to endorse the 2018/19 Differential Rating Model for community consultation (decision CM201718/193).

Rate revenue is a substantial source of discretionary revenue for the Town of Port Hedland, and will account for approximately 60% of operating revenue in the 2018/19 Budget. The *Local Government Act 1995* empowers local governments to impose differential general rates and minimum payments on all rate-able land. The local government is required to receive approval from the relevant Minister to impose a differential general rate which is more than twice the lowest differential general rate, and to implement a minimum charge which impacts more than 50% of properties in any one differential category.

The Town of Port Hedland has adopted a differential general rate and general minimum payment for a number of years. The Council has provided direction to begin a strategic staged approach to in moving back towards uniform rating, allowing the property valuations as determined by the Valuer-General be the main determining factor in rates levied for each property.

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 as outlined in the adopted Strategic Community Plan and draft Corporate Business Plan. At the confidential workshop held on 23 June 2018, the Council reviewed a draft budget position for financial year 2018/19 and discussed the capital works projects proposed in detail, providing context to the proposed balanced budget underpinning this rates model.

The advertised rates model was developed using the following rating principles:

- Raise sufficient yield to maintain current service levels and future infrastructure renewal to meet community expectations, as outlined in the adopted Strategic Community Plan 2018 – 2028, ensuring a balanced budget;
- Distribute the rates burden more objectively and equitably by introducing uniform rating for GRV Residential, Commercial and Industrial differentials. Uniform rating will also improve transparency, administrative efficiency and reduce compliance costs;
- Introduction of vacant land differentials for GRV Residential (minimum only);
- Continue to phase in reductions for Tourism Accommodation to bring it in line with the GRV Commercial/Industrial differential consistent with the uniform rating strategy;
- Continue to reduce reliance on Transient Workforce Accommodation as directed by the Minister;
- Critical analysis of the yield generated by each differential category as a percentage of the total yield, comparing the contribution by each category, the valuation % of each category, and the services consumed;

- Properties are rated according to Town Planning zonings and predominant land use with each having a separate calculated rate in the dollar and established minimums to achieve greater equity across all sectors, and ensure a base level contribution.

As part of standard business practice, the Town has received updated GRV and UV valuations and lease information, and adjusted the rates model accordingly as presented in this report. Gross Rental Values are determined every three years (revaluation 2018) and Unimproved Values are determined annually by the Valuer-General. Proposed rates in this report have been calculated on the valuations provided with an enforce date of 1 July 2018.

The Town has prepared a robust rating strategy by taking a holistic approach which considered the impact on all rate payers and submissions received, ensuring a fair and equitable distribution of the rates yield and ensuring appropriate service delivery and asset renewal is provided for the Town. The adjusted proposed rates model provides a reduced rate in the dollar for the GRV Residential differential to 9.3483 (advertised 11.1577). This results in 91% of GRV Residential rate payers receiving a rates reduction. In comparison with other local governments in the Pilbara region when looking at advertised rates models, the Town of Port Hedland has the lowest proposed RiD for the GRV Residential differential compared to City of Karratha (11.6284) and the Shire of Ashburton (10.0357).

The proposed model also reduces the GRV Commercial/Industrial differential to 9.3483 (advertised at 11.1577) and GRV Commercial/Industrial - Vacant RiD to 14.0225 (advertised at 21.5924) following feedback from the Department of Local Government, Sport and Cultural Industries (DLGSC). Further consideration was provided to the UV Other differential with the proposed rate in the dollar reduced to 19.1760 (advertised at 21.4200). This is comparable when reviewing other council's differentials for the same categories advertised RiD of City of Karratha (17.6005) and Shire of Ashburton (36.9571).

The total rates yield proposed has been calculated based on delivering a balanced budget and takes into account the following;

- CPI increases on operational expenditure including utilities at 7%;
- Ensuring current service levels are maintained and delivered efficiently; and
- The significant amount of asset renewal required across the Town.

Asset management and maintaining service levels can present significant challenges for regional local governments in Western Australia and any rating model must support asset renewal and replacement requirements. It was identified in the 2017 Annual Financial Statement external audit findings that the Town is not currently meeting the DLGSC set benchmarks in relation to asset sustainability. The Town has historically only invested in asset renewals on average at a rate 50%, which is 40% below the lower end of the standard benchmark of 90% of depreciation. This represents a significant historical under investment in the Town's assets. To address this under-investment, strategies need to be put in place to fund significant increases in asset renewal, and rationalise duplicate or failing infrastructure.

*Rating Strategy – Consultation*

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.

Based on the tri-annual 2018 GRV revaluation, Council acknowledged the downward trend of valuations ranging from 15-70% across all GRV categories, prompting extensive community consultation and education in relation to the proposed 2018/19 rating strategy. It was identified through Strategic Community Plan consultation that transparency and communication from the Town with community stakeholders was essential. As a result, the Town of Port Hedland adopted a community engagement framework above what is required under the *Local Government Act 1995* and the Department of Local Governments' Rating Policy – Giving Notice. This process included the following:

- State-wide notice in the West Australian and Local public notice in the North West Telegraph on Wednesday 2 May 2018 advising of a submission due date and time of 4.00pm on 25 May 2018;
- Two "Town Hall" rates consultation and workshop sessions - one in Port Hedland in the morning and one in South Hedland in the evening to provide options for all rate payers and community members to attend;
- Individual ratepayers whose proposed rates increased by 5% or more from 2017/2018 were contacted by letter;
- Letters were sent to ratepayers with less than 30 properties in their differential as required by legislation;
- Social media campaigning including providing Town of Port Hedland specific rating calculation and explanation short videos for education;
- Copy of Notice of Intention to Impose Differential General Rates and Statement of Objects and Reasons placed on Town website and public notice boards at the Civic Centre and Libraries; and
- Workshop with Elected Members on 23 June 2018 prior to SCM, where all submissions and recommendations in this report were discussed in detail.

As part of the above community consultation process, 38 formal submissions were received regarding the proposed rate in the dollar and minimum payments. Submissions related to the GRV Residential, Commercial, Industrial, and Commercial & Industrial Vacant Land rate codes and the UV Mining rate code. A summary of the submission content is listed in Attachment 1 and a copy of all full submissions and the Town's response have been provided in the confidential Attachment 2 (under confidential cover) of this report.

**LEVEL OF SIGNIFICANCE**

In accordance with Policy 4/009 'Significant Decision Making', this matter is considered to be of high significance, because the outcome of the rating strategy and the yield achieved has the potential to affect the capacity of the Council to carry out any activity identified in the strategic plan; affects affect a wide range of people who reside in Port Hedland; and could have implications for the present and future social, economic, environmental and cultural well-being of Port Hedland.

Rates are an essential source of income for Council to fund the Town's vision to be Australia's leading Port Town embracing community, cultural and environment and to provide services and facilities vital to building a unified and vibrant community, supporting a diverse economy enabling sustained economic growth, balancing our built and natural environment leading our community.

## CONSULTATION

### *Internal*

- Executive Leadership Team
- Rates Department
- Elected Members
- Planning Department

### *External Agencies*

- Department of Local Government, Sport and Cultural Industries
- Moore Stephens
- Landgate
- Department of Mines and Industry
- Department of Lands

### *Community*

Please refer to above detailed community consultation process

## LEGISLATION AND POLICY CONSIDERATIONS

- 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;
- Section 6.26 of the *Local Government Act 1995* – Non-rateable land;

The Department of Local Government and Communities has prepared a number of relevant Rating Policies that local governments must consider and comply with:

- Rating Policy – Giving Notice (section 6.36 of the *Local Government Act 1995*) June 2015;
- Rating Policy – Minimum Payments (section 6.35 of the *Local Government Act 1995*) March 2016;
- Rating Policy – Differential Rates (section 6.33 of the *Local Government Act 1995*) March 2016;
- Rating Policy – Rate-able Land (section 6.26 of the *Local Government Act 1995*) August 2013.

Attachment 2 of this agenda item has been made confidential in accordance with Section 5.23 (2) (e) (iii) of the *Local Government Act 1995*.

This agenda item has also considered the *Valuation of Land Act 1978*.

## FINANCIAL AND RESOURCES IMPLICATIONS

The proposed rates model is expected to yield \$30,598,274 in total rate revenue.

The income from the proposed rates model will meet the estimated required revenue from rates to fund the operations and capital expenditure requirements for the 2018/19 budget. The Town acknowledges the possibility of valuation challenges this year following the Valuer General's revaluation for 2018. As such a provision for high risk rates has been made in order to ensure valuation reviews do not materially impact on the Town's ability to deliver projects and services.

The officer notes that in considering committed and forecast expenditures, combined with endeavouring to reduce its reliance on dividends likely to be required from the Port Hedland International Airport Lease funds currently restricted in reserves, that the Council has introduced the following efficiency measures as part of the 2018/19 Budget Strategy.

- a. That the Budget will be based on zero based budgeting;
- b. Requiring all Business Units to prepare a business plan for its continuing operations, that will incorporate prescribed service levels;
- c. That the Chief Executive Officer is tasked to identify other savings and efficiencies for consideration during the course of the financial year.

## STRATEGIC AND SUSTAINABILITY IMPLICATIONS

The following section of the Council's *Strategic Community Plan 2018-2028* is applicable in the consideration of this item:

### **Our Leadership**

*We are united in our actions to connect, listen, support and advocate thereby leveraging the potential of our people, places and resources.*

#### **4.b Transparent and accountable governance and financial sustainability**

- 4.b.1 Sound long-term financial planning is implemented
- 4.b.2 Transparent and regular financial reporting and communication to the community is undertaken
- 4.b.3 Transparent and regular governance reporting and communication to the community is undertaken

### *Environmental*

There are no significant identifiable environmental impacts arising from adoption of the officer's recommendation.

### *Economic*

The Town is seeking to distribute the financial pressures imposed on rate payers by proposing a uniform rating strategy to balance the rates burden more equitably across the differential categories. An increase to the proposed rates yield takes into account CPI increases on operational expenditure; ensuring current service levels are maintained and delivered efficiently; and the significant amount of asset renewal required across the Town.



The GRV Commercial/Industrial differential rate payers have been paying a considerably lower rate in the dollar compared to residential rate payers for a number of years to aid in the decline of the mining boom. This no longer holds a valid argument with the normalisation of the economic climate in recent months, and the move to uniform rating for these categories supports this. We acknowledge that some Commercial / Industrial rate payers will experience an increase, however this aligns with the cost of maintaining and improving assets in the industrial estates, acknowledging that Port Hedland as an economic area is a heavy mining and industry economy, and has significant infrastructure improvement requirements planned for the next 10 - 20 years.

At the time of adopting the 2018/19 budget, relief is anticipated to be provided to not-for-profit community groups and eligible pensioners in line with approved applications received by the Council, by providing rates and service charge (where applicable) concessions for the 2018/19 financial year.

### *Social*

There are no significant identifiable social impacts arising from adoption of the officer's recommendation.

## **RISK MANAGEMENT CONSIDERATIONS**

As per the risk matrix contained in policy 1/022 'Risk Management', the level of risk is considered to be High (12).

There is a financial risk with a rating of high (12) that the Minister will not approve the proposed RiD's for GRV Mass Accommodation, GRV Tourism and UV Mining and Minimum payments for GRV Residential – Vacant and GRV Commercial/ Industrial - Vacant. The estimated revenue loss should the Minister reject the Town's application would place significant financial pressure on the operations of the Town in the 2018/19 financial year and beyond.

There is a financial risk with a rating of high (12) that valuation objections to Landgate (if re-valued down) will result in less rates yield achieved than budgeted. This will have a flow on effect in relation to the deliverability of services and asset renewal.

## **OPTIONS**

*Option 1 - Adopt Officers Recommendation*

*Option 2 - Amend Officers Recommendation*

## **CONCLUSION**

The proposed rates model is expected to yield \$30,598,274 in total rate revenue. The income from the proposed rates model will meet the estimated required revenue from rates to fund the operations and capital expenditure requirements for the 2018/19 budget. All community consultation and feedback from the DLGSC has been considered as part of the proposed rating strategy. It is therefore suggested that Council endorse recommendations 1 to 4 as presented to ensure the short and long term financial sustainability of the Town.

**ATTACHMENTS**

1. Summary of submissions received regarding the advertised 2018/19 Differential Rating Model (Under separate cover)
2. Submissions received regarding the advertised 2018/19 Differential Rating Model and responses from the Town of Port Hedland (Under confidential cover)
3. 2018/19 Statement of Objects and Reasons

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**Item 8 Matters for Which Meeting May Be Closed (Confidential Matters)**

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Nil

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**Item 9 Closure**

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**9.1 Date of Next Meeting**

The next Ordinary Meeting of Council will be held on Wednesday 25 July 2018, commencing at 5:30pm, with the Public Agenda Briefing being held on Wednesday 18 July 2018, commencing at 5:30pm.

**9.2 Closure**

There being no further business, the Mayor declared the meeting closed at 7:03pm.