UNCONFIRMED MINUTES

OF THE FINANCE COMMITTEE MEETING

HELD IN THE COUNCIL CHAMBERS, YALGOO

ON 26 MAY 2017

COMMENCING AT 10.00 AM
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Members of the Finance Committee

The Shire of Yalgoo Finance Committee was established by an absolute majority of Council, resolution C2015-1010, at the Ordinary Council Meeting on 22 October 2015, in accordance with s7.1A of the Local Government Act 1995.

Council nominated all Councillors to be members of the Finance Committee.

The following persons are members of the Finance Committee:

- Cr Neil Grinham
- Cr MR (Raul) Valenzuela
- Cr Robert Grinham
- Cr Joanne Kanny
- Cr Gail Trenfield

The meeting held on 10 June 2016 Cr MR (Raul) Valenzuela was elected as the presiding member of the Finance Committee.

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Presiding Member Cr R Valenzuela declared the meeting open at 10:20 am.

Cr Percy Lawson was elected as the Deputy Presiding Member of the Finance Committee, however on the 16 December 2016 Cr Lawson formally resigned from Council, and it is now necessary to elect a new Deputy Presiding Member.

1.1 Election of Deputy Presiding Member:

The Presiding Member asked for nominations for the position

Should more than one (1) nomination be received the Chief Executive Officer and the Presiding Member to declare the Deputy Presiding Member elect in accordance with Clause 8 of Schedule 2.3 of the Local Government Act 1995 will conduct a secret ballot.

As only one nomination was received the Presiding Member declared that Cr Joanne Kanny has been elected unopposed as the Deputy Presiding Member for the Finance Committee.
2. RECORD OF ATTENDANCE/APOLOGIES

MEMBERS

Cr Neil Grinham, Shire President
Cr Raul Valenzuela, Deputy Shire President
Cr Robert Grinham
Cr Gail Trenfield
Cr Joanne Kanny

STAFF

Consultant: Dominic Carbone, Dominic Carbone & Associates, via telephone link
Steven Cosgrove, Coordinator Governance & Technical Services (CGTS)
Karen Malloch, Executive Assistant (EA)

GUESTS

OBSERVERS

APOLOGIES

3. DISCLOSURE OF INTERESTS

Disclosures of interest made before the Meeting.
Nil

4. CONFIRMATION OF MINUTES OF THE FINANCE COMMITTEE

Background
Minutes of the Finance Committee held on 15 July 2016 were previously distributed to members.

Voting Requirements
Simple majority

OFFICER RECOMMENDATION/COMMITTEE DECISION

F2017-0501 Minutes of the Finance Committee Meeting
That the minutes of the Finance Committee meeting held on 15 July 2016 as circulated be confirmed as a true and correct record of proceedings.

Moved: Cr J Kanny Seconded: Cr R Grinham Motion put and carried 5/0
5. BUSINESS AS NOTIFIED

5.1 Differential Ratings 2017/18 Proposed Rates and Minimums

<table>
<thead>
<tr>
<th>Author:</th>
<th>Dominic Carbone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Declared:</td>
<td>No interest to disclose</td>
</tr>
<tr>
<td>Date:</td>
<td>20 May 2017</td>
</tr>
<tr>
<td>Attachments</td>
<td>Shire of Yalgoo Rating Methodology and its’ Differential Rating Model for 2017-2018</td>
</tr>
</tbody>
</table>

Matter for Consideration

Determination of the rate in the dollar and the minimum rates of the various differential rating categories for the 2017/18 financial year, and the advertising for the Shire’s intention to impose.

Background

The Valuer General’s Office (Landgate) provides Council with a rateable value for each rateable property within the Shire. Properties located in the townships of Yalgoo and Paynes Find are valued based on a gross rental value (GRV). Pastoral/rural, mining and exploration/prospecting are valued based on unimproved value (UV). Council will then set a “rate in the dollar” (RID) and minimum rate.

The rateable value (as advised by the Valuer General’s Office) is multiplied by the rate in the dollar to produce the annual rates to be charged to the property. If this value is less than the minimum rate value agreed by Council, then the ratepayer will be charged the minimum rate value.

In August 2015, Council reviewed and adopted the Objects and Reasons for the differential rating categories in the Shire of Yalgoo. The rating methodology has been reviewed and updated for the 2017-18 financial year (copy attached).

The annual differential rating proposal is to be advertised for public comment for a period of 21 days prior to its adoption by Council. Submissions from ratepayers and electors are to be invited and if any submissions are received, Council is required to consider them and decide whether to impose the proposed rates and minimum with or without modification.

If a Local Government has a differential rate that is more than twice the lowest differential rate imposed, approval from the Minister for Local Government must be obtained before the rates are formally adopted by Council.

Once Council has advertised for the required time, processed any submissions from ratepayers and Ministerial approval has been granted, Council can then adopt the Annual Budget on or prior to 31 August of each calendar year.

Statutory Environment

Local Government Act 1995
- s.6.32 – States that a local government, in order to make up the budget deficiency, is to impose a general rate on rateable land that may be imposed uniformly or differentially.
- s.6.33(1) – Provides that a local government may impose differential general rates according to a number of characteristics.
- s.6.33(3) – States that a local government cannot, without the approval of the Minister, impose a differential general rate that is more than twice the lowest differential general rate imposed.
- s.6.34 – States that a local government cannot without the approval of the Minister raise an amount of general rates that exceeds 110% of the budget deficiency or is less than 90% of the budget deficiency.
- s.6.35 – States a local government may impose a minimum rate that is greater than the general rate that would be applied for the land and outlines the requirements for this minimum rate.
- s.6.36 – Requires that a local government before imposing any differential general rates provides at least 21 days local public notice of its intention to do so.

**Strategic Implications**

The Local Government is to ensure that it raises enough rates to generate the revenue required to fund its operating and capital expenditure commitments.

Rates Revenue as per the Long Term Financial Plan for the 2017-2018 financial year is estimated at $2,112,214 based on a 5.2% increase over the previous year.

**Policy Implications**

- Policy 7.5 Rates Calculation – outlines the steps for staff to prepare a draft budget using Local Government Cost Index (LGCI).
- Policy 7.6 Preparation of Budget – outlines the steps and timetable leading to the adoption of the Budget.
- The Council adopted an increase rate in the dollar as part of the Long Term Financial Plan

**Financial Implications**

After taking into consideration all other sources of income, Council is required to raise sufficient rates to meet its total expenditure commitments, however, it is allowed to adopt a budget that has a deficit or a surplus that doesn’t exceed 10% plus or minus of its rates revenue.

**Comment**

Factors such as the growth of the Shire, need for additional resources to meet growth demands, the rising cost of labour and materials, previous rate increases approved, and a perception of the affordability of a reasonable rate increase, are some of the factors taken into account when considering the percentage by which rates in the dollar and minimum rates are recommended to be increased.

Section 6.33 of the Local Government Act 1995 allows Local Governments to impose differential general rates to shift the revenue raising effort to certain sectors of the Community to maintain equity based on the level of services provided by the Shire. The differential land use ratings adopted by the Shire allow it to impose different rates in the dollar and minimums for the following categories.

**Gross Rental Value (GRV):**

Town Improved - Consists of properties located within the townsite boundaries with a predominately residential, commercial, and industrial use. This category is considered by Council to be the base rate by which all other GRV properties are assessed and have a different demand and requirement on Shire services and infrastructure.
**Townsite Vacant** - Consists of vacant properties located within the townsite boundaries that are vacant (no residential, commercial or industrial structures built on the land). The rate in the dollar is the same as the Town Improved category however; the minimum rate is higher in order to encourage landowners to undertake development.

**Unimproved Value (UV)**

**Pastoral/Rural** - This rating applies to all pastoral leases and land with a predominately rural land use. The proposed rate is comparatively lower when compared to the mining/mining tenement and exploration/prospecting categories on the basis that the pastoral industry has minimum impact or requirement on the Shire services and infrastructure.

**Mining/Mining Tenement** - This category applies to all mining leases located within the Shire. The proposed rate is comparatively higher when compared to the pastoral/rural category on the basis that mining operations require additional ongoing maintenance of the roads network that service this land use, along with additional costs associated with the administration of mining tenements.

**Exploration/Prospecting** - This rating category applies to exploration, prospecting and other general-purpose leases located in the Shire. The proposed rate is comparatively higher when compared to the pastoral/rural category and lower than the mining tenement category on the basis that the mining operations require additional and ongoing maintenance of the road network that services the land use, the additional cost associated with the administration of exploration and prospecting leases and the Shire wishes to encourage exploration.

The table below details the rate in the dollar and minimum imposed by the Shire in the 2016-17 financial year for each differential rating category and compares them against other surrounding Local Governments.

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Differential General Rate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRV Town sites Improved</td>
<td>0.07454640</td>
<td>0.1036</td>
<td>0.074147</td>
<td>0.1011</td>
</tr>
<tr>
<td>GRV Town sites Vacant</td>
<td>0.07454640</td>
<td>0.1036</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>UV Pastoral/Rural</td>
<td>0.06575168</td>
<td>0.0822</td>
<td>0.022574</td>
<td>0.0670</td>
</tr>
<tr>
<td>UV Mining/Mining Tenement</td>
<td>0.37430250</td>
<td>0.3132</td>
<td>0.289681</td>
<td>0.3129</td>
</tr>
<tr>
<td>UV Exploration/Prospecting</td>
<td>0.19882530</td>
<td>--</td>
<td>--</td>
<td>0.3129</td>
</tr>
<tr>
<td><strong>Minimum Rate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRV Town sites Improved</td>
<td>$270.00</td>
<td>$440.00</td>
<td>$279.00</td>
<td>$413.00</td>
</tr>
<tr>
<td>GRV Town sites Vacant</td>
<td>$620.00</td>
<td>$530.00</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>UV Pastoral/Rural</td>
<td>$270.00</td>
<td>$440.00</td>
<td>$279.00</td>
<td>$413.00</td>
</tr>
<tr>
<td>UV Mining/Mining Tenement</td>
<td>$270.00</td>
<td>$440.00</td>
<td>$656.00</td>
<td>$468.00</td>
</tr>
<tr>
<td>UV Exploration/Prospecting</td>
<td>$270.00</td>
<td>--</td>
<td>--</td>
<td>$468.00</td>
</tr>
</tbody>
</table>
When adopting the 2016-17 Annual Budget advice was received from the Legislation Officer, Department of Local Government and Communities (DLGC) that the proposed rates in the dollar to be imposed by the Shire were regarded to be too high in particular for the categories Exploration and Prospecting and Mining Tenements from which 94% of the rates revenue is derived.

The Shire had no option but to retain the rates in the dollar imposed for the 2015-16 financial year and on the basis, it is recommended that the rates in the dollar to be imposed for the 2017-18 financial year be the same as those imposed in the 2016-17 Annual Budget.

The table below details the rates in the dollar imposed for 2016-17 and proposed for the 2017-18. The rates revenue will increase by an estimated $18,570 resulting for an increase in valuations.
## Rates Modelling for 2017-18

### Rate Type

<table>
<thead>
<tr>
<th>Rate Type</th>
<th>Number of Properties</th>
<th>Rateable Value</th>
<th>2016-17 Total Revenue</th>
<th>Rate in $</th>
<th>Number of Properties</th>
<th>Rateable Value</th>
<th>2017-18 Total Revenue</th>
<th>Rate in $</th>
<th>DECREASE/INCREASE</th>
<th>% Movement</th>
<th>Natural Growth in Valuations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differential General Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRV. – Town sites Improved</td>
<td>32</td>
<td>261,026</td>
<td>19,459</td>
<td>0.0745464</td>
<td>32</td>
<td>261,026</td>
<td>19,459</td>
<td>1.1%</td>
<td>1.1%</td>
<td>0%</td>
<td>0</td>
</tr>
<tr>
<td>GRV. – Town sites Vacant</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0745464</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0</td>
</tr>
<tr>
<td>UV - Pastoral / Rural</td>
<td>23</td>
<td>861,835</td>
<td>56,667</td>
<td>0.0657516</td>
<td>23</td>
<td>864,252</td>
<td>56,826</td>
<td>3.3%</td>
<td>3.3%</td>
<td>0.3%</td>
<td>2,417</td>
</tr>
<tr>
<td>UV - Mining / Mining Tenement</td>
<td>126</td>
<td>5</td>
<td>1,457,611</td>
<td>0.3743025</td>
<td>125</td>
<td>1,453,632</td>
<td>85.2%</td>
<td>84.1%</td>
<td>(3.979)</td>
<td>(0.3%)</td>
<td>(10,630)</td>
</tr>
<tr>
<td>UV - Exploration / Prospecting</td>
<td>101</td>
<td>726,991</td>
<td>144,544</td>
<td>0.1988253</td>
<td>116</td>
<td>818,281</td>
<td>162,695</td>
<td>8.4%</td>
<td>9.4%</td>
<td>12.6%</td>
<td>91,290</td>
</tr>
<tr>
<td><strong>Sub-Totals</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>5,744,05</strong></td>
<td></td>
<td><strong>5,827,13</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Minimum Payment</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>282</strong></td>
<td></td>
<td><strong>296</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRV. – Town sites Improved</td>
<td>270</td>
<td>11,284</td>
<td>1350</td>
<td>0.0745464</td>
<td>270</td>
<td>8,840</td>
<td>1,350</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0%</td>
<td>(2,444)</td>
</tr>
<tr>
<td>GRV. – Town sites Vacant</td>
<td>620</td>
<td>1,550</td>
<td>6,820</td>
<td>0.0745464</td>
<td>620</td>
<td>1,240</td>
<td>6,200</td>
<td>0.4%</td>
<td>0.4%</td>
<td>0%</td>
<td>(310)</td>
</tr>
<tr>
<td>UV - Pastoral / Rural</td>
<td>270</td>
<td>4</td>
<td>1,080</td>
<td>0.0657516</td>
<td>270</td>
<td>4</td>
<td>1,350</td>
<td>0.1%</td>
<td>0.1%</td>
<td>270%</td>
<td>0</td>
</tr>
<tr>
<td>UV - Mining / Mining Tenement</td>
<td>270</td>
<td>29</td>
<td>7,830</td>
<td>0.3743025</td>
<td>270</td>
<td>29</td>
<td>7,830</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0%</td>
<td>177</td>
</tr>
<tr>
<td>UV - Exploration / Prospecting</td>
<td>270</td>
<td>57</td>
<td>15,390</td>
<td>0.1988253</td>
<td>270</td>
<td>52</td>
<td>19,980</td>
<td>0.9%</td>
<td>1.2%</td>
<td>4,590</td>
<td>29.8%</td>
</tr>
<tr>
<td><strong>Sub-Totals</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>106</strong></td>
<td></td>
<td><strong>123</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Discounts</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>388</strong></td>
<td></td>
<td><strong>419</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Amount Raised from</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>1,710,751</strong></td>
<td></td>
<td><strong>1,729,321</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>General Rate</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Total Rates</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>1,710,751</strong></td>
<td></td>
<td><strong>1,729,321</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
- Figures are based on 2016-17 rate in the dollar.
- All calculations are to the nearest dollar.
- % Movement and Natural Growth in Valuations are calculated based on the previous year's figures.
The option detailed above falls short of achieving the Long Term Financial Plan estimated rates revenue yield of $2,112,214 with a proposed rate increase of 5.2%. On that basis, it is recommended that Council give consideration of determining the following rates in the dollar and the minimum rates for the various differential rating categories for the 2017-18 financial year and advertise accordingly.

<table>
<thead>
<tr>
<th>Differential General Rate</th>
<th>Rate in the $</th>
<th>Minimum Payment</th>
<th>Minimum $</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRV – Townsite Improved</td>
<td>0.07454640</td>
<td>GRV – Townsite Improved</td>
<td>270</td>
</tr>
<tr>
<td>GRV – Townsite Vacant</td>
<td>0.07454640</td>
<td>GRV – Townsite Vacant</td>
<td>620</td>
</tr>
<tr>
<td>UV – Pastoral / Rural</td>
<td>0.06575168</td>
<td>UV – Pastoral / Rural</td>
<td>270</td>
</tr>
<tr>
<td>UV – Mining / Mining Tenement</td>
<td>0.37430250</td>
<td>UV – Mining / Mining Tenement</td>
<td>270</td>
</tr>
<tr>
<td>UV – Exploration / Prospecting</td>
<td>0.19882530</td>
<td>UV – Exploration / Prospecting</td>
<td>270</td>
</tr>
</tbody>
</table>

It is proposed that the differential general rates and minimum payments for each of the differential rate categories be advertised on Tuesday 6 June 2017 and an invitation for submissions be for a period of 21 days closing on Wednesday 28 June 2017 at 4:00 pm. The advertisement to include the time and place where the Shire of Yalgoo Rating Methodology and its Differential Rating Models describing the objects and reasons for the 2017 – 2018 Financial Year may be inspected and be available on the Shire’s website.

Following discussion by the Elected Members the Motion was accepted on the basis that a Workshop be held on Friday 16th June 2017, to have further discussion and explanation from Consultant Dominic Carbone.
Voting Requirements
Simple Majority

OFFICER RECOMMENDATION/COMMITTEE DECISION

The Finance Committee recommended that Council:

1. Advertise the intention to impose the following differential general rates and minimum payments applying to each of the differential rate categories in accordance with Section 6.36 of the Local Government Act 1995 be placed in the Geraldton Guardian newspaper and the Bulldust.

<table>
<thead>
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</tr>
<tr>
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<td>0.06575168</td>
<td>UV – Pastoral / Rural</td>
<td>270</td>
</tr>
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<td>UV – Mining / Mining Tenement</td>
<td>0.37430250</td>
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</tr>
<tr>
<td>UV – Exploration / Prospecting</td>
<td>0.19882530</td>
<td>UV – Exploration / Prospecting</td>
<td>270</td>
</tr>
</tbody>
</table>

2. That the advertisement in (1) above also provide for an invitation for submissions to be made by an elector or a ratepayer for a period of 21 days closing at 4:00 pm on Wednesday 28 June 2017, and detail the time and place where the Shire of Yalgoo Rating Methodology, and its’ Differential Rating Model may be inspected and a copy be placed on the Shire’s website.

Moved: Cr G Trenfield  Seconded: Cr N Grinham  Motion put and carried 5/0
Shire of Yalgoo

Rating Methodology
And Its
Differential Rating Model

For
2017 - 2018
BASIS OF LOCAL GOVERNMENT RATES IN WESTERN AUSTRALIA
Local Government rating is regulated through Sections 6.28 to 6.82 of the local Government Act 1995 (the Act). All land within the local government district is rateable land with the exceptions, as specified in Section 6.28 of the Act.
The basis of the local government rates is the improved value (UV) for land used predominately for rural purposes, and gross rental value (GRV) for land used predominately for non – rural purposes. Local governments set a rate in the dollar in order to achieve rating equity, and to raise the revenue required to meet their projected shortfalls.
Local Governments can use differential rating; minimum payments, specified area rates, service charge, discounts and concessions to adjust the rates burden. Local government rates are a property tax based on land or rental value and broadly reflect “the ability to pay”. The rates imposed are not a fee for service.

LAND VALUATIONS IN WESTERN AUSTRALIA
The main legislation for the valuation of land relevant to this review is as follows:
- The Valuation of Land Act 1978: and

THE VALUATION OF LAND ACT 1978
The valuation of land tax 1978 provides for the valuation of land in Western Australia. The Valuer General’s Guide to Rating and Taxing Values describes the Valuer General’s role in providing valuations used by rating and taxing authorities, in accordance with the provisions of the Valuation of Land Act 1978 (the VLA). The VLA empowers the valuer General to conduct general valuations based on Unimproved Values (UV) and Gross Rental Value (GRV)

Unimproved Land Values (UV’s)
A new UV is determined each year for all land within the state, and comes into force on 30th June. UV is defined in the Valuation of Land Act 1978, and in some cases it is a statutory formula. As a broad guide the following applies:
- Within a Townsite
  - For land situated within a townsite the UV is the site value of the land. In general, this means the value of the land as if it were vacant with no improvements except merged improvements. Merged improvements relate to improvements such as clearing draining and tilling.
  - Outside a Townsite

The UV of land outside a townsite is valued as if it had no improvements. In this case, the land is valued as though it remains original, natural state, although any land degradation is taken into account. If the UV cannot reasonably be determined on this basis, it is calculated as a percentage of the value of the land as if it has been developed to a fair district standard, but not including buildings. This percentage is described (where it applies) by Valuer General from year to year.
- Exceptions

There are certain exceptions to the above for which the Valuation of Land Act 1978 provides statutory valuation calculations for UV based on formula, for example a fixed rate per hectare, or a multiple of the annual rent
These exceptions include: mining tenements, leases under the Land Administration Act 1997 for the purpose of grazing, leases under agreement acts, and land held under the Conservation and Land Management Act 1984.
- UV Valuation Methodology

Market based UV’s are determined by reference to the land market at the date of valuation. All sales relevant to the predetermined date of valuation are investigated and where considered necessary, the parties interviewed.
Unsuitable sales, for example between related parties, or those with special circumstances, are discarded. By this process fair and reasonable criterion is established for the fixing of values.

**Gross Rental Values (GRV's)**

The primary definition of GRV under the Valuation of Land Act 1978 is as follows:

- **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 is liable for all rates, taxes and other charges thereon, and the insurance and other outgoings necessary to maintain the value of the land.

A GRV is determined on the basis that the rental includes outgoings such as rates and other property expenses.

As most commercial rentals are negotiated net of outgoings, these need to be added to the net rental to equate to the statutory definition.

The introduction of the goods and services tax (GST) has impacted on the determination of GRV. Where property rental payments are subject to GST, they represent a tax payable by the property owner, and as such must be included in the Gross Rental Value.

Where an annual rental cannot reasonably be determined, then the GRV shall be the assessed value.

Assessed value is defined in the Valuation of Land Act 1978 as set percentage of capital value, currently fixed by regulation at 5%.

For example, vacant rental land for which no rental value can be determined is currently valued on the basis of 5% of its total capital value. Capital Value is defined as the capital amount from which an estate of fee simple, in the land might reasonably be expected to realise upon sale, provided that where the capital value of land cannot be reasonably determined on such basis, the capital value of such land shall be the sum of first, the unimproved value of the land and secondly the estimated replacement cost of improvements to the land.

Land used for residential purpose only must be valued on the basis of rental value. Any other land with a relatively low rental value in comparison to its capital value may be valued as if it were vacant land.

**GRV Valuation Methodology**

A data base of rental evidence is assembled from information obtained from property managers a, owners, and other sources.

A schedule of properties rented at the date of valuation is prepared for the area to be valued.

The rented properties are inspected the rent analysed (for example deductions for furniture include in the letting)

Unsuitable lettings, such as those between related parties, are discarded so that the final list is acceptable as the basis for the determination of fair gross rentals, as illustrated by actual market dealings.

From the analysis of actual rentals, the fair gross rental of each property is established, after making allowances for any special features or detriments.

The GRV normally represents the annual equivalent of fair weekly rental. For instance a GRV of $10,400 represents a weekly rental of $200.

**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:
   - the purpose for which the land is zoned, whether or not under a local planning scheme or improvement scheme in force under the *Planning and Development Act 2005*; or
   - a purpose for which the land is held or used as determined by the local government; or
   - whether or not the land is vacant land; or
   - any other characteristic or combination of characteristics prescribed.

2. Regulations may:
   - specify the characteristics under subsection (1) which a local government is to use; or
   - 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 —
   - 50% of the total number of separately rated properties in the district; or
(b) 50% 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; and
   (b) to land rated on unimproved value; and
   (c) to each differential rating category where a differential general rate is imposed.

DIFFERENTIAL RATING - WESTERN AUSTRALIA
Section 633 of the local Government Act 1995 allows local governments to impose differential general rates to shift the revenue raising effort to certain sectors of the community to maintain equity based on the level of services provided by Shire. Local Governments could rate the following land uses, or a combination of zoning/locality, and land use:
- Residential
- Commercial
- Industrial
- Rural
- Vacant land
- Other

Changing to differential land use rating would allow local governments to offer different rates in the dollar to the above groups.
DIFFERENTIAL RATING – SHIRE OF YALGOO

Rating Category Classifications

The shire currently uses a differential rating model based on the differential categories outlined in the table below.

<table>
<thead>
<tr>
<th>RATING CATEGORY</th>
<th>TOWN PLANNING SCHEME ZONING/LAND USE</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRV-Town Improved</td>
<td>Residential zoning</td>
</tr>
<tr>
<td></td>
<td>Commercial zoning</td>
</tr>
<tr>
<td></td>
<td>Industrial zoning</td>
</tr>
<tr>
<td>GRV- Town Vacant Land</td>
<td>Industrial zoning</td>
</tr>
<tr>
<td></td>
<td>Residential zoning</td>
</tr>
<tr>
<td></td>
<td>Commercial zoning</td>
</tr>
<tr>
<td>UV - Pastoral/Rural</td>
<td>Predominate use for pastoral/rural purposes</td>
</tr>
<tr>
<td>UV – Mining / Mining Tenements</td>
<td>Predominate use for mining purposes</td>
</tr>
<tr>
<td>UV – Exploration and Prospecting</td>
<td>Predominate use for exploration and prospecting purposes</td>
</tr>
</tbody>
</table>

Differential Rating Categories Objects and Reasons

The shire has adopted the following objects and reasons for the differential rating categories:

**Gross Rental Value (GRV)**

- Town Improved- consists of properties located within the townsite boundaries with a predominate residential, commercial and industrial use. This category is considered by council to be the base rate by which all other GRV properties are assessed and have a different demand and requirement on shire services and infrastructure.

  - Proposed rate in the dollar: 7.45464 cents
  - Minimum rate: $270
  - Number rateable assessment 16/17: 37
  - Number rateable assessment 17/18: 37
  - Average rate per assessment 16/17: $562
  - Average rate per assessment 17/18: $562
  - Average valuation 16/17: $7,360
  - Average valuation 17/18: $7,294
  - Average percentage change in valuation: - 0.09%
• Townsite Vacant – Consists of vacant properties located within the townsite boundaries that are vacant (no residential commercial or industrial structures built on the land) The rate in the dollar is the same as the Town Improved category however the minimum rate is higher in order to encourage landowners to undertake development.

Proposed rate in the dollar: 7.45464 cents  
Minimum rate: $620  
Minimum of rateable assessments 16/17: 11  
Minimum of rateable assessments 17/18: 10  
Average rate per assessment 16/17: $620  
Average rate per assessment 17/18: $620  
Average valuation 16/17: $141  
Average valuation 17/18: $124  
Average percentage change in valuation - 12.05%

**Unimproved Value (UV)**

• Pastoral/Rural- this rating applies to all pastoral leases and land with a predominate rural land use. The proposed rate is comparatively lower when compared to the mining/mining tenement and exploration / prospecting categories on the basis that the pastoral industry has minimum impact or requirement on the shire services and infrastructure.

Proposed rate in the dollar: 6.575168 cents  
Minimum rate: $270  
Minimum of rateable assessments 16/17: 27  
Minimum of rateable assessments 17/18: 28  
Average rate per assessment 16/17: $2,139  
Average rate per assessment 17/18: $2,078  
Average valuation 16/17: $32,097  
Average valuation 17/18: $31,037  
Average percentage change in valuation - 3.30%
• Mining/ Mining Tenement - this category applies to all mining leases located within the shire. The proposed rate is comparatively higher when compared to the pastoral/rural category on the basis that mining operations require additional ongoing maintenance of the roads network that services this land use along with additional costs associated with the administration of mining tenements.

Proposed rate in the dollar: 37.43025 cents
Minimum rate: $270
Minimum of rateable assessments 16/17: 155
Minimum of rateable assessments 17/18: 154
Average rate per assessment 16/17: $9,454
Average rate per assessment 17/18: $9,490
Average valuation 16/17: $25,232
Average valuation 17/18: $25,329
Average percentage change in valuation: -0.04%

• Exploration / Prospecting – This rating category applies to exploration, prospecting and other general purpose leases located within the shire. The proposed rate is comparatively higher when compared to the pastoral/rural category and lower than the mining tenement category on the basis that the mining operations require additional and ongoing maintenance of the road network that services the land use, the additional cost associated with the administration of exploration and prospecting leases and the shire wishes to encourage exploration.

Proposed rate in the dollar: 19.88253 cents
Minimum rate: $270
Minimum of rateable assessments 16/17: 158
Minimum of rateable assessments 17/18: 190
Average rate per assessment 16/17: $1,012
Average rate per assessment 17/18: $961
Average valuation 16/17: $4,857
Average valuation 17/18: $4,581
Average percentage change in valuation: -5.68%
5.2 Report on Capital Expenditure Items to be Incorporated in the 2017-18 Draft Annual Budget

Matter for Consideration
That the finance committee give consideration to the Capital Expenditure items for inclusion in the 2017-18 Annual Draft Budget and recommend accordingly to Council for their inclusion.

Background
Council is in the process of preparing the 2017-18 Annual Draft Budget and is required to determine the Capital Expenditure items for inclusion.

Statutory Environment
Local Government Act 1995
Section 6.2 Local Government to prepare Annual Budget.

Strategic Implications
Consideration needs to be given to the Shire’s Strategic Community Plan (SCP), Corporate Business Plan (CBP) and its Long Term Financial Plan (LTFP) when determining the items of Capital Expenditure in order of priority for inclusion in the 2017-18 Annual Budget.

Consultation
Nil

Comment
Attached is a worksheet detailing the Capital Expenditure Items for the Finance Committee consideration.

Please note that only the Capital Items and associated proceeds from trade-in’s are only included in the attached worksheet:
The Officers Recommendation was moved by Cr R Grinham and Seconded by Cr J Kanny

Cr R Grinham Foreshadowed that the Finance Committee recommend to Council that report 5.2 be deferred for discussion and a detailed explanation from Consultant Dominic Carbone, at a Workshop to be arranged for Friday 16th June 2017.

Subsequent the Chairman put the original motion to the vote which was lost 0/5.

The Chairman asked Cr R Grinham to read his Foreshadowed Motion. The Chairman asked for a Seconder, which was duly Seconded by Cr J Kanny. There being no further debate the Chairman put the motion to the vote.

“That the Finance Committee recommend to council that Report 5.2 be deferred for discussion and a detailed explanation from Consultant Dominic Carbone, at a Workshop to be arranged for Friday 16th June 2017 for further information to be provided by Consultant Dominic Carbone.”

The Motion was Moved by Cr R Grinham, Seconded by Cr J Kanny and carried 5/0.
OFFICER RECOMMENDATION/COMMITTEE RECOMMENDATION

F2017-0503 Report on Capital Expenditure Items to be Incorporated in the 2017-18 Draft Annual Budget

That the Finance Committee recommends to Council that the Capital Expenditure items detailed in the worksheets attached to this report be incorporated in the 2017-18 Draft Annual Budget with the following amendments:

Moved: Cr J Kanny  Seconded: Cr R Grinham  Motion put and lost 0/5

COMMITTEE RECOMMENDATION

F2017-0504 Defer Report 5.2

That the Finance Committee recommend to Council that Report 5.2 be deferred for discussion and a detailed explanation from Consultant Dominic Carbone, at a Workshop to be arranged for Friday 16th June 2017 for further information to be provided by Consultant Dominic Carbone.

Moved: Cr R Grinham  Seconded: Cr J Kanny  Motion put and carried 5/0

6. URGENT BUSINESS

Nil

7. MEETING CLOSURE

There being no further business the Presiding Member closed the meeting at 10.57 am.

DECLARATION

These minutes were confirmed by the Committee at the Finance Committee Meeting held on 28 July 2017.

Signed: ___________________________________________________

Person presiding at the meeting at which these minutes were confirmed