

MINUTES

Special Council Meeting City of Joondalup

MINUTES OF
SPECIAL MEETING OF THE COUNCIL
OF THE CITY OF JOONDALUP
HELD IN THE COUNCIL CHAMBER, JOONDALUP CIVIC CENTRE,
BOAS AVENUE, JOONDALUP

MEETING DATE



ON
TUESDAY 24 JUNE 2008



City of
Joondalup

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CITY OF JOONDALUP

MINUTES OF SPECIAL COUNCIL MEETING HELD IN THE COUNCIL CHAMBER,
JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP, ON TUESDAY 24 JUNE
2008

DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Mayor declared the meeting open at 1800 hrs.

ATTENDANCES

Mayor:

TROY PICKARD

Councillors:

Cr KERRY HOLLYWOOD	North Ward
Cr TOM McLEAN	North Ward
Cr ALBERT JACOB	North-Central Ward
Cr MARIE MACDONALD	Central Ward
Cr GEOFF AMPHLETT	Central Ward
Cr MIKE NORMAN	South-West Ward
Cr SUE HART	South-East Ward
Cr BRIAN CORR	South-East Ward
Cr RUSS FISHWICK	South Ward
Cr FIONA DIAZ	South Ward

Officers:

MR GARRY HUNT	Chief Executive Officer
MR MIKE TIDY	Director, Corporate Services
MR CLAYTON HIGHAM	Director, Planning & Community Development
MR IAN COWIE	Director, Governance & Strategy
MR MARTYN GLOVER	Director, Infrastructure Services
MR MIKE SMITH	Manager, Governance & Marketing
MRS JANET FOSTER	Administrative Services Coordinator

There were no members of the Public in attendance.

PUBLIC QUESTION TIME

(Please Note: Section 7(4)(b) of the Local Government (Administration) Regulations 1996 states that a Council at a special meeting is not required to answer a question that does not relate to the purpose of the meeting. It is requested that only questions that relate to items on the agenda be asked.)

Nil.

PUBLIC STATEMENT TIME

Statements made at a Special Meeting of the Council must relate to the purpose for which the meeting has been called.

Nil.

APOLOGIES AND LEAVE OF ABSENCE

Leave of absence previously approved:

Cr Michele John – 15 June 2008 to 11 July 2008 inclusive;

Cr Trona Young – 15 June 2008 to 15 July 2008 inclusive.

ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil

DECLARATIONS OF INTEREST

Nil

JSC01-06/08 PROPOSAL FOR LEVYING DIFFERENTIAL RATES FOR THE 2008/09 FINANCIAL YEAR AND OTHER BUDGET MATTERS – [48084, 66610]

WARD: All

RESPONSIBLE DIRECTOR: Mr Mike Tidy
Corporate Services

PURPOSE

For Council to consider a proposal for the setting of differential rates for the Draft Budget for the 2008/09 Financial Year and also to consider changes to the rates incentive scheme and discounts for early payment.

EXECUTIVE SUMMARY

The Valuer General has undertaken a property revaluation that will apply new property values for rating purposes effective from 1 July 2008. Valuations have increased significantly but overall this was largely expected. Analysis of the movements of property values, however, has identified that there has been a marked and unexpected difference in the level of increase between property categories with residential values increasing significantly more than commercial and industrial property values. If the same general rate was applied to residential, commercial and industrial properties as has been the practice in recent years this would result in the proportion of rate revenue being derived from residential property increasing while the proportions from commercial and industrial property would decrease.

It is proposed to address this by applying a differential rate to each of the property categories such that they pay the same proportion of total rate revenue as in 2007/08. In addition, it is

proposed to apply a separate differential on vacant commercial and industrial land that is twice the rate for lowest differential to encourage the development of this land.

In relation to the preparation of the budget for 2008/09 it is further proposed to remove the discount that has applied in previous years and replace this with a major prize draw based on Council providing two new vehicles as a promotion and encouragement for early payment in addition to the City's commercial rate incentive scheme sponsors.

BACKGROUND

The revaluation undertaken by the Valuer General occurs every three years. Property rates are determined by the valuation provided by the Valuer General multiplied by the rate in the dollar that is set by Council.

In simple terms, to set the rates for its budget, Council determines the total rate revenue it needs and sets a rate in the dollar that will generate that revenue. The individual property valuations determine what proportion of the total rate requirements are met by each property owner. This proportion will change when ever a valuation changes but particularly in a revaluation year when all property values are reviewed.

The new values reflect the significant movement that has taken place in property prices over the past several years. As expected there are quite significant increases in values illustrated by the fact that the total for all gross rental valuations in the City has increased from approximately \$713m in 2007/08 to over \$1,048m expected in 2008/09.

The increases are not uniform across the City. There are differences in the levels of increase from suburb to suburb, between the property categories of residential, commercial and industrial and also between improved and vacant property. In broad terms the impacts have been:

- Vacant land has experienced significantly larger increases in valuations than improved land.
- The coastal strip of the City has generally experienced greater increases than those suburbs further inland particularly those east of the Mitchell Freeway.
- Residential property has experienced far more significant increases than commercial or industrial property.

These effects are illustrated by the chart and table in attachment 1.

DETAILS

A Differential Rate for Residential, Commercial and Industrial Property

The most significant aspect of the revaluation is that residential property values on the whole have increased far more significantly than commercial and industrial property values. Broadly speaking, improved residential property values across the City have increased in the order of 46% while improved commercial and industrial property values have increased 28% and 32% respectively.

In recent times the City in setting the rate in the dollar has applied a single general rate to all gross rental valued property whether it is residential, commercial or industrial and regardless of whether it is improved or vacant. If the City were to take the same approach for the 2008/09 rates and apply a single general rate for all categories of property using the new values there will be a shift in the proportion of rate revenue derived from each of the property categories with an increase in the proportion coming from residential property and a reduction in the proportion coming from commercial and industrial property.

While the City has no opportunities to address the different increases that might occur between neighbouring residential properties resulting from different levels of valuation increase, the City can address the issue of the different levels of valuation increases between categories of property. It can set different rates in the dollar to apply to residential, commercial and industrial property instead of a single general rate.

Applying rating in this fashion is known as differential rating and the Local Government Act 1995 Section 6.33 makes provision for the City to be able to levy differentials based on a number of criteria.

- “(1) *A local government may impose differential general rates according to any, or a combination, of the following characteristics:*
- (a) *the purpose for which the land is zoned under a local planning scheme in force under the Planning and Development Act 2005;*
 - (b) *the predominant purpose for which the land is held or used as determined by the local government;*
 - (c) *whether or not the land is vacant land; or*
 - (d) *any other characteristic or combination of characteristics prescribed.”*

If the City were, as an example, to levy a general overall 5% rate increase then without differential rating and with the new values for 2008/09 most commercial and industrial properties would get a rate reduction compared to what they paid in 2007/08. The average increase across residential properties would be greater than 5%. If the City were to set different rates in the dollar for residential, commercial and industrial property then in a similar example of a 5% increase, each rate could be set to ensure that there was a 5% increase on average within that category of property. The proportion of rate revenue derived from each category in 2008/09 compared to 2007/08 could then be maintained.

Attachment 2 sets out a series of alternative sets of differential rates that could be applied. The first shows the new base rates that would apply to each category of property if there were no increase in overall rate revenue for 2008/09. The others then show increases on this new base of 4.95%, 5.0% and 5.5%. The City's current draft budget is balanced based on a 5.5% increase.

A Differential Rate for Vacant Commercial and Industrial Property

There are approximately 15 currently vacant commercial and industrial properties within the City of Joondalup. 10 of these are within or in close proximity to the Joondalup CBD and a number of them have been vacant for some time.

The City is keen to promote and encourage the development of vacant commercial and industrial land. This can be done through a number of positive initiatives and in this regard the City makes a significant contribution to encourage and promote economic development. It can also be done by actively discouraging the holding of vacant and undeveloped land.

In respect of the latter the consideration of the introduction of differential rating offers the opportunity for the City to consider imposing a higher rate on vacant land than the rate applicable for improved land. This could act as an inducement to develop vacant land. It is suggested that this would only apply to vacant commercial and industrial property as the drivers of economic development.

Section 6.33 of the Act permits Council to levy differentials such that the highest is no more than twice the lowest differential. Any greater difference in differentials requires Ministerial approval.

Discount for Early Payment and the Rates Incentive Scheme

The City has offered a discount for early payment of rates for many years. The discount in recent years has been 2.5%. This is offered to those paying their rates in full in the first 28 days. The City has also offered entry into a prize draw as part of a rates incentive scheme for payments received in the first 35 days with prizes donated by commercial sponsors.

The discount and rates incentive scheme together attract almost 50% of the City's rate revenue by the 35th day following the issue of the rates notice. While the rates incentive scheme does not cost the City anything offering a 2.5% discount is a substantial expense expected to be in the order of \$800k if offered in the 2008/09 financial year.

In recent times a number of Local Governments have ceased offering discounts and focussed on more prominent rates incentive schemes offering a car as a prize. A car is generally beyond the capacity of a commercial sponsor and the Local Government purchases the vehicle to offer as a prize at substantially less cost than the discount.

Local Governments who have done this in recent years advise that generally the change has been well received by ratepayers. While there is generally some reduction in the number paying in full early and a corresponding increase in the number taking up instalments this is modest and is generally only felt in the first year.

If the City were to follow a similar course it could differentiate itself from the other Local Governments by offering two vehicles rather than one. The City would be free to choose any vehicles it wished and could make a strong promotional point by focussing on green, environmentally friendly, fuel efficient vehicles to support its environmental initiatives.

Issues and options considered:

Option 1 - take the same approach to setting the rate in the dollar as has applied for the last few years and use the same general rate across all categories of rateable property. This would result in an increased proportion of the total rate revenue being derived from residential property and a decreased proportion being derived from commercial and industrial properties.

Option 2 - apply a differential rate in the dollar which would ensure that in total terms the proportion of rate revenue derived from residential property, commercial property and industrial property for 2008/09 was the same as the proportions that applied in 2007/08.

Option 3 - apply a differential rate to each of the categories of rateable property to maintain the same proportion of rate revenue from each category for 2008/09 as for 2007/08 but with a separate differential rate applied to vacant commercial and industrial property which is twice the rate for improved property, as an inducement for property owners to develop vacant property.

Option 1a, 2a, 3a – in conjunction with any of options 1 to 3, maintain the current discount of 2.5% and the current rates incentive scheme arrangements.

Option 1b, 2b, 3b – in conjunction with any of options 1 to 3, remove the current discount of 2.5% and apply the discount expense savings to infrastructure, facility improvements and an enhanced rate incentive scheme offering two vehicles purchased by the City as prizes with the vehicles to be green, environmentally friendly, fuel efficient vehicles that support and promote the City's environmental initiatives.

Link to Strategic Plan:**Key Focus Area Leadership in Governance**

1.3 OBJECTIVE: To lead and manage the City effectively.

STRATEGIES

1.3.2 The City maintains a long-term Strategic Financial Plan which is reviewed regularly.

1.3.3 The City develops and implements a wide variety of Plans which benefit the community socially, economically and environmentally.

OUTCOME

The City provides effective local leadership.

Key Focus Area Economic Prosperity and Growth

3.1 OBJECTIVE: To encourage the development of the Joondalup CBD.

STRATEGIES

3.1.2 The City facilitates opportunities for development in the CBD through promotion, the provision of information, the identification of suitable opportunities for development and the implementation of supportive planning provisions, including the development and implementation of a new Structure Plan for the CBD (see Strategy 5.1.2).

3.1.4 The City attracts and grows office-based professional service industries within the CBD.

OUTCOME

The Joondalup CBD's position as an employment and activity hub is enhanced.

Legislation – Statutory Provisions:

The Local Government Act 1995 Section 6.33 sets out the provisions in relation to differential rating and enables the City to apply separate rates in the dollar for different categories of properties based on zoning, land use and whether they are improved or unimproved.

Section 6.36 of the Act requires that if the City is going to apply differential rating it must advertise the differentials it intends to apply with local public notice for a minimum 21 days and invite submissions in relation to the proposed differentials. The City is then required to consider any submissions received and may make a final resolution in relation to the setting of the rates in the dollar and the adoption of the budget.

It is proposed that if Council resolves to apply differential rates as a result of consideration of this report the advertisement will be placed in the West Australian on Thursday 26 June 2008 and subsequent editions of the local newspapers as well as notice boards and the website. Based on this date the day for closing of public submissions would be Thursday 17 July 2008.

Risk Management considerations:

Provided the statutory provisions are complied with there are no risk management issues for applying a differential rate.

Financial/Budget Implications:

The application of differential rating is about apportioning the rate revenue derived between different categories of property owners. There are no budget implications from just applying differential rating. The City could derive exactly the same total revenue by applying a general rate to all categories of property. The intention with proposing a differential rate however is to maintain for 2008/09 the same proportion of rate revenue derived from each property category of residential, commercial and industrial in 2007/08.

Policy implications:

Not applicable.

Regional Significance:

Not applicable

Sustainability implications:

Maintaining the previous approach of a general rate across all categories of property would result in an increase in the proportion of rate revenue derived from residential property. In the long term this is not sustainable.

Consultation:

Other Local Governments have been consulted in relation to the use of discounts and rates incentive schemes. The impacts of the proposed valuation changes for 2008/09, the potential for applying differential rating and discounts and rate incentive schemes have been discussed at a number of budget workshops during May and June 2008 with Elected Members and the Executive Management Team. The recommendations of this report broadly reflect the feedback from those discussions.

COMMENT

The City is not in a position to influence the outcomes of a property revaluation generally and at the local level cannot influence rate changes between residential properties that result from different valuation increases. The City can determine however the proportion of rate revenue derived from each category of property and using differential rating maintain for the 2008/09 financial year the same proportions that applied in 2007/08.

While the discount and rates incentive scheme have operated successfully in their current format for a number of years the discount is expensive to offer and it is felt that these funds could be better applied. In conjunction with a more prominent rates incentive scheme that offers two City purchased vehicles as prizes it is felt a more cost effective outcome could be achieved with minimal impact on cashflow while gaining significant promotional opportunities.

It is recommended that the City adopt options 3 and 3b with a differential rate applying to each category of property, a further differential rate on vacant commercial and industrial property that is twice the lowest differential rate with the removal of the 2.5% discount and the City offering an enhanced rates incentive scheme with two City purchased vehicles as the major prizes. The overall rate increase will be 5.5%.

ATTACHMENTS

Attachment 1 – Graph and Table of Valuation Increases for 2008/09

Attachment 2 – Table of Differential Rates

VOTING REQUIREMENTS

Simple majority.

OFFICER'S RECOMMENDATION

That Council, for the 2008/09 financial year:

- 1 in accordance with section 6.36 of the Local Government Act 1995 advertises and seeks public submissions in relation to the following proposed differential rates and minimums;

	Rate in \$	Minimum Payment
<u>General Rate - GRV</u>		\$
Residential Vacant	0.054856	596
Residential Improved	0.054856	596
Commercial Improved	0.063417	596
Commercial Not Improved	0.109712	596
Industrial Improved	0.059644	596
Industrial Not Improved	0.109712	596
<u>General Rate - UV</u>		
Residential	0.00643	596
Rural	0.00640	596

- 2 DOES NOT OFFER a discount for early payment of rates;
- 3 OFFERS an enhanced rates incentive scheme for early payment of rates comprising, in addition to the City's commercial sponsorship prizes, two cars to be purchased by the City to be offered as prizes subject to the gross total value of the vehicles not to exceed \$75,000 and the vehicles to be green, environmentally friendly, fuel efficient vehicles that support and promote the City's environmental initiatives;
- 4 REQUESTS a further report be presented to a Special Meeting of Council to consider:
 - (a) any public submissions in relation to the proposed differential rates, and;
 - (b) the adoption of the Budget for the 2008/09 Financial Year after the close of public submissions.

ADDITIONAL INFORMATION

The recommendation in Report JSC1-06/08 sets out some differential rates that are proposed to be advertised in accordance with the requirements of the Local Government Act 1995. The differentials that have been proposed would generate an overall rate increase of 5.5%.

Prior to the consideration of differential rating, the draft budget for 2008/09 was balanced, which included an overall rate increase of 5.5%

Attachment 2 to the report in the agenda contains alternative differential rates for a 4.95%, a 5% and a 5.5% rate increase. It is the 5.5% differential rates that have been used in the recommendation to the report.

MOVED Cr Fishwick SECONDED Cr McLean that Council, for the 2008/09 financial year:

- 1 in accordance with section 6.36 of the Local Government Act 1995 ADVERTISES and seeks public submissions in relation to the following proposed differential rates and minimums, representing a proposed overall 5.0% rate increase:**

	Rate in \$	Minimum Payment
General Rate - GRV		\$
Residential Not Improved	0.054596	593
Residential Improved	0.054596	593
Commercial Improved	0.063117	593
Commercial Not Improved	0.109192	593
Industrial Improved	0.059362	593
Industrial Not Improved	0.109192	593
General Rate - UV		
Residential	0.00640	593
Rural	0.00637	593

- 2 DOES NOT OFFER a discount for early payment of rates;**
- 3 OFFERS an enhanced rates incentive scheme for early payment of rates comprising, in addition to the City's commercial sponsorship prizes, two cars to be purchased by the City to be offered as prizes subject to the gross total value of the vehicles not to exceed \$75,000 and the vehicles to be green, environmentally friendly, fuel efficient vehicles that support and promote the City's environmental initiatives;**
- 4 REQUESTS a further report be presented to a Special Meeting of Council to consider:**
 - (a) any public submissions in relation to the proposed differential rates, and;**

- (b) the adoption of the Budget for the 2008/09 Financial Year after the close of public submissions.

Discussion ensued.

It was requested that Motion be voted on in two parts.

MOVED Cr Fishwick SECONDED Cr McLean that Council, for the 2008/09 financial year:

- 1 in accordance with section 6.36 of the Local Government Act 1995 **ADVERTISES** and seeks public submissions in relation to the following proposed differential rates and minimums, representing a proposed overall 5.0% rate increase:

	Rate in \$	Minimum Payment
General Rate - GRV		\$
Residential Not Improved	0.054596	593
Residential Improved	0.054596	593
Commercial Improved	0.063117	593
Commercial Not Improved	0.109192	593
Industrial Improved	0.059362	593
Industrial Not Improved	0.109192	593
General Rate - UV		
Residential	0.00640	593
Rural	0.00637	593

- 4 **REQUESTS** a further report be presented to a Special Meeting of Council to consider:
- (a) any public submissions in relation to the proposed differential rates, and;
- (b) the adoption of the Budget for the 2008/09 Financial Year after the close of public submissions.

The Motion was Put and

CARRIED (11/0)

In favour of the Motion: Mayor Pickard, Crs Amphlett, Corr, Diaz, Fishwick, Hart, Hollywood, Jacob, Macdonald, McLean and Norman

MOVED Cr Fishwick SECONDED Cr McLean that Council, for the 2008/09 financial year:

- 2 **DOES NOT OFFER** a discount for early payment of rates

- 3 OFFERS an enhanced rates incentive scheme for early payment of rates comprising, in addition to the City's commercial sponsorship prizes, two cars to be purchased by the City to be offered as prizes subject to the gross total value of the vehicles not to exceed \$75,000 and the vehicles to be green, environmentally friendly, fuel efficient vehicles that support and promote the City's environmental initiatives.**

The Motion was Put and

CARRIED (9/2)

In favour of the Motion: Mayor Pickard, Crs Amphlett, Corr, Diaz, Fishwick, Hollywood, Jacob, McLean and Norman **Against the Motion:** Crs Hart and Macdonald

CLOSURE

There being no further business, the Mayor declared the Meeting closed at 1805 hrs; the following elected members being present at that time:

MAYOR T PICKARD
Cr K HOLLYWOOD
Cr T McLEAN
Cr A JACOB
Cr M MACDONALD
Cr G AMPHLETT
Cr M NORMAN
Cr S HART
Cr B CORR
Cr R FISHWICK
Cr F DIAZ