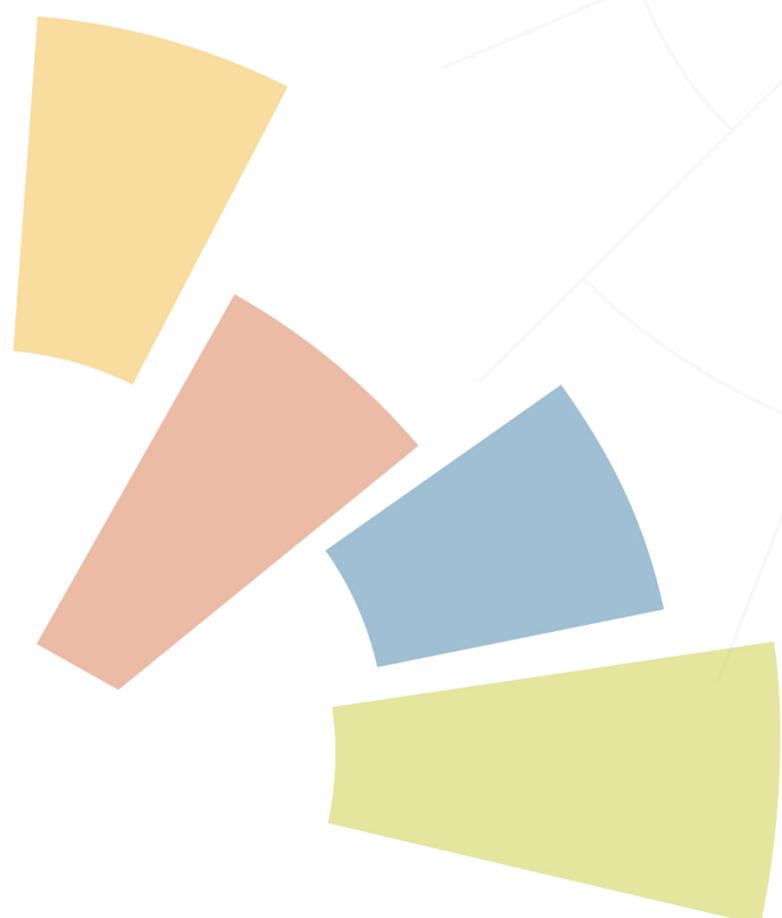


SHIRE OF
MERREDIN
INNOVATING THE WHEATBELT

AGENDA

Special Council Meeting

To be held in Council Chambers
Corner King & Barrack Street's, Merredin
Thursday, 11 May 2023
Commencing 6.00pm



Notice of Meeting



Dear President and Councillors,

A Special Meeting of the Council will be held on Thursday, 11 May 2023 at 6.00pm in Council Chambers, Corner of King & Barrack Streets, Merredin. The purpose of the meeting is to address the following items:

- a) Consideration of Urgent Business – Notice of Motion received from Cr Simmonds regarding Operations and Management of the MRCLC
- b) Differential Rating Strategy 2023/24
- c) Policy Review – 8.20 Rental Charges for Agreements to Occupy Shire of Merredin Non-residential Property

5.30pm Council Briefing Session

6.00pm Special Council Meeting

Lisa Clack
CHIEF EXECUTIVE OFFICER
11 May 2023

DISCLAIMER

PLEASE READ THE FOLLOWING IMPORTANT DISCLAIMER BEFORE PROCEEDING:

Statements or decisions made at this meeting should not be relied or acted on by an applicant or any other person until they have received written notification from the Shire. Notice of all approvals, including planning and building approvals, will be given to applicants in writing. The Shire of Merredin expressly disclaims liability for any loss or damages suffered by a person who relies or acts on statements or decisions made at a Council or Committee meeting before receiving written notification from the Shire.

The advice and information contained herein is given by and to Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written inquiry should be made to Council giving entire reasons for seeking the advice or information and how it is proposed to be used.

Common Acronyms Used in this Document	
CBP	Corporate Business Plan
CEACA	Central East Accommodation & Care Alliance Inc
CEO	Chief Executive Officer
CSP	Community Strategic Plan
CWVC	Central Wheatbelt Visitors Centre
DCEO	Deputy Chief Executive Officer
EA	Executive Assistant to CEO
EMCS	Executive Manager of Corporate Services
EMDS	Executive Manager of Development Services
EMES	Executive Manager of Engineering Services
ES	Executive Support Officer
GECZ	Great Eastern Country Zone
GO	Governance Officer
LGIS	Local Government Insurance Services
LPS	Local Planning Scheme
MCO	Media and Communications Officer
MoU	Memorandum of Understanding
MP	Manager of Projects
MRCLC	Merredin Regional Community and Leisure Centre
SRP	Strategic Resource Plan



Shire of Merredin Special Council Meeting

1. Official Opening.....	5
2. Record of Attendance / Apologies and Leave of Absence.....	5
3. Public Question Time.....	6
4. Disclosure of Interest.....	6
5. Applications of Leave of Absence	6
6. Petitions and Presentations	6
7. Announcements by the Person Presiding without Discussion.....	6
8. Matters for Which the Meeting may be Closed to the Public.....	6
9. Urgent Business Approved by the Person Presiding or by Decision.....	7
9.1 Operations and Management of the MRCLC.....	8
10. Officers' Reports – Corporate and Community Services	13
10.1 Policy Review – 8.20 Rental Charges for Agreements to Occupy Shire of Merredin Non-residential Property	13
10.2 Differential Rating Strategy 2023/24.....	16
11. Motions of which Previous Notice has been given	27
12. Questions by Members of which Due Notice has been given.....	27
13. Matters Behind Closed Doors.....	27
14. Closure.....	27

Shire of Merredin
Special Council Meeting
6:00pm Tuesday, 9 May 2023



1. Official Opening

As per Clause 3.2(2) of the Shire of Merredin Standing Orders Local Law 2017, the order of the business at any special meeting of the Council is to be the order in which that business stands in the agenda of the meeting.

In the case of this Special Council meeting order of business, the item submitted under Urgent Business approved by the person presiding or by decision (Operations and Management of the MRCLC) will be considered prior to any Officer Reports. This will allow members of the public attending the Special Council Meeting to hear this item to be present for the debate, without being required to stay for the entire meeting to hear the item.

2. Record of Attendance / Apologies and Leave of Absence

Councillors:

Cr M McKenzie	President
Cr D Crook	Deputy President
Cr R Billing	
Cr J Flockart	Via Zoom
Cr R Manning	
Cr P Patroni	
Cr M Simmonds	
Cr P Van Der Merwe	

Staff:

L Clack	CEO
L Mellor	EMES
L Boehme	EMCS
P Zenni	EMDS
M Wyatt	EO
O Mellor	GO

Members of the Public:

Apologies:

Approved Leave of Absence:

Voting Requirements



Simple Majority



Absolute Majority

Council Resolution

That Council:

1. **APPROVES** Councillor Flockart’s attendance at the May 2023 Special Council Meeting via video conference in accordance with Regulation 14C.(2)(b) of the Local Government (Administration) Amendment Regulations 2022;
2. **NOTES** that Councillor Flockart has confirmed the location from which she intends to attend the meeting, and the equipment she intends to use to attend the meeting, are suitable to be able to effectively engage in deliberations and communications during the meeting, in accordance with Regulation 14C(5) of the Local Government (Administration) Amendment Regulations 2022; and
3. **NOTES** that Councillor Flockart has declared via email, that confidentiality can be maintained for the closed portion of the meeting, should any part of the meeting be required to move behind closed doors in accordance with Regulation 14CA(5) of the Local Government (Administration) Amendment Regulations 2022.

3. Public Question Time

Members of the public may submit questions up to 2pm on the day of the meeting by emailing ea@merredin.wa.gov.au.

4. Disclosure of Interest

5. Applications of Leave of Absence

6. Petitions and Presentations

Nil

7. Announcements by the Person Presiding without Discussion

8. Matters for Which the Meeting may be Closed to the Public

Nil

9. Urgent Business Approved by the Person Presiding or by Decision

In accordance with Clause 3.8 of the Shire of Merredin Standing Orders Local Law 2017, Cr Megan Simmonds has submitted a notice of motion.

As the 7-day requirement has not been met, the Shire President will ask for a mover and a seconder for this matter to be considered as Urgent Matters for decision under Clause 3.10 instead.

Urgent business can be considered by decision in the following circumstances:

3.10 Urgent Business Approved by the Presiding Member or by decision

(1) Subject to subclauses (2) and (3), in cases of extreme urgency or other special circumstance, matters may, with the consent of the Presiding Member, or by decision of the members present, be raised without notice and decided by the meeting.

(2) Before a matter may be raised under subclause (1) the Presiding Member or a member otherwise seeking to raise the matter is to state why the matter is considered to be of extreme urgency or other special circumstance.

(3) If a member of the Council or Committee, as the case requires, objects to a matter being raised without notice, any decision of the Council or Committee in regard to that matter does not have effect unless it has been made by an absolute majority.

Under subclause (2), the rationale for the matter to be considered will become part of the Council decision to consider the motion. Under subclause (3) should the motion be moved and seconded, any objection to the motion being considered as urgent will result in the motion requiring absolute majority.

The format for the motion remains as a notice of motion.

Voting Requirements

Simple Majority

Absolute Majority

Council Resolution

That Council APPROVES the consideration of the Councillor Notice of Motion; Operations and Management of the MRCLC as urgent business approved by decision as listed in Agenda Item 9.1.

Cr Simmonds gave the reason this business is considered urgent as:

The tender for the Operations and Management of the MRCLC is expected to be tendered prior to the next Ordinary Council Meeting, and there is insufficient time to give the required 7 days notice of this motion.

9.1 Operations and Management of the MRCLC

Councillor Notice of Motion



Councillor:	Cr Megan Simmonds
Author:	As above
Legislation:	<i>Local Government Act 1995</i>
File Reference:	Nil
Disclosure of Interest:	Nil
Attachments:	Nil

Motion

That Council;

1. APPROVES for the Shire of Merredin to bring the Management of the MRCLC back to an in-house service provision model, following the draft service review conducted by NAJA consulting which was presented to Council and Community on 9 May 2023;
2. SETS the level of recreation services to be provided as per the Draft Scope of Service presented on 9 May 2023, which is intended to better meet community needs and expectations;
3. APPROVES the CEO to separately seek expressions of interest for the Bar and Restaurant lease, to be brought back to Council later for decision; and
4. NOTES the risks of insourcing the recreation portion of the service without full costing is that it will cost more than an outsourced service provision, however the anticipated benefits of an insourced service are expected to be worthwhile.
5. To achieve this, Council DIRECTS the Chief Executive Officer to:
 - a. NOT RELEASE the Request for Tender: Operation and Management of the Merredin Regional Community & Leisure Centre 2023;
 - b. BRING the MRCLC operations back in house at the expiry of the Belgravia extension, with the inhouse service commencing from 1 October 2023;
 - c. PROVIDE an operational costing and plan to include:
 - i. Staffing, and operational costs; and
 - ii. Any one-off mobilisation costs necessary to insource the leisure service (for example temporary staffing, or consulting for policies and procedures to be developed);
 - d. APPROVES the CEO to redirect internal resources as required to bring the service in house and any mobilisation or inception costs; and

- e. DELEGATES authority to the CEO to approve operational and resourcing decisions in the lead up to insourcing the MRCLC leisure services provided that they are consistent with the principles set out in the draft scope of service for the operation and management of the MRCLC as developed by NAJA Consulting.

Reason

Cr Megan Simmonds gave her reason for the motion as the below:

It is my view that the community feedback has shown that an outsourced service is not meeting community expectations, so we should consider deciding to bring the service inhouse.

While costs of an inhouse service are unknown, based on my understanding of community sentiment, it would be better for Council members to make the decision to bring the service inhouse now, so the Administration will have a clear direction and can start the process of transition immediately if Council does not intend to outsource the service again.

Background

The Shire of Merredin commenced an Operation Management Review of the Merredin Regional Community and Leisure Centre (MRCLC) in August 2022. The Review was initiated by the current service providers contract nearing the end, as well as the community and Council identifying the need for a management review.

The Review was completed by independent consultant NAJA. NAJA commenced a community consultation process in September 2022, with an online survey receiving over 130 responses, as well as a number of workshops held in person with Merredin sporting groups, Merredin Sports Council, key stakeholders, and Council.

Initial findings were the service was not meeting community expectations, however this was partly due to the style and scope of the contract with the external provider. In order to finalise the review, NAJA has drafted a scope of service for the MRCLC which sets a new level of service going forward which is more aligned with community expectations for the facility. The new scope includes estimated facility operating hours, staffing requirements and levels of service to be provided to the sports.

The initial intention was for the service to then be tendered based on the new service level, with an in-house price also developed, so Council could make a decision to either continue with an outsourced service model based on the tender submissions received, or if none were received, or none were suitable compared to the in-house costing, the Council could consider operating the service inhouse.

The intention was for the Shire and NAJA to assess both tender submissions and internal Shire costings, for Council to understand the financial implications of operating the MRCLC in the future, regardless of the service provider.

Officer Comment

The largest risks with moving to an in-house service model is that the current costs of inhouse provisions are unknown, as are the relevant industrial relations considerations.

It also does not allow for market costings to be conducted prior to making an informed decision.

As per the NAJA report, there are pros and cons with both an insourced, and an outsourced model. For example, an internal model allows for more control of the service levels and a greater level of flexibility should community needs or expectations shift. There will be commercial expertise with outsourcing. As per the report, the communication and organisational skills of personnel have a large impact on success no matter which model is in place.

Generally speaking, the transparency and governance of the process is critical for Council to consider.

Now the scope of the service has been set, should Council already hold a firm view that regardless of the tendered prices, they intend for the service to be provided in-house, then Council should make a decision on this now, as it is inappropriate to ask for a company to put the work and effort into a competitive tender response for a pre-determined outcome.

The consultant report has identified an internal service provider is likely to cost an estimated 20% more than the market based on identical operating scopes, therefore Council should assume that:

1. With the increased service level proposed in the scope of service, the cost of the service will be substantially higher than the existing cost regardless of the provider.
2. Given the internal overheads which apply to service costings, an internal service will likely be a higher cost of delivery than an externally provided service.

The major considerations in every tender process are: value for money, fair and open competition, probity, integrity and transparency, accountability and risk management.

Should Council be genuinely open to the provision of the recreation services by an external provider, now the service levels have been set with the new scope, the tender process offers the Shire of Merredin an opportunity to evaluate value for money along with the other elements listed. This is dependent on the process being based in fair and open competition.

Should Councillors not wish to allow the service to be run by an external provider regardless of the bids submitted, the Shire will then not be meeting the requirements of fair and open competition, integrity and transparency.

If this is the case, then it would be more ethical for Council to make that decision now rather than run the process as a benchmarking exercise.

Should Council make this decision, while the costs are currently unknown, Council should note the costs of an insourced service are likely to be substantially higher than an outsourced service, and there are a number of risks which have not been assessed such as the ability of the Shire to recruit suitably qualified staff.

Statutory Implications

Section 6.8(1) of the *Local Government Act 1995*.

Expenditure from municipal fund not included in annual budget

(1) A local government is not to incur expenditure from its municipal fund for an additional purpose except where the expenditure —

(a) is incurred in a financial year before the adoption of the annual budget by the local government; or

(b) is authorised in advance by resolution*; or

(c) is authorised in advance by the mayor or president in an emergency.

* Absolute majority required.

Strategic Implications

Ø Strategic Community Plan

Theme: 1. Community and Culture

Service Area Objective: 1.2 Community Sports and Infrastructure

Priorities and Strategies for Change: Nil

Risk Implications

The current costs of an inhouse provision is unknown.

Financial Implications

Unknown.

Voting Requirements

Simple Majority

Absolute Majority

As part 5 of the proposed Councillor motion may include expenditure from the municipal fund which has not been included in the 2022/23 Annual Budget, this resolution must be decided by absolute majority as per section 6.8(1) of the Local Government Act 1995.

Councillor Recommendation

That Council;

- 1. APPROVES for the Shire of Merredin to bring the Management of the MRCLC back to an in-house service provision model, following the draft service review conducted by NAJA consulting which was presented to Council and Community on 9 May 2023;**
- 2. SETS the level of recreation services to be provided as per the Draft Scope of Service presented on 9 May 2023, which is intended to better meet community needs and expectations;**

3. **APPROVES** the CEO to separately seek expressions of interest for the Bar and Restaurant lease, to be brought back to Council later for decision; and
4. **NOTES** the risks of insourcing the recreation portion of the service without full costing is that it will cost more than an outsourced service provision, however the anticipated benefits of an insourced service are expected to be worthwhile.
5. To achieve this, Council **DIRECTS** the Chief Executive Officer to:
 - a. Not release the Request for Tender: Operation and Management of the Merredin Regional Community & Leisure Centre 2023;
 - b. Bring the MRCLC operations back in house at the expiry of the Belgravia extension, with the inhouse service commencing from 1 October 2023;
 - c. Provide an operational costing and plan to include:
 - i. Staffing, and operational costs; and
 - ii. Any one-off mobilisation costs necessary to insource the leisure service (for example temporary staffing, or consulting for policies and procedures to be developed);
 - d. Approves the CEO to redirect internal resources as required to bring the service in house and any mobilisation or inception costs; and
 - e. Delegates authority to the CEO to approve operational and resourcing decisions in the lead up to insourcing the MRCLC leisure services provided that they are consistent with the principles set out in the draft scope of service for the operation and management of the MRCLC as developed by NAJA Consulting.

10. Officers' Reports – Corporate and Community Services

10.1 Policy Review – 8.20 Rental Charges for Agreements to Occupy Shire of Merredin Non-residential Property

<h2>Corporate Services</h2>		
Responsible Officer:	Leah Boehme, EMCS	
Author:	As above	
Legislation:	<i>Local Government Act 1995</i>	
File Reference:	Nil	
Disclosure of Interest:	Nil	
Attachments:	Attachment 10.1A – Policy 8.20 Rental Charges for Agreements to Occupy Shire of Merredin Non-residential Property (with track changes) Attachment 10.1B – Policy 8.20 Rental Charges for Agreements to Occupy Shire of Merredin Non-residential Property (final)	

Purpose of Report



Executive Decision



Legislative Requirement

For Council to consider a revised Policy – 8.20 Rental Charges for Agreements to Occupy Shire of Merredin Non-residential Property, which gives direction to Council when establishing leases or agreements for Shire of Merredin (Shire) property.

Background

Policy 8.20 aims to determine charges and ensure standardisation of such charges to organisations and groups that occupy Shire property, when developing leases or agreements.

As part of the Merredin Community Recreation and Leisure Centre (MRCLC) review, it has been identified that, should a tender be received for the provision of bar services only, this policy would require updating to ensure that Council were able to charge a suitable lease/rental fee.

Advice from WALGA Governance was sought around the proposed tender and it was advised that Council should apply a clause to this policy that allows a charge outside of the policy to

be imposed. In meeting this requirement, the Policy has also been reviewed and transitioned to the new Shire policy template.

As part of the broader review of the Shire’s policies related to leases, specifically Community leases and Memorandums of Understanding (MoUs), there will be further review and discussion regarding this policy at a later date. The inclusion of point 4.19 will ensure that Council have the appropriate instrument to allow the potential bar and restaurant lease to occur in the meantime.

	Comment
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The policy has been reviewed with a number of key changes. The main points of note include:

- A change from the term ‘Council’ to the term ‘Shire of Merredin’ when referencing the Shire, to ensure that references to ‘Council’ directly relates to Councillors.
- The term lessee has been updated to lessee/occupier to allow for MoUs, rather than lease agreements in relevant circumstances.
- Previously listed example organisations have been updated to make them more relevant.
- Point 4.19 has been added, as per WALGA advice.
- Formatting to meet the new Shire policy template has also occurred.

The intent of the above changes is to make the policy clearer, more current and relevant, and to ensure it is easier to understand and implement.

	Policy Implications
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Changes to Policy 8.20, as documented in Attachment 10.1A and B.

	Statutory Implications
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As outlined in the *Local Government Act 1995*.

	Strategic Implications
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∅	Strategic Community Plan
Theme:	4. Communication and Leadership
Service Area Objective:	4.2 Decision Making
Priorities and Strategies for Change:	The Shire is progressive while exercising responsible stewardship of its built, natural and financial resources
∅	Corporate Business Plan
Key Action:	Nil
Directorate:	Nil
Timeline:	Nil

	Sustainability Implications
∅	Strategic Resource Plan

Nil

	Risk Implications
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Without this policy update, the Shire would be bound to the current terms of the Policy, which will then potentially exclude commercial considerations, when moving forward with MRCLC management options for the Bar and Restaurant component of the proposed tender.

	Financial Implications
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Nil

	Voting Requirements
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Simple Majority

Absolute Majority

	Officers Recommendation
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That Council ADOPT the revised Policy 8.20 – Rental Charges for Agreements to Occupy Shire of Merredin Non-residential Property, as presented in Attachment 10.1B.

10.2 Differential Rating Strategy 2023/24

<h1>Corporate Services</h1> 	
Responsible Officer:	Leah Boehme, EMCS
Author:	As above
Legislation:	<i>Local Government Act 1995</i> <i>Local Government (Financial Management) Regulations 1996</i>
File Reference:	Nil
Disclosure of Interest:	Nil
Attachments:	Attachment 10.2A – Statement of Objects and Reasons for Differential Rating in 2023/24 Attachment 10.2B – Rates modelling table Attachment 10.2C – Rates modelling

Purpose of Report

Executive Decision

Legislative Requirement

For Council to decide the percentage rates yield increase for adoption in 2023/24 and to approve advertising the proposed differential and minimum rates for the 2023/24 financial year and invite community feedback.

Background

Process of setting differential and minimum rates:

Local Governments are empowered to impose differential general rates subject to compliance with section 6.33 of the *Local Government Act 1995*.

Differential rating provides Council with flexibility in the level of rates being raised from specifically identified properties or groups of properties within the community. It is common for Councils to base differential rating for properties on Town Planning Scheme zonings, however, other criteria such as land use may be used.

Once a budget deficiency has been determined, and after taking into consideration the objectives of the Strategic Community Plan and Corporate Business Plan, a rating strategy and proposed differential general rates in the dollar can be determined. Rates should not be increased by a fixed amount without due consideration of the deficiency. Unless Ministerial approval is given, the amount expected to be raised through all types of local government rates must be within 90% to 110% of the deficiency of the budget (s6.34). This acts to limit

the amount that may be raised by rates, but only in proportion to the expenditure requirement determined by the local government, and not in the manner of a set cap on the maximum level of income which can be raised through rates.

Council is required to give local public notice prior to imposing any differential general rates, or any minimum payment applying to a differential rate category for a minimum of 21 days. Council does, however, have the discretion to vary the rate in the dollar and minimum rate during its budget deliberations without having to re-advertise the changes.

Before local public notice is given, proposed rates should be determined by Council, along with the objects and reasons providing justification for each differential general rate or minimum payment. It is important that these provide sufficient supporting information to electors and ratepayers, or local governments may be asked to re-advertise by the Minister for Local Government (the Minister).

Currently, differential rating does not apply to properties utilising Gross Rental Valuations.

In considering the differential rating, Council must consider the necessary increase to the rates yield that will be required for the 2023/24 financial year.

Considerations:

The following matters are considerations for Council when determining an appropriate rate increase for the Shire of Merredin (the Shire) in the 2023/24 financial year.

Economic climate

The changing economic climate and Consumer Price Index (CPI) rises have had a significant impact, contributing to rising costs for services, materials and supply chain disruptions.

The Shire of Merredin's Strategic Community Plan 2020-2030 had assumed a minimum annual rate increase of 3% per annum, consisting of 2% CPI and 1% for service changes over time.

Unfortunately, the assumed CPI increases of 2% per annum, was a significant underestimation of the annual CPI impact - with actual CPI increases of 5.1% and 7% CPI respectively in each of the two most recent financial years (using March 2022 – March 2023 figures), leaving a 8.1% shortfall in the assumptions, which has been absorbed. This does not include the CPI annual forecast by the RBA for March 2023 to March 2024, which is estimated to be a further 5.3%, taking the shortfall to 11.4% (based on 2% rates increases being allocated annually to CPI).

In addition to the sharp CPI increase, the budget has also been impacted by the previous zero COVID rates increase. Over the forward estimates this has had a material impact on the Shire's revenue, and with compounding, is estimated to equal a loss of \$500,000 per annum at the ten-year horizon, with a forecasted impact of \$1,100,000 per annum at the 20-year horizon.

Policy levers which have been applied by Council and the Administration to manage CPI and the zero COVID rates increase in the last few budget years, have included small reductions in service levels, delay of non-essential capital renewals, and draw down on reserves.

This information on economic climate is provided to demonstrate the impact of the current climate, and that a series of mitigating actions have already been taken.

As a result, the Administration have considered an approximate ~4% increase to total yield as a minimum base required to help partly offset CPI increases, which will increase the rates yield by a figure of \$191,398.76. This does not account for the Shire's current projects, or any increases to current organisation service levels. To be clear – this only partly offsets some of the rising costs of materials, and salary award increases which have occurred over the last two financial years, reducing the 11.4% CPI shortfall over the three years shown above to a shortfall of 9.4%.

Should Council wish to consider the projected CPI of 5.3% as a proxy figure to match an equivalent percentage rates yield increase, this would equal a yield of \$253,600.

Recreation Services

The operations of the Merredin Regional Community and Leisure Centre (MRCLC) is an important consideration in relation to the development of the 2023/24 Annual Budget, and therefore the rates yield increase required, with the cost of recreation services expected to significantly increase in the 2023/24 budget year.

As identified within the extension of the Belgravia contract for the three-month period July – September 2023, and the submission of relevant profit and loss statements, the costs of operating the MRCLC have substantially increased, and as the Shire exits from its current contract, regardless of future management models or service providers, this shortfall will need to be met. This is separate to any potential upcoming change to the current management model of the MRCLC.

Based on the existing service levels and the profit and loss statements (which community consultation has identified is not meeting expectations), it is estimated that the minimum increased cost to the Shire per annum for management of the MRCLC from the current amount expended per annum will, at a minimum, be \$200,000 per year from the 2023/24 financial year. This figure is not definitive, and the actual increased cost may be higher than predicted.

It should also be noted that the \$200,000 per annum estimated increase does not take into account any changes to the existing services levels currently being offered at the MRCLC with the development of the service scope. Should Council wish to increase the service level, or run the service in-house, the Consultants have identified this is likely to lead to a greater increase to the annual cost.

Therefore, while the current process has been designed to identify opportunities for improving the financial viability of the centre, the Administration is anticipating an approximate \$200,000 increase in service costs for this service as a minimum floor, based on the existing service levels. Should any further service increases be supported by Council, this will require other funding to be identified to meet this service increase.

To meet this current shortfall, an estimated ~4.18% increase in rates yield would be required.

Loan Repayment – CBD redevelopment

The CBD upgrade project, which is a current part of the Capital Works program has been planned to be partly funded with a loan from WA Treasury Corporation (WATC). This was to

meet the original Building Better Regions Funds requirements for the Shire to meet at least 50% of the total project costs, matching the federal grant funding of \$2,139,309.

The total loan amount originally planned for, was \$2,139,309, and the annual repayments \$260,000 (split into two repayments of \$130,000 each). To minimise the impact on rates, Council has previously agreed to draw down the loan repayments in two parts, by managing the cashflow for the project, and therefore allowing the impact of the loan repayments to be smoothed and introduced over two consecutive financial years. The 2023/24 financial year will require the drawdown of the first part of the scheduled loan from WATC.

The estimated repayment that will be required to be made to WATC in the 2023/24 financial year, is \$79,000 (based on one single payment being required during 2023/24), however, this figure will increase to \$260,000 (an additional \$181,000 per annum) in 2024/25, when the remainder of the loan is drawn down and two repayments are required to be made each year.

The value of this repayment is an estimated ~1.65% increase in rates yield.

Table of Rates:

The current 2022/23 Table of Rates (Unimproved Valuations) is set out below:

Unimproved Value	Minimum	Rate in \$
UV1 – Rural	\$1,130.00	0.01752
UV2 – Urban Rural	\$1,130.00	0.03328
UV3 – Mining	\$200.00	0.03220
UV4 – Power Generation Gen	\$1,130.00	0.03220
UV5 – Special Use Airstrip	\$1,130.00	0.03220

The Administration have provided, as part of this agenda item below, a number of options for Council to consider in relation to the percentage yield increase that they may choose to apply for the 2023/24 financial year, which for comparative purposes are shown in the table found in Attachment 10.2B.

It should be noted, to meet the considerations described above:

- Minimal CPI offset (estimated 4% for minimum partial off-set, which is below the 5.3% for the 2023 forecast CPI)
- Recreation Services price increase at the current service level (estimated 4.18%)
- Partial loan repayment – CBD redevelopment (estimated 1.65%)

Total: 9.83%

Based on the above, a 9.83% minimum rate yield increase would be required to meet these considerations without reducing current services or capital. This also assumes that untied financial assistance grants received by the organisation are likely to increase by CPI to assist in meeting service costs.

Should Council choose to adopt a lesser yield increase than the above, this will result in reductions of either service levels across the organisation, or a reduction in capital (with the exception of committed projects).

It should be noted that reduction in capital is something that has already been implemented in the 2022/23 financial year, and the remaining capital works have focused on strategically aligned projects, such as grant funded roads and other capital projects (and co-funding where required). This results in less opportunities to delay capital as a policy option than in previous years.

As a result, the most likely opportunity to balance the budget depending on the chosen rates yield would be with reduction across services, varying based on the percentage chosen. This would be dealt with during budget development.

The Administration has not recommended any particular option, other than that the rates yield increase considered should not be any lower than 4%. Instead, the Administration has stepped out the implications for each of the modelled options, so Council can make informed choices about maintaining, or reducing service levels across the organisation.

Options for Consideration of Council:

Option One: 4% increase to total rates yield

Should Council choose to apply a 4% increase to the total rates yield, this would result in an increase of \$191,398.76 from the 2022/23 rates yield.

This revenue would not fully cover the predicted CPI, nor the increases to construction costs, materials and labour, but would assist in reducing the gap. Choosing this option does not account for the increased cost of service anticipated at the MRCLC or the loan repayments required to meet the Shire's commitment to the CBD and Apex Park Projects. A reduction to services across the organisation of around \$279,000 would be required to allow for the loan repayment and MRCLC management cost increase. This figure does not take into account any increase to current service levels at the MRCLC. There would also likely be a further reduction in services to meet the current year CPI shortfall.

The Table of Rates (Unimproved Valuations) for a 4% yield increase is set out below:

Unimproved Value	Minimum	Rate in \$
UV1 – Rural	\$1,130.00	0.01826
UV2 – Urban Rural	\$1,130.00	0.03502
UV3 – Mining	\$200.00	0.03424
UV4 – Power Generation Gen	\$1,130.00	0.03350
UV5 – Special Use Airstrip	\$1,130.00	0.03350

Option Two: 6% increase to total rates yield

Should Council choose to apply a 6% increase to the total rates yield, this would result in an increase of \$286,860.77 from the 2022/23 rates yield.

This revenue would partly cover some of the current predicted CPI impact (5.3% for 2023), increases to construction costs, materials and labour. The \$79,000 loan repayment would also be accounted for with this option.

However, choosing this option does not account for the increased cost of service anticipated at the MRCLC at current service levels and does not make up any of the previous lost ground from prior CPI increases met from service cuts. At a minimum, reduction to services across the organisation of around \$200,000 would be required to allow for the MRCLC management cost increase. This figure does not take into account any increase to current service levels at the MRCLC.

The Table of Rates (Unimproved Valuations) for a 6% yield increase is set out below:

Unimproved Value	Minimum	Rate in \$
UV1 – Rural	\$1,130.00	0.01864
UV2 – Urban Rural	\$1,130.00	0.03586
UV3 – Mining	\$200.00	0.03525
UV4 – Power Generation Gen	\$1,130.00	0.03415
UV5 – Special Use Airstrip	\$1,130.00	0.03415

Option Three: 8% increase to total rates yield

Should Council choose to apply an 8% increase to the total rates yield, this would result in an increase of \$382,713.06 from the 2022/23 rates yield.

This revenue would cover some of the current predicted CPI (5.3% for 2023), increases to construction costs, materials and labour. The \$79,000 loan repayment would also be accounted for with this option.

It would also partly cover the increased service costs anticipated for the MRCLC.

A reduction to services across the organisation estimated at around \$88,000 would be required to allow for the remaining projected MRCLC management cost increase. This figure does not take into account any potential increase to current service levels at the MRCLC.

The Table of Rates (Unimproved Valuations) for an 8% yield increase is set out below:

Unimproved Value	Minimum	Rate in \$
UV1 – Rural	\$1,130.00	0.01901
UV2 – Urban Rural	\$1,130.00	0.03669
UV3 – Mining	\$200.00	0.03625
UV4 – Power Generation Gen	\$1,130.00	0.03480
UV5 – Special Use Airstrip	\$1,130.00	0.03480

Option Four: 9% increase to total rates yield

Should Council choose to apply a 9% increase to the total rates yield, this would result in an increase of \$430,406.62 from the 2022/23 rates yield.

This revenue would partly cover the predicted CPI, increases to construction costs, materials and labour. The \$79,000 loan repayment would also be accounted for with this option.

It also covers the majority of the minimum anticipated increased cost of service at the MRCLC (based on current service levels being maintained).

A reduction to services across the organisation of around \$40,000 would be required to allow for the MRCLC management cost increase. This figure does not take into account any increase to current service levels at the MRCLC.

The Table of Rates (Unimproved Valuations) for an 9% yield increase is set out below:

Unimproved Value	Minimum	Rate in \$
UV1 – Rural	\$1,130.00	0.01918
UV2 – Urban Rural	\$1,130.00	0.03712
UV3 – Mining	\$200.00	0.03654
UV4 – Power Generation Gen	\$1,130.00	0.03513
UV5 – Special Use Airstrip	\$1,130.00	0.03513

Option Five: 10% increase to total rates yield

Should Council choose to apply a 10% increase to the total rates yield, this would result in an increase of \$478,353.31 from the 2022/23 rates yield.

This revenue would partly cover the predicted CPI increases to construction costs, materials and labour. The \$79,000 loan repayment and the total predicted increased cost of service anticipated at the MRCLC moving forward would also be accounted for with this option.

This does not however, take into account any costs associated with an increase to current service levels at the MRCLC.

The Table of Rates (Unimproved Valuations) for an 10% yield increase is set out below:

Unimproved Value	Minimum	Rate in \$
UV1 – Rural	\$1,130.00	0.01939
UV2 – Urban Rural	\$1,130.00	0.03752
UV3 – Mining	\$200.00	0.03722
UV4 – Power Generation Gen	\$1,130.00	0.03545
UV5 – Special Use Airstrip	\$1,130.00	0.03545

Option Six: 12% increase to total rates yield

Should Council choose to apply a 12% increase to the total rates yield, this would result in an increase of \$574,104.48 from the 2022/23 rates yield.

This revenue would partly cover the predicted CPI increases to construction costs, materials and labour. The \$79,000 loan repayment and the total predicted increased cost of service anticipated at the MRCLC moving forward would also be accounted for with this option.

Around \$100,000 would be available to contribute to any unanticipated increases or further costs associated with an increase to current service levels at the MRCLC, or variations to

projects. This would also mean that the \$260,000 of loan repayments required in 2024/25 could be managed with a lesser percentage rates yield increase in the 2024/25 budget year.

The Table of Rates (Unimproved Valuations) for an 12% yield increase is set out below:

Unimproved Value	Minimum	Rate in \$
UV1 – Rural	\$1,130.00	0.01976
UV2 – Urban Rural	\$1,130.00	0.03834
UV3 – Mining	\$200.00	0.03820
UV4 – Power Generation Gen	\$1,130.00	0.03609
UV5 – Special Use Airstrip	\$1,130.00	0.03609

These options are all presented for the consideration of Council.

Comment

Rateable properties in the Shire of Merredin are rated on either Gross Rental Value (GRV) or Unimproved Value (UV).

Values are determined by the Valuer General’s Office (VGO). Typically, properties within the town boundary are rated using GRV, which is based on an estimate of what the improved property will generate in rent in a year. GRV properties are revalued every three to five years, based on programs determined by the Valuer-General. The next revaluation for the Shire of Merredin is due to occur the 2023/24 financial year.

Other properties in the Shire are rated using unimproved values, based on the capital value of the unimproved (bare) land. UV properties are revalued every year by the VGO. Whilst unimproved values are based on the capital value of the land, land prices are still linked to the land’s capacity to generate annual revenue.

The Shire generates rate revenue by charging a rate-in-the-dollar (rates) against the valuations. The Shire’s UV properties are rated as Rural, Urban Rural, Mining, Power Generation and Special Use Airstrip.

The actual rates yield received in previous years is described in the table below. The 2023/24 rate in the dollar figures have not been added, due to a decision on which option to select not yet being made.

RATE CATEGORY & TYPE	2021-22 Year (actuals)			2022-23 Year (actuals)			2023-24 Year (proposed)		
	Rate in \$ (cents)	Min \$	Rates Raised	Rate in \$ (cents)	Min \$	Rates Raised	Rate in \$ (cents)	Min \$	Rates Raised
Gross Rental Value									
Gross Rental Value	0.10796	910	2,225,472	0.1126	910	2,308,754	0.11260	910	
Unimproved Value									
UV1 Rural	0.01963	1,130	2,043,448	0.0175	1,130	2,126,030	0.01752	1,130	
UV2 Urban Rural	0.03163	1,130	162,814	0.0333	1,130	166,846	0.03328	1,130	
UV3 Mining	0.03743	205	7,573	0.0322	200	8,328	0.03220	200	
UV4 Special Zone Wind Far	0.03743	1,130	161,010	0.0322	1,130	168,141	0.03220	1,130	
UV5 Special Use Airstrip	0.03743	1,130	6,288	0.0322	1,130	7,052	0.03220	1,130	
			4,606,605			4,785,151			\$ -

The original modelling was based on the yield from each category increasing by a consistent percentage to achieve the required overall rates yield increase agreed to.

Since completing the above modelling, Landgate have provided UV revaluations, effective 30 June 2023. These valuation changes (increases) will require the Shire to adjust the Rate in the Dollar (down) for each UV category to ensure that the Shire continues to receive the same/ similar total rate yield as modelled in the options above. It should also be noted that this may result in minor changes to the rating yield of each category from the modelling provided. The total amount of additional yield will not change.

Council should note once this occurs, and further adjustments are made, the yield from each category will no longer increase by a consistent percentage to achieve the required overall rates yield. However, the variations between the percentage yield per category is expected to be negligible, and as such, this is still considered to be the most fair and equitable distribution of the proposed increase.

Policy Implications

Nil

Statutory Implications

Section 6.33 of the *Local Government Act 1995* allows for local governments to differentially rate properties.

Section 6.33 (3) of the *Local Government Act 1995* outlines “*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.*”

As the highest UV sub-category rate is less than twice the lowest, Ministerial approval is not required.

Section 6.35 of the *Local Government Act 1995*:

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 —*

(a) *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.*

[Section 6.35 amended by No. 49 of 2004 s. 61.]

Section 53 of the Local Government (Financial Management) Regulations 1996 sets the Prescribed amount in Relation to Minimums.

53. *Amount prescribed for minimum payment (Act s. 6.35(4))*

The amount prescribed for the purposes of section 6.35(4) is \$200.

	Strategic Implications
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∅	Strategic Community Plan
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Theme: 4. Communication and Leadership

Service Area Objective: 4.2.2 The Shire is progressive while exercising responsible stewardship of its built, natural and financial resources

Priorities and Strategies for Change: Nil

∅	Corporate Business Plan
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Key Action: Nil

Directorate: Nil

Timeline: Nil

	Sustainability Implications
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∅	Strategic Resource Plan
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Compliance with the *Local Government (Administration) Regulations 1996* and to also give Council direction regarding its management of finance over an extended period of time.

	Risk Implications
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Council would be contravening the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996* if this item was not presented to Council.

	Financial Implications
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Adopting a differential model will result in required rates revenue for the 2023/24 financial year.

Voting Requirements

Simple Majority

Absolute Majority

Officers Recommendation

That Council;

- 1. ADOPT for draft budget purposes, Option _____ as stated in the item, as the differential rate in the dollar and minimum payments for Unimproved Value rated properties for the Shire of Merredin, subject to finalisation of the draft 2023/24 Annual Budget and the establishment of the funding shortfall required from imposition of rates on Gross Rental Value rated properties;**
- 2. ADVERTISE its intention to levy differential rates on Unimproved Value properties for the 2023/24 Budget, and advise the public of the availability of the Shire of Merredin's 2023/24 Differential Rating Objects and Reasons (updated to suit the option selected by Council), in accordance with section 6.36 of the Local Government Act 1995; and**
- 3. NOTES any public submissions received in response to Item 2 above, will be presented to Council for consideration prior to adoption of the 2023/24 Rates.**

11. Motions of which Previous Notice has been given

Nil

12. Questions by Members of which Due Notice has been given

Nil

13. Matters Behind Closed Doors

Nil

14. Closure

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