



Shire of
Serpentine
Jarrahdale

Special Council Meeting Minutes

Thursday, 15 June 2017

6.00pm

Contact Us

Enquiries

Call: (08) 9526 1111

Fax: (08) 9525 5441

Email: info@sjshire.wa.gov.au

In Person

Shire of Serpentine Jarrahdale

6 Paterson Street, Mundijong WA 6123

Open Monday to Friday 8.30am-5pm (closed public holidays)



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Minutes of the Special Council Meeting of the Shire of Serpentine Jarrahdale held on Thursday, 15 June 2017 in the Council Chambers, Civic Centre, 6 Paterson Street, Mundijong. The Shire President declared the meeting open at 6.00pm and welcomed Councillors, Staff and members of the gallery and acknowledged that the meeting was being held on the traditional land of the Noongar People and paid his respects to their Elders past and present.

Minutes

1. Attendances and apologies (including leave of absence):

In Attendance:

Councillors: J Erren Presiding Member
D Atwell
K Ellis
D Gossage
S Hawkins
M Rich
J See

Officers: Mr K Donohoe Chief Executive Officer
Mr D Elkins Director Engineering
Mr P Kocian Acting Director Corporate and Community
Ms K Cornish Governance Advisor
Ms A Liersch Minutes and Governance Officer (Minute Taker)

Leave of Absence: Nil

Apologies: Councillor S Piipponen;
Mr A Schonfeldt (Director Planning)

Observers:

Shire Officers - 2

Members of the Public - 2

Members of the Press - Nil

2. Public question time:

2.1 Response to previous public questions taken on notice

Nil

2.2 Public questions

Nil



3. Public statement time:

Nil

4. Petitions and deputations:

Nil

5. Declaration of Councillors and Officers interest:

Nil

6. Receipt of minutes or reports and consideration of adoption of recommendations from Committee meetings held since the previous Council meetings:



6.1 Reports for consideration:

SCM004/06/17 - 2017/18 Differential General Rates and Minimum Payments – Consideration of Submissions (SJ2055)	
Author:	Peter Kocian – Acting Director Corporate and Community
Senior Officer/s:	Kenn Donohoe – Chief Executive Officer
Date of Report:	1 June 2017
Disclosure of Officers Interest:	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

Introduction

This report recommends that Council endorse the 2017/18 Differential General Rates and Minimum Payments for the Shire of Serpentine Jarrahdale, and request that the Minister for Local Government and Communities approve the Shire's application for the rating model as it is proposed to apply a minimum payment for vacant land to more than 50% of properties in the GRV Vacant general rate category.

Ministerial approval must be obtained before the Council Meeting, which adopts the annual budget, or the budget is invalid and rates imposed are not recoverable and can be squashed by the State Administrative Tribunal.

Background

At the Special Council Meeting of 11 May 2017, Council resolved to endorse the proposed 2017/18 Differential General Rates and Minimum Payments for community consultation.

The advertised model was underpinned by the following rating principles as discussed in the Rating Review Report and Statement of Rating Objectives and Reasons:

- The number of Gross Rental Value general rate categories was reduced from three categories to two categories being 'GRV Improved' and 'GRV Vacant';
- A uniform Unimproved Value general rate category being 'UV General' was established;
- Properties are rated according to predominant land use as determined by the local government;
- The current Gross Rental Values have a date of valuation of 1 August 2016 – that is, the Shire has received a general valuation in the last 12-months with valuations coming into force on 1 July 2017;
- 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 2017;
- Following the general valuation, valuations for all GRV properties have increased by an average of 7.12%, with Residential properties slightly below the average at 6.03% and Commercial and Industrial properties above the average at 10.39% and 15.62% respectively;
- The proposed model will yield \$20,867,297 in total rate revenue which is a 2.37% increase on 2016/17 year to date rate revenue, which includes interim rate revenue raised;
- That the current concession scheme for farmland and conservation properties be retained in accordance with Council Policy – a 31% concession is provided to 161 farmland properties and a 50% concession is provided to 12 conservation properties;
- A uniform minimum payment of \$1,300 is imposed for 'GRV Vacant' and 'UV General' properties with a lesser minimum of \$1,200 for 'GRV Improved' properties.



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 modification.

The effective date for the commencement of local public notice was Tuesday 16 May 2017 with the notice of intention published in the 'Armada Comment News', with submissions to be received by 5.00pm Wednesday 7 June 2017 (21 clear days after the date of notice). One submission was received during this period (attachment **SCM004.1/06/17**).

Relevant Previous Decisions of Council

SCM002/05/17 – Council endorsed the Statement of Rating Objects and Reasons and the proposed Differential General Rates and Minimum Payments for public advertising.

Community / Stakeholder Consultation

The Shire has met the requirements of section 6.36 of the *Local Government Act 1995* and the Department of Local Government and Communities Rating Policy 'Giving Notice'.

An advertisement was placed in the Armada Comment News, the Examiner Newspaper, and on the Shire's website and on noticeboards in the Shire Office and Mundijong Public Library.

Comment

Discussion on Submissions

The Shire received a single submission from McMahon Mining Title Services Pty Ltd. The submission requests that Council consider a separate and lower UV rate category, or a concession, for Exploration and Prospecting Licenses. The submission argues the following points:

- The proposed minimum payment of \$1,300 exceeds the maximum rent payable to the Department of Mines and Petroleum on Prospecting Licenses and more than the total rent that would be payable for a 10-block Exploration License.
- Exploration companies are equity funded and have limited cash flow, and at the exploration/prospecting stage must invest significant funds with minimal returns.
- While mining operations and other tenure categories with intensive land usage may generate higher demand on Shire infrastructure and services, exploration activities are normally of low intensity and short duration and are not characterised by the same high traffic volumes or weights or demands on Shire infrastructure.

Whilst the above points are noted by Officers, a review of the rates modelling data confirms that there are 16 rateable properties in the proposed 'UV General' rate category that have a land use of 'mining tenement'. All of these properties will attract the minimum payment of \$1,300 due to their relatively low valuations.

Officers do not believe there is sufficient justification to warrant a separate rate category for only 16 properties. A uniform UV rate category is proposed to simplify the rates model, and to closely align to the key rating principles. A uniform minimum payment also ensures that all ratepayers are making an equitable contribution to the rate yield.



Final Budget Proposal

With due consideration to the public submission received, the following are the recommended differential general rates and minimum payments to be imposed by the Shire of Serpentine Jarrahdale for the 2017/18 financial year:

Rate Category	Advertised RID/Min. Payment	Proposed RID/Min. Payment	Explanation
GRV Improved	8.7569	8.7569	No change
GRV Vacant	13.4169	13.4169	No change
UV General	0.3628	0.3628	No change
General Minimum Payment	\$1,300 GRV Vacant and UV General \$1,200 GRV Improved	\$1,300 GRV Vacant and UV General \$1,200 GRV Improved	No change

A comprehensive Rating Review was prepared by Moore Stephens, and was considered by Council at the Special Meeting of 11 May 2017. This document provides the basis for the recommended rating structure.

The level of rates has been benchmarked against neighbouring local governments, with comparatives also considered in the Rating Review report.

In adopting its annual budget, the Council must consider its Strategic Community Plan (SCP) and Corporate Business Plan (CBP) under section 5.56 of the Act. Presently, a full review of the SCP and CBP is being completed. Staff have concurrently developed a draft Long-Term Financial Plan (LTFP) over the last 3 months. The draft LTFP is underpinned by key assumptions, including proposed rate increases over a ten-year period. One of the LTFP scenarios modelled by staff indicates an increase in rate yield of 2% for the 2017/18 financial year (compared to year to date 16/17 actual rate yield). The basis for this proposed increase is as follows:

- Rate increases imposed by the Shire of Serpentine Jarrahdale have historically exceeded the rate of inflation (consumer price index) due to growing population demands on the provision of services and infrastructure. The new Local Government administration and Council is committed to keep rate increases to a moderate level. This will require a commitment to cost restraint, and the identification of operational efficiencies.
- The Perth CPI for the full year to March 2017 was 1.0%.
- The Local Government Cost Index (LGCI) for the full year to March 2017 was 1.0%. The LGCI grew by 0.3% during the December quarter, marking the eighth straight month of growth. Cost pressures for Local Government is therefore starting to pick up with the major cost drivers being:
 - Cost of machinery and equipment (up 0.9%)
 - Wages (up 1.2%)
 - Road construction (up 1.5%)
 - Electricity (up 3.1%)



The continued modest growth in the LGCI indicates that the WA economy is stabilising, and that the cost pressures faced by Local Government are expected to increase in coming years as economic conditions improve. The Western Australian Local Government Association (WALGA) predicts the index will rise by 2% in 2017/18, on account of higher costs associated with energy and street lighting, wages and construction. The WA Wage Price Index is expected to increase to 2.25% in 2017/18.

In its May 2017 Economic Briefing, WALGA have advised of the following external factors to consider when setting the Budget:

- Financial Assistance Grants – the recent Federal Budget contained positive news for local government that the indexation of Financial Assistance Grants would be restored from 1 July 2017. Councils also need to be aware of cash flow implications from changes to the timing of payments. Half of the FAGs allocation for 2017/18 will be paid in the 2016/17 financial year, but will be identified as 2017/18 funding.
- Review into the WA public sector – the McGowan Government is focused on addressing the State's significant financial challenges. One key initiative that has been announced is a review into the public sector, with the aim to reduce its size by 40%. This is a significant task, and will likely result in significant cuts to programs and grant funding, which may impact the local government sector. It is not yet known where any cuts are likely to be directed, with the findings of the review to be handed down in October.
- Utility Prices – with the State Budget being delayed until 7 September 2017, it will be a number of months until utility pricing is known. However, there is the possibility of higher than expected price increases as the Government looks to reduce the \$300m operating subsidy that is currently provided to Synergy. Treasurer Wyatt has also indicated that water bills will also need to rise.
- Economic Conditions – although there are signs that the downturn in the WA economy may be bottoming out, conditions still remain challenging overall – particularly in relation to the labour market. With many households facing weaker job prospects and slower wages growth, and businesses facing weaker operating conditions, this may impact Local Government's bottom line through lower fees and charges revenue, delayed payments, and greater demand for some services such as public libraries.

In light of the above remarks, the proposed increase in total rate yield of 2.37% is considered to be equitable. Rates do represent a high proportion of the Shire's annual income, and our annual planning processes will continue to assess the community's capacity and willingness to pay rates. The Council will require some reliability and control over future rate increases to provide some level of certainty to the LTFP. As part of this strategy, Council's objective will be to achieve a stable rating price path for our community. Where new major projects or initiatives are likely to place an increased burden on ratepayers beyond the price path of the LTFP, increase community consultation, and demonstrated community support for such increases must be achieved. However the Shire will always first seek to maximize alternative revenue streams such as grant funding, and user pays fees and charges.

Budget Statement

The identified 2017/18 municipal fund budget deficit is \$20,867,297. It is anticipated that 100% of the deficiency will be funded by the rate yield. The draft Budget is structured on the following principles:

- Rolling budget linked to the Strategic Community Plan, Corporate Business Plan and Long Term Financial Plan;
- Same or improved level of service;



- Commitment to deliver on budgeted programs and asset management requirements (an asset renewal ratio of 80% has been targeted);
- 1.5% increase in all non-statutory fees and charges;
- Commitment to cost restraint wherever possible being tied to the Local Government Cost Index of 1%;
- Commitment to achieving operational efficiencies such as plant operating costs, attainment of value for money in service contracts, and savings on legal expenses and consultancies;
- Maintenance of a balanced budget.

Payment Arrangements

Council allows ratepayers to pay their rates and charges in full or by two or four equal instalments across the course of the financial year. In 2016/17, payment by instalment incurred an instalment fee of \$10 for each instalment after the first instalment and interest penalty of 5.5%. The Shire's 2017/18 Budget anticipates income of \$125,000 from these charges.

The Shire also allows ratepayers to request an alternative payment arrangement. All requests for alternative payment arrangements are subject to approval by the Director Corporate and Community, and generally must ensure that the total amount in arrears must be paid in full by the end of the financial year.

The Shire has also introduced direct debit arrangements for the payment of rates. It is recommended that as part of its 17/18 budget deliberations, that Council consider waiving the administration fee and penalty interest for all ratepayers who elect to pay their rates by direct debit in 2017/18, if their rates bill is paid in full by 30 June 2018. This recognises that rates bills form part of property owner budgets and this arrangement will provide greater flexibility by allowing ratepayers to spread their cash flow over 12 months.

Conclusion

It is recommended that three general rate categories be established being 'GRV Improved', 'GRV Vacant' and 'UV General'. This is a much-simplified rates model compared to previous years and better aligns to the rating principles of objectivity, fairness and equity, consistency, transparency and administrative efficiency. A 2.37% increase in total rate yield is proposed, which will yield \$20,867,297 in rate revenue in 2017/18. This moderate rate increase reflects the economic conditions, as detailed in this report, whilst providing for the net funding requirements of the Shire to deliver a responsible budget. Recognising the economic conditions faced by ratepayers, it is recommended that Council consider the waiving of administration charges and penalty interest for all ratepayers electing to pay rates by direct debit.

Attachments

- [SCM004.1/06/17](#) – Submission from McMahon Mining Title Services Pty Ltd (IN17/11545)
- [SCM004.2/06/17](#) – Extract of Synergy Rates Modelling (E17/4334)

Alignment with our Strategic Community Plan

Objective 2.1	Responsible Management
Key Action 2.1.1	Undertake Best Practice Financial and Asset Management



Statutory Environment

The following sections of the *Local Government Act 1995* are relevant:

Section 6.33 – Differential General Rates

Section 6.35 – Minimum Payments

Section 6.36 – Giving Notice

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

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.

Financial Implications

The proposed differential general rates and minimum payments will yield \$20,867,297 in total rate revenue, which is a 2.37% increase on 2016/17 year to date rate revenue, which includes interim rate revenue raised. It is anticipated that 100% of the 2017/18 budget deficiency will be funded by the rate yield. The draft Budget is structured on the following principles:

- Rolling budget linked to the Strategic Community Plan, Corporate Business Plan and Long Term Financial Plan;
- Same or improved level of service;



- Commitment to deliver on budgeted programs and asset management requirements (an asset renewal ratio of 70% has been targeted);
- 1.5% increase in all non-statutory fees and charges;
- Commitment to cost restraint wherever possible being tied to the Local Government Cost Index of 1%;
- Commitment to achieving operational efficiencies such as plant operating costs, attainment of value for money in service contracts, and savings on legal expenses and consultancies;
- Maintenance of a balanced budget.

Voting Requirements Absolute Majority

SCM004/06/17 COUNCIL DECISION / Officer Recommendation:

Moved Cr Rich, seconded Cr Hawkins

That Council:

- 1. Notes the single ratepayer submission received regarding the proposed 2017/18 Differential General Rates and Minimum Payments;**
- 2. After giving consideration to the public submission, endorses the 2017/18 Differential General Rates and Minimum Payments as follows, with a view of striking the rates as part of the 2017/18 Budget adoption:**

Rate Category	Proposed Rate in \$	Proposed Minimum Payment	No. Rateable Properties	% of Properties on Min. Payment	Total Rateable Value	Proposed Budget Rate Yield 2017/18
GRV Improved	8.7569	\$1,200	6,800	4.19%	\$137,726,181	\$12,099,068
GRV Vacant	13.4169	\$1,300	1,099	83.25%	\$9,323,320	\$1,711,285
UV General	0.3628	\$1,300	3,324	15.34%	\$1,970,057,007	\$7,056,943
			11,133			\$20,867,297

- 3. With respect to the 'UV General' general rate category, notes that this category includes both 'Farmland' and 'Conservation' properties, and a 31% concession has been applied to 161 'Farmland' properties giving an effective rate in the dollar of 0.2503 cents, and a 50% concession has been applied to 12 'Conservation' properties giving an effective rate in the dollar of 0.1814 cents;**
- 4. Requests that the Chief Executive Officer, or his delegate, seek approval from the Minister for Local Government and Communities for the Shire of Serpentine Jarrahdale's application for the above differential general rating model as it is proposed:**



(i) Minimum payments for vacant land apply to more than 50% of properties in the GRV Vacant general rate category;

5. Authorises the Chief Executive Officer, or his delegate, to request the Minister provide timely approval, as it is intended to present the 2017/18 Budget to Council for adoption at the Ordinary Council Meeting of 24 July 2017;

6. As part of its 2017/18 Budget deliberations, considers waiving the instalment interest charge and all penalty interest where a person elects to pay rates via direct debit (alternative arrangement), and rates (including arrears) are paid in full by 30 June 2018.

CARRIED 7/0 BY ABSOLUTE MAJORITY

7. Motions of which notice has been given:

Nil

8. Urgent business:

Nil

9. Closure:

There being no further business the Presiding Member declared the meeting closed at 6.03pm.

I certify that these minutes were confirmed at the
Ordinary Council Meeting held on 26 June 2017

.....
Presiding Member

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Date