



SHIRE OF BODDINGTON

'The Council and Staff of the Shire of Boddington, in partnership with the community, are committed to operating effectively and efficiently to provide quality lifestyle opportunities that encourage population growth and development'

MINUTES

For The

SPECIAL MEETING OF COUNCIL

Held At

6:30PM, TUESDAY 9 MAY 2017

At The
Council Chambers
39 Bannister Road Boddington

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Minutes - Special Meeting of Council

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5. PETITIONS/DEPUTATIONS/PRESENTATIONS/
SUBMISSIONS:

The South32 presentation was withdrawn.

6. CONFIRMATION OF MINUTES:

Nil.

7. ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT
DISCUSSION:

Nil.

8. REPORTS OF OFFICERS AND COMMITTEES:

8.1 PLANNING CONSULTANT:

Nil.

8.2 PRINCIPAL ENVIRONMENTAL HEALTH OFFICER/
BUILDING SUPERVISOR:

Nil.

8.3 MANAGER WORKS & SERVICES:

Nil.

8.4 DIRECTOR CORPORATE & COMMUNITY SERVICES

Nil.

Cr D Smart declared a Financial Interest in Item 8.5.1 as his partner works for Newmont. Cr Smart left the room at 6:34pm and did not return.

8.5 CHIEF EXECUTIVE OFFICER:

8.5.1 Differential Rates

File Ref. No:
Disclosure of Interest: Nil
Date: 15/04/2015
Author: Chris Littlemore
Attachment: 8.5.1A Proposed Changes to Mining Buffer

Summary

Council to consider the introduction of differential rating, in particular differential rates that may require Ministerial approval.

Background

Council previously considered the introduction of differential rates in June 2015. The following information is pertinent for Councillors and ratepayers to be reminded of and consider.

The following statements are taken from a paper by Shane Sody that can be read in full here <http://www.aceg.org.au/sites/default/files/Rating%20Policy%20Shane%20Sody.pdf> Setting or revising a Council rating policy is one of the most difficult balancing acts that Local Government elected Members are called upon to perform.

It is common for ratepayers to complain that they get few, if any services, for the rates they pay. Rarely is there public or media acknowledgment (from persons outside Local Government) of the asset-intensive nature of Local Government, the high cost of maintaining public infrastructure, and the challenges associated with raising sufficient funds to pay for these and other services.

To some minds, it would appear that road repairs, the tending of parks and gardens and the staffing of libraries should come at minimal, or no cost. To a person complaining about rates, it is a Council's responsibility to find the money, as long as it is obtained from someone other than the person complaining.

By determining how to distribute a Council's overall rate burden between ratepayers, elected Members (whether they realise it or not) effectively weigh and apply competing tax design principles.

The goods and services financed through general rates revenue include local roads, parks and gardens and community facilities. In these cases, directly charging users would be neither practical nor efficient. Hence, Local Government rates are a form of taxation. That is, their purpose is to raise revenue for general government purposes, not to recover the cost of a particular service or activity.

18th century British author Adam Smith proposed:

The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. (Smith 1776)

Later authors recognised that within the “ability to pay” principle, there are two sub-principles:

- Those with greater capacity should pay more. This is referred to as vertical equity.
- Those with equal capacity should pay equal tax. This is referred to as horizontal equity, or equal treatment under the law. (Musgrave & Musgrave 1982, p.242)

Comment

The Department of Local Government and Communities publish guidelines for differential rating and suggest the decision to introduce differential rates should entail observing the following principles:

- Objectivity,
- Fairness and equity,
- Consistency,
- Transparency, and
- Administrative efficiency.

In relation to each, the following comment is offered:

- Objectivity. The basis for imposing differential rates is by land use. Land held for mining purposes in both GRV and UV categories will have a differential rate.
- Fairness and equity. In this case, a more equitable distribution of the rate burden to those who consume the benefits is being achieved.
- Consistency. Other properties used for similar purposes are being rated in the same way. All miners in the UV Mining category are being charged the same rate, thus the introduction of differential rating will not have a discriminatory affect.
- Transparency. Transparency is achieved by Council discussing the proposal, advertising the same, seeking and considering public comment before making a decision. As there are less than 30 ratepayers affected, each affected ratepayer will be informed in writing and given the opportunity to make a submission for Council to consider prior to making a decision regarding the imposition of differential rates.
- Administrative efficiency. Council needs to consider whether this is the most efficient way to achieve the required rate revenue. The introduction of differential rating has been achieved in other shires in Western Australia, with very little administrative effort. It can also be introduced at Boddington, with relatively little administrative effort.

In preparing for the budget, Council considers the deficiency between the likely expenditure and revenue from all sources, other than rates. The rates setting statement is then based on that deficiency.

The Department also requests that Council consider possible efficiency measures, prior to the introduction of differential rating. Over the last two preceding budgets, Council has been very diligent about identifying efficiencies. Council has slashed wages budgets and deferred its plant replacement program to keep rate increases to a modest level. In addition, the significant downward revaluation of the Newmont Boddington Gold mining accommodation village impacted the Councils rates income in 2016/17.

Revenue raising from rating has a number of components, the rate in the dollar applied to either the Gross Rental Valuation (GRV) or the Unimproved Value (UV) and minimum payments for properties that have a low valuation. Council can apply a differential rate if it considers there are reasonable grounds to do so.

It is suggested that differential rating for mining activities be applied to both the GRV category and the UV category.

Proposed Differential Rates 2017/18 Objects and Reasons:

Councillors and senior staff have been working with the Community Advisory Group, a panel of 14 community representatives chosen to assist it with the major four year revision of the Community Strategic Plan. Although the revised plan is not complete, it is clear that the community have high expectations that the improvements in community facilities achieved by the Council in the past few years should continue.

Some of the suggestions that Council is likely to take up in the 2017/18 and future budgets include;

- major upgrades to the Hotham River foreshore area,
- improvements in the Ranford Pool area,
- improvements to sporting facilities including new oval lighting towers to compliment the newly opened Sport and Rec Centre,
- beach volleyball courts,
- playground equipment, including nature play areas and facilities for older youth,
- entry statements on Albany Highway and at the Western entrance to Boddington, and
- funding for economic development initiatives, including re-engaging an economic development officer, previously funded under R4R grants to ensure the continued diversification of the local economy away from mining.

Given the increases in rates across the board last year arising from a change in the valuation of the mining camp, Council is seeking to provide some relief in making the rate increase for 2017/18 quite modest.

To achieve substantial improvements in facilities, while at the same time keeping rate increases for the average ratepayer modest is also one of the driving reasons behind the consideration of differential rating.

The differential rates in the dollar proposed, are an attempt to balance the need for revenue required to fund essential services, facilities and infrastructure and an equitable distribution of rates. Thus, the objective for all of council's rates is to meet the shortfall between planned expenditures and expected revenues in order to achieve a balanced budget.

There are currently only two categories for rating, GRV and UV. Council proposes to introduce two new categories GRV Mining and UV Mining.

In relation to the introduction of a differential mining rate in the UV category, Council is satisfied that UVs generally form a proper and equitable basis for differentiation amongst these properties.

In relation to the introduction of a differential mining rate in the GRV category, Council is satisfied that GRVs generally form a proper and equitable basis for differentiation amongst these properties.

Proposed Differential Rating Categories

GRV Mining

This rating category covers all Mining Leases, Exploration Licences, Prospecting Licences, Retention Licences, General Purpose Leases, Special Prospecting Licences for Gold and Miscellaneous Licences as defined under the Mining Act with a GRV valuation. It also includes properties with a GRV valuation that are held by or leased by a company whose primary activities involve mining. It does not include properties with a GRV valuation that comprise a single dwelling in the township of Boddington.

The proposed rate is 0.058205 cents in the dollar GRV Mining. Rates provided by this category, including minimum rates at \$899 are approximately 34% of the total rate requirements of council. There are three properties in this category which are effectively controlled by one ratepayer. The object of the rate for this category is to improve fairness and equity outcomes by providing some relief to this ratepayer from the effects of increases in the UV Mining category as the ratepayer in this category also has a substantial holdings in the proposed UV Mining category and is presently paying a very substantial portion of the general rates Council collects. On that basis the differential rate is to be decreased by a margin of 30% from that applied in 2016/17 and a similar decrease in gross rates received.

GRV General

This rating category covers all properties with a GRV valuation not categorised as GRV Mining. The proposed rate is 0.078813 cents in the dollar GRV General. Rates provided by this category, including minimum rates at \$899 are approximately 20% of the total rate requirements of council. This sector comprises the residential and commercial properties in the town area and Council considers that this sector has been contributing to the services and infrastructure of the shire in a fair manner. On that basis, the object of the rate for this category is to keep the gross increase in rates received to a small margin of 1.7% from that generated in 2016/17. This will occur despite a small reduction in the rate in the dollar.

UV Mining

This rating category covers all Mining Leases, Exploration Licences, Prospecting Licences, Retention Licences, General Purpose Leases, Special Prospecting Licences for Gold and Miscellaneous Licences as defined under the Mining Act with a UV valuation. It also includes properties with a UV valuation that are held by or leased by a company whose primary activities involve mining.

The proposed rate is 10.031955 cents in the dollar UV Mining. Rates provided by this category, including minimum rates at \$899 are approximately 27% of the total rate requirements of council.

This sector comprises properties outside the town area which are not used for rural purposes. Council considers that this sector has not been contributing to the services and infrastructure of the shire in a fair manner. On that basis the differential rate is to be increased by a margin of 400% from that applied in 2016/17.

The object of the rate for this category is to rate properties at a higher than the UV General differential rate to improve fairness and equity outcomes by:

- Applying a premium to compensate for the different valuation method and comparatively lower valuation level compared to equivalent properties in built-up areas.
- Applying a premium to reflect the following key points
 1. Mining areas and known mineral resources cover a consideration portion of the district with the most extensive resource being bauxite.
 2. Other than the Shire of Collie, the Shire of Boddington is the local government that is most impacted by mining operations in the South-West Land Division (generally the area from Geraldton to Esperance).
 3. The Shire receives a number of enquiries from landowners and other stakeholders regarding the planning implications of living and investing in the vicinity of bauxite mining operations.
 4. A mining buffer was originally identified in 2007 to assist in accommodating bauxite and gold mining and to reduce land use conflict. The mining buffer protects mining operations from sensitive land uses and development which could prejudice the extraction (now and in the future) of mineral and basic raw material resources.
 5. The mining buffer covers a significant portion of the district including parts of the Boddington townsite, various rural residential and rural smallholding estates and many freehold rural properties. There is a mining buffer of 1200 metres for bauxite mining surrounding known bauxite resources.
 6. The mining buffer has been proposed to be considerably expanded in recent years based on advice from South32 and State Government agencies including the Department of Mines and Petroleum.
 7. The Shire has spent considerable time and funds to review the *Shire of Boddington Local Planning Strategy*, which was endorsed by the Western Australian Planning Commission (WAPC) in 2007. A key driver of this review was the modified mining buffer. The Shire's efforts have included raising awareness and liaising with landowners, the community and stakeholders.

¹ Typographical error corrected by deleting 0.025565 and replacing with 0.031955.

8. The Shire will spend an increasing amount of time and funds to assist in protecting and accommodating bauxite mining through the proposed *Shire of Boddington Local Planning Scheme No. 3* (LPS3). This includes through the WAPC requirement to give statutory weight to the mining buffer through a Mining Buffer Special Control Area to be introduced into LPS3. LPS3 will also include provisions to control development within the Mining Buffer Special Control Area. Some of the implications will include:
 - (i) The Shire being required to liaise with landowners and stakeholders and to discourage sensitive land uses (such as residential development) in close proximity to basic raw material and mineral extraction operations.
 - (ii) Increased planning and administrative resources, as most forms of development and changes of land use in the mining buffer will require a Development Application.
 - (iii) While recognising the need to limit or prevent 'sensitive' development, there are competing legal issues, including a generally accepted right to construct a single dwelling on a lot. Many rural lots in the mining buffer currently do not have a dwelling.
 - (iv) Anticipated reviews being submitted to the State Administrative Tribunal, due to the Shire refusing Development Applications, based on incompatibility with bauxite mining.
 - (v) There will be considerable liaising with South32, the Department of Mines and Petroleum, the Department of State Development, WAPC and other agencies on Development Applications, other planning proposals and land administrative matters, as they may affect basic raw materials and mineral resources.
9. South32 operations have resource implications on other Shire services and assets, including environmental health, emergency management, administration and roads.

The following map shows the approximate mining lease area of the company that will be impacted the most by this proposal, in relation to the shire boundaries. This shows the potential impact that the company has on all aspects of shire operations. The mining buffer is shown on attachment 8.5.1A.



Figure 1 Mining lease in relation to Shire boundaries

UV General

All properties with a UV valuation not categorised as UV Mining. The proposed rate is 0.006391cents in the dollar UV General. Rates provided by this category, including minimum rates at \$899 are approximately 19% of the total rate requirements of council. This sector comprises the rural properties outside the town area and Council considers that this sector has been contributing to the services and infrastructure of the shire in a fair manner. On that basis, the object of the rate for this category is to keep the rate in the dollar the same yet yield a small margin of 1.5% from that raised in 2016/17.

(Objects and Reasons ends).

Overall effect would be increases of 6.8% in gross rates, 1.7% in town rates, 1.5% in rural rates and 10.4% in mining rates as per the following table.

Category	Old rate in \$	Proposed Rate in \$	Old Minimum	New Minimum	Gross Levy 2016/17	Gross Levy 2017/18
GRV	0.08315	0.078813	\$876	\$889	\$872,851	\$887,585
GRV Mining	0.08315	0.058205	\$876	\$899	\$2,141,573	\$1,499,387
UV	0.006391	0.006391	\$886	\$899	\$817,228	\$829,487
UV Mining	-	² 0.031955	\$886	\$899	\$276,693	\$1,170,039
Total					\$4,108,345	\$4,386,497

² Typographical error corrected by deleting 0.025565 and replacing with 0.031955.

In the UV Mining category, there are a total of 86 separately rated properties. Of the 86 properties, two major mining corporations are accountable for payment of rates on 83 of these properties.

Of the remaining three properties in the category, one ratepayer, which is a big mining corporation in a neighbouring shire, will have an increase of \$1643 and the other pays barely more than the minimum rate on their two properties.

In the GRV mining category there are two ratepayers with three properties, one mining corporation is accountable for payment of rates these properties. Thus there are effectively only four mining ratepayers in the shire. The changes would result in the following impact in percentage and dollar terms on the four affected mining ratepayers.

Ratepayer	2016/17 Rates \$	Proposed 17/18 \$	Increase \$	Increase %
1	\$2,354,178	\$2,406,949	\$52,771	2.25%
2	\$61,430	\$257,942	\$196,512	320%
3	\$886	\$2,529	\$1,643	185%
4	\$1,772	\$1,996	\$224	12.6%

In comparison some shires with differential rates compare as follows

Council	UV Pastoral rate in \$	UV Mining rate in \$	Factor
East Pilbara Shire Council	5.7399	17.2335	3
Shire of Ashburton	0.60154	0.398204	6.47
Three Springs	1.7045	12.5111	7.34
Shire of Wyndham East Kimberley	0.0538	0.2788	5.18
Shire of Exmouth	0.0776	0.1552	2
Shire of Carnarvon	6.295	11.5407	1.83
Shire of Broome	0.5953	12.115	20.35
Shire of Derby West Kimberly	6.33	25.5066	4
Shire Of Morowa	2.2794	28.9681	12.7

As the proposed increase in UV Mining rates is more than twice the lowest differential rate to be imposed, Ministerial approval must be sought. In addition, Council must advertise for and consider submissions before imposing the proposed rate.

As there are fewer than thirty ratepayers who will be subject to the differential general rate, each affected ratepayer has to be informed in writing by the local government of:

- the terms of this policy (through the provision of a copy of this document to the ratepayer)
- the local government's objects of and reasons for proposing to impose the differential general rates
- the differential general rate that will apply to the ratepayer's property; and
- the differential general rate that applied in the previous year for comparison

They must be given at least 21 days to make submissions to the local government on the proposal.

Strategic Implications

Not fully known until submissions received.

Statutory Environment.

The following sections in Local Government Act 1995 apply:

- Section 6.32 of the Local Government Act 1995 provides Council with the power to apply rates to property;
- Section 6.33 of the Local Government Act 1995 provides Council with the power to apply differential general rates although Ministerial approval is required where a differential rate is more than twice the lowest differential rate to be imposed;
- Section 6.35 of the Local Government Act 1995 provides Council with the power to apply a minimum payment which is greater than the general rate which would otherwise be payable on that land;
- Section 6.36 of the Local Government Act 1995 requires Council to give public notice of its intention to impose differential rates, inviting submissions within 21 days.

Council is also required to consider any submissions received prior to imposing the proposed rate or minimum payment.

Policy Implications

Discussed in the body of the report

Financial Implications

The rate level set by Council will underpin its ability to provide services and facilities for the 2017/18 Financial Year and into the future.

Economic Implications - Nil

Social Implications – Nil

Environmental Considerations- Nil

Consultation

Neighbouring Shires have indicated they are not considering imposing a differential rate for mining activities.

Department of Local Government & Communities

Options

Council can:

1. Accept the Officer's Recommendation;
2. Amend the Officer's Recommendation; or
3. Not accept the Officer's Recommendation.

Voting Requirements – Absolute Majority

OFFICER RECOMMENDATION – ITEM 8.5.1

COUNCIL RESOLUTION

58/17

Moved: Cr Glynn

That Council:

1. Endorse the Objects and Reasons for Differential Rates 2017/18.
2. Advertise its intention, in accordance with section 6.36 of the Local Government Act 1995, to adopt the following rates in the dollar and minimum rates for the differential rating categories specified for the 2017/18 Financial Year:

Differential Rate Category	Proposed Rate in \$	New Minimum
GRV	0.078813	\$899
GRV Mining	0.058205	\$899
UV	0.006391	\$899
UV Mining	³ 0.031955	\$899

3. If no submissions objecting to the proposed Differential Rates are received, authorise the CEO to apply to the Minister of the Department of Community Services for approval for Council to impose a differential general rate which is more than twice the lowest differential general rate imposed by it.

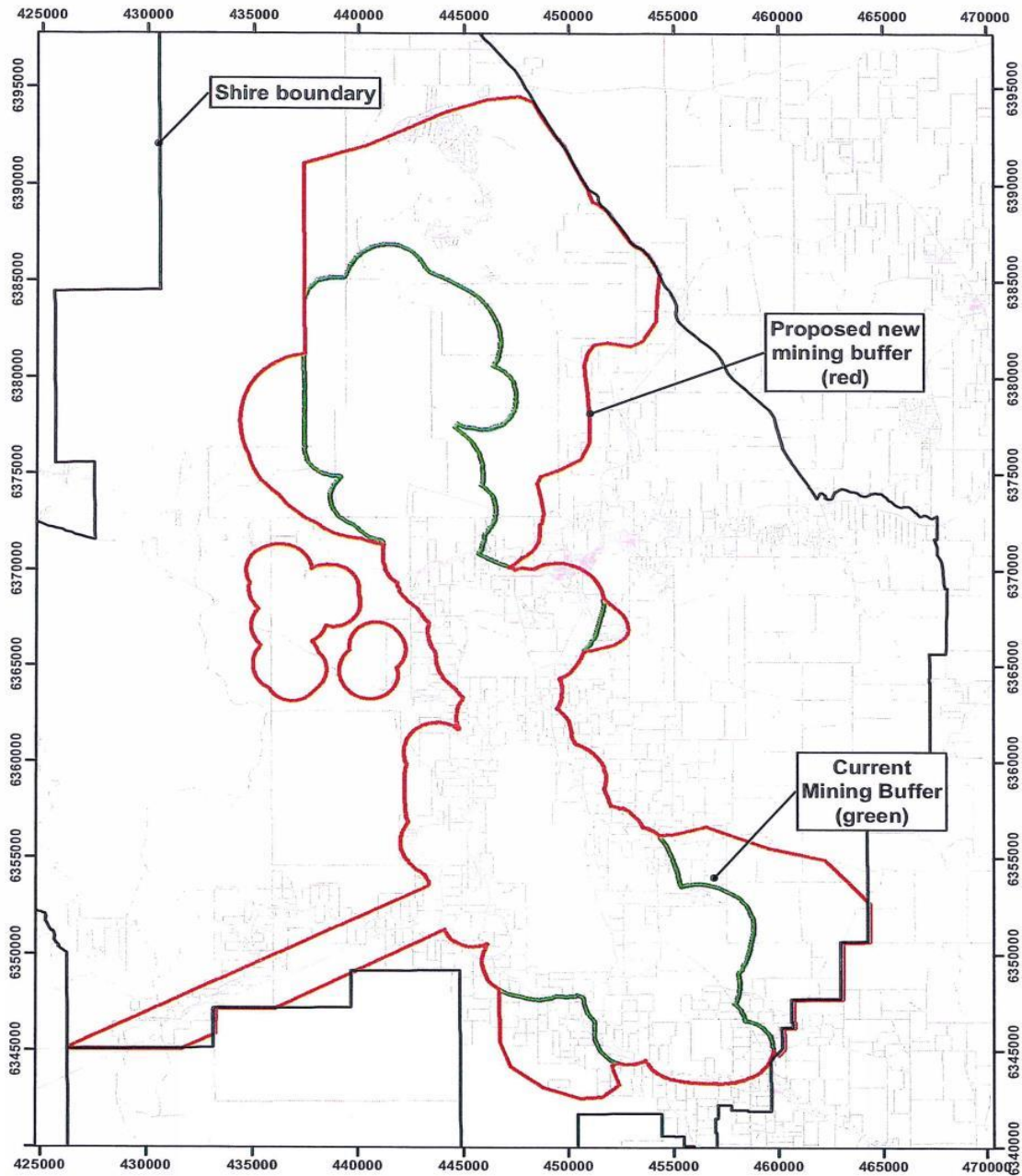
Seconded: Cr Crilly

Carried: 4/0

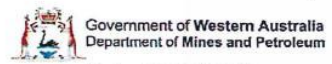
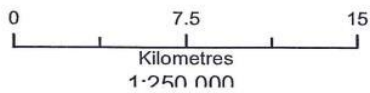
Following the meeting it was noted that there was a typographical error which incorrectly represents the calculations in the report. The typographical error has been corrected by deleting 0.025564 and replacing with 0.031955 in all instances in the report. The correcting of the typographical error has no effect on any other dollar figure or percentage in the report.

³ Typographical error corrected by deleting 0.025565 and replacing with 0.031955.

Attachment 8.5.1A



Shire of Boddington - Proposed changes to Mining Buffer



Date: 05/09/2012

9. ELECTED MEMBERS' MOTION OF WHICH PREVIOUS MOTION HAS BEEN GIVEN:

Nil.

10. URGENT BUSINESS WITHOUT NOTICE WITH THE APPROVAL OF THE PRESIDENT OR MEETING:

Nil.

11. CONFIDENTIAL ITEM:

Nil.

12. CLOSURE OF MEETING:

Shire President, John Allert, declared the meeting closed at 6:41pm.

These minutes were confirmed by the Council as a true and accurate record at the Ordinary Council Meeting held on Tuesday 16 May 2017.

.....
J R ALLERT
(President)