

minutes

Special Meeting of Council

MEETING HELD ON **WEDNESDAY, 13 JUNE 2012**

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CITY OF JOONDALUP

MINUTES OF SPECIAL MEETING OF THE COUNCIL HELD IN THE COUNCIL CHAMBER,
JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP, ON WEDNESDAY,
13 JUNE 2012

DECLARATION OF OPENING

The Mayor declared the meeting open at 6.32pm.

ANNOUNCEMENT OF VISITORS

ATTENDANCES

Mayor:

TROY PICKARD

Councillors

CR TOM McLEAN, JP	North Ward
CR KERRY HOLLYWOOD	North Ward
CR SAM THOMAS	North-Central Ward
CR PHILIPPA TAYLOR	North-Central Ward
CR GEOFF AMPHLETT, JP	Central Ward
CR MIKE NORMAN	South-West Ward
CR BRIAN CORR	South-East Ward
CR JOHN CHESTER	South-East Ward – <i>Deputy Mayor</i>
CR TERESA RITCHIE	South Ward
CR RUSS FISHWICK, JP	South Ward

Officers:

MR GARRY HUNT	Chief Executive Officer
MR MIKE TIDY	Director Corporate Services
MR JAMIE PARRY	Director Governance and Strategy
MR CHARLIE REYNOLDS	Acting Director Infrastructure Services
MS DALE PAGE	Director Planning and Community Development
MR BRAD SILLENCE	Manager Governance and Marketing
MR JOHN BYRNE	Governance Coordinator
MRS DEBORAH GOUGES	Governance Officer

There were three members of the public in attendance.

PUBLIC QUESTION TIME

The following questions were submitted prior to the Council meeting:

Mr R Repke, Kallaroo:

Re: JSC02-06/12 Proposal for Levying Differential Rates for the 2012/13 Financial Year

Q1 While I agree to charge the differential rate for unimproved land holdings, I wonder, how can we increase the rates charged to residents by 4.9% as this rate is much higher than inflation and much higher than the net income increase of most residents and as there are more and more residents having a hard time to make ends meet?

A1 The issue with linking Local Government rate increases to inflation or CPI is that CPI is not a measure of the cost movements that a Local Government is incurring. The ABS describes the CPI as "It is designed to provide a general measure of price inflation for the Australian household sector as a whole". The elements of CPI are food and non-alcoholic beverages, alcohol and tobacco, clothing and footwear, housing, furnishings household equipment and services, health, transport, communication, recreation and culture, education, insurance and financial services. Few of these have significance for Local Government. The real cost drivers for Local Government are salaries and wages, road and bridge construction, non-residential building construction and machinery and equipment. In terms of the long term economic and financial management of the City, linking rate increases to CPI is not prudent or sustainable.

Q2 Are we not just too ambitious in budgeting to manage to keep the cost up lower than inflation?

A2 Developing a budget is always a challenge between the necessity to preserve and maintain what already exists, the realities of what can be realistically afforded and delivered and all of the things that residents and ratepayers would like. It is the role of Council to determine the rate increase with each budget and the decision is taken with all of these challenges in mind. As mentioned in the response to question 1, however, inflation or CPI is not an appropriate benchmark for local government.

The following questions were submitted verbally at the Council meeting:

Mr J Hollywood, Burns Beach

Re: JSC02-06/12 Proposal for Levying Differential Rates for the 2012/13 Financial Year

Q1 With the number of vacant lots remaining vacant for some time in the metropolitan area, is the Council trying to persuade local government to have differential rating or an increase in rating on vacant land in the metropolitan area?

A1 Mayor Pickard responded the proposal before Council is to consider differential rating including vacant land. However, the challenge for local government has been the ability to differentiate the length of time the land has been vacant and striking a differential rate, based on that length of time the land has remained vacant.

PUBLIC STATEMENT TIME**Mr J Hollywood, Burns Beach**

Re: JSC02-06/12 Proposal for Levying Differential Rates for the 2012/13 Financial Year

Spoke in relation to Item JSC02-06/12 Proposal for Levying Differential Rates for the 2012/13 Financial Year.

APOLOGIES AND LEAVE OF ABSENCE**Apologies**

Cr Liam Gobbert.

Leave of Absence previously approved

Cr Christine Hamilton-Prime	1 June to 30 June 2012 inclusive.
Cr Philippa Taylor	14 June to 25 June 2012 inclusive.
Cr Liam Gobbert	12 July to 29 July 2012 inclusive.
Cr Russ Fishwick, JP	23 July to 28 July 2012 inclusive.
Cr Kerry Hollywood	23 July to 29 July 2012 inclusive.

DECLARATIONS OF INTEREST

Nil.

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY SIT BEHIND CLOSED DOORS

Nil.

ITEMS OF BUSINESS

JSC02-06/12 PROPOSAL FOR LEVYING DIFFERENTIAL RATES FOR THE 2012/13 FINANCIAL YEAR

WARD:	All
RESPONSIBLE DIRECTOR:	Mr Mike Tidy Corporate Services
FILE NUMBER:	102102, 101515
ATTACHMENTS:	Attachment 1 Objects of and Reasons for Proposed Differential Rates for the 2012/13 Financial Year.

PURPOSE

For Council to consider a proposal for the setting of differential rates for the Draft Budget for the 2012/13 Financial Year.

EXECUTIVE SUMMARY

As part of the process for the 2012/13 budget it is proposed to continue with differential rating introduced in 2008/09. In accordance with section 6.36 of the *Local Government Act 1995* Council needs to determine the differential rates to be advertised prior to consideration of the budget.

The recommendation is that the proposed differential rates be advertised and public submissions, sought in accordance with section 6.36 of the *Local Government Act 1995* (the Act).

BACKGROUND

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 a valuation changes.

Differential rates were introduced in 2008/09 to maintain the distribution of the rate burden between the classes of residential, commercial and industrial property.

In addition to a differential between classes of property the City has applied a differential between vacant and improved land within the classes of commercial and industrial property. 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 a higher differential rate imposed on vacant land than the rate applicable for improved land acts as an inducement to develop vacant land.

DETAILS

There is no general property revaluation in 2012/13 and while there have been some minor changes to the *Local Government (Financial Management) Regulations 1996* in regards to differential rating they do not impact on the application of differential rating in the City of Joondalup.

Differential Rates

Section 6.33 of the Act 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.”*

The City has applied its differential rates based on (b) the predominant use as well as (c) in relation to vacant land.

Section 6.33 of the Act also permits Council to levy differentials such that the highest is no more than twice the lowest differential. A greater difference in differentials may be used but requires Ministerial approval.

Issues and options considered:

There are several broad approaches for how the City might apply a rate increase for the 2012/13 budget.

Rate in the Dollar

There are three options for determining how the rate in the dollar may be set.

Option 1 – Do not Differentially Rate and Revert to a General Rate

The differential rate was introduced in 2008/09 to compensate for the distortions caused by higher residential property valuation increases compared to commercial and industrial property valuations.

Because the current 2011/12 differential rates for commercial and industrial property are higher than the residential differential rate reverting back to a general rate would significantly increase the rate burden falling on residential property owners with a reduction to commercial and industrial property owners.

This option is not recommended.

Option 2 – Apply a Differential Rate but Re-assess What They Should Be

There needs to be a key driver or basis for setting a differential rate. The initial 2008/09 driver was to maintain the proportion of rate revenue derived from each of residential, commercial and industrial property. Applying a higher differential rate for vacant commercial and industrial property was introduced on the basis of discouraging the holding of property in a vacant or undeveloped state. A higher differential for vacant residential property was introduced in 2011/12 following a change in the way values were calculated for vacant residential property.

Since the differential rates were last considered for the 2011/12 budget there has been no change in legislative requirements impacting on the application of differential rating in the City of Joondalup and no change in circumstances that would suggest the basic drivers need to be reconsidered.

This option is not recommended.

Option 3 – Apply a Differential Rate as a Percentage Based on the Differentials Set in 2011/12

As there has been no change in legislative requirements impacting on the application of differential rating in the City of Joondalup and no change in circumstances that would suggest the basic drivers need to be reconsidered then applying a percentage increase based on the differentials that were set in 2011/12 would preserve the relativity between the differentials. This is considered to be the most appropriate course in the current circumstances.

This option is recommended.

Minimum Payments

The Act provides that a local government may set a minimum payment for rates. That is regardless of the result of the rate calculation determined by multiplying the rate in the dollar by the valuation no property should be assessed for rates at an amount below the minimum payment. The rate in the dollar and minimum payment will together determine what the minimum valuation is and all properties with a valuation less than this will be subject to the minimum payment.

The Act does not provide any guidance as to what is an appropriate value for the minimum payment or how it might be determined. In essence it is whatever the local government may determine. The general philosophy is that every ratepayer should make a reasonable contribution to the services and facilities that a local government provides. There is no requirement for the local government to justify or substantiate the minimum payment although there is a statutory limit prohibiting a minimum being set so high that more than 50% of properties would be on the minimum.

There are two options.

Option 4 – Re-Assess the Setting of Minimum Payments

The minimum payment that the City has been applying each year has not been based on any formula or criteria but simply represents what the City has determined is reasonable as a minimum payment.

By way of comparison in the table below for the current 2011/12 financial year, the City's minimum payment for residential improved of \$695 is middle of the road for the nine largest local governments by population. 10.1% of ratepayers (rated on a Gross Rental Value basis) pay the minimum payment.

Local Government	Residential Improved Minimum Payment 2010/11 \$
City of Canning	477
City of Cockburn	600
City of Rockingham	699
City of Melville	625.50
City of Joondalup	695
City of Swan	715
City of Stirling	709
City of Gosnells	784
*City of Wanneroo	1010

**Minimum rate includes rubbish charge*

In the absence of any specific guidelines and given that the City of Joondalup's minimum payment is well within industry norms the option of re-assessing the setting of minimum payments is not recommended.

Option 5 – Apply Increases in Line with the Increases in Rates

It is considered that applying a percentage increase to the previous years minimum payment that is the same as the overall City rate increase, provides the most consistent and equitable approach.

This option is recommended.

Draft 2012/13 Budget Rate Revenue Requirement

The Draft 2012/13 Budget is in the final stages of preparation. Four workshops have been held with Elected Members (a fifth is scheduled) and a draft overall position considered that reflects a budget with a minor surplus. A summary of the overall position is set out below:

Current Draft 2012/13 Budget Position

Operating Revenue (excluding Rates)	\$43.278m
Plus Capital Revenue	\$11.233m
Plus Operating Adjustments for Depreciation etc	\$23.117m
Plus Net Funding and Transfers	<u>\$11.860m</u>
	\$89.488m
Less Operating Expenditure	(\$128.041m)
Less Capital Expenditure	<u>(\$ 40.873m)</u>
	(\$79.426m)
Plus Surplus Brought Forward (estimated)	\$ 2.650m
Less Surplus Carried Forward	<u>(\$ 0.058m)</u>
Rate Setting Statement Deficit to be made up from Rates	(\$76.834m)

This represents an overall Rate Increase of 4.9% (1% is equal to \$768,000)

It is recommended that the City base its rate in the dollar on option three and its minimum payment on option five with rates applying to each property category based on the following criteria:

- An overall City rate increase of 4.9%;
- That differential rates apply to residential, commercial and industrial property with relativities applied as they were for 2011/12;
- That a differential rate continue, to be applied to vacant residential property to compensate for the reduced prescribed percentage of the capital value of vacant residential land from 5% to 3% introduced in 2011/12;
- A rate on vacant commercial and industrial property that is twice the lowest differential rate; and
- An increase in the minimum payment for all residential, rural, commercial and industrial property of 4.9% in line with the overall City rate increase.

Legislation/Strategic Plan/Policy Implications

Legislation: Sections 6.33 and 6.36 of the *Local Government Act 1995*.

Section 6.33 of the Act sets out the provisions in relation to differential rating. The City is able 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. A document is required to be made available for inspection by electors and ratepayers that describes the objects of, and reasons for, each proposed rate and minimum payment (Attachment 1 refers). 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.

Strategic Plan

Key Focus Area: Leadership in Governance.

- Objective:**
- 1.3 To lead and manage the City effectively.
 - 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.

Strategic Plan

Key Focus Area: Economic Prosperity and Growth.

- Objective:**
- 3.1 To encourage the development of the Joondalup CBD.
 - 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).

Policy:

Not Applicable.

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 that is required between different categories of property. 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 the general proportion of rate revenue derived from each property category of residential, commercial and industrial.

The proposed overall rate increase of 4.9% is less than was projected in the current 20 Year Strategic Financial Plan.

Regional Significance:

Not Applicable.

Sustainability Implications:

Not Applicable.

Consultation:

The proposed differential rating has been discussed at a number of budget workshops Elected Members and the Executive Management Team. The recommendations of this report reflect the feedback from those discussions.

As referred to under Legislation, if the recommendation is adopted the proposed differential rates will be advertised and public submissions sought. An advertisement will be placed in The West Australian, local newspapers as well as notice boards and the website for 21 days.

COMMENT

The differential rates and minimum payments that have been recommended will deliver an overall rate increase of 4.9% which is in line with feedback from the Budget Workshops held to date.

The relativities between the various differential rates and minimum payments maintains the City's historical approach to apportioning the rate burden between the respective categories of residential, commercial and industrial as well as between vacant and developed residential, commercial and industrial property.

The recommendation relates only to undertaking the prescribed advertising for public submissions for the proposed differential rates and minimum payments. Adopting the recommendation does not commit the Council to the differential rates and minimum payments proposed. Council is required to consider any public submissions received, prior to making its final determination. Adopting the recommendation also does not represent any commitment in relation to the adoption of the 2012/13 Budget.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr McLean, SECONDED Mayor Pickard that Council:

- 1 **APPLIES** differential rates for the Draft Budget for the 2012/13 Financial Year:
- 2 **ADVERTISES** in accordance with Section 6.36 of the *Local Government Act 1995* for public submissions on the proposed differential rates as set out in the table below and makes available to the public Attachment 1 to this Report setting out the objects and reasons for the differential rates:

	Rate in \$	Minimum Payment
General Rate - GRV		\$
Residential Improved	0.055167	729
Residential Vacant	0.077730	729
Commercial Improved	0.067285	744
Commercial Not Improved	0.110333	744
Industrial Improved	0.061541	744
Industrial Not Improved	0.110333	744
General Rate - UV		
Residential	0.008305	729
Rural	0.008265	729

- 3 **REQUESTS** a further report be presented to Council to consider:
 - 3.1 any public submissions in relation to the proposed differential rates; and
 - 3.2 the adoption of the Budget for the 2012/13 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, Chester, Corr, Fishwick, Hollywood, McLean, Norman, Ritchie, Taylor and Thomas

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1agn130612.pdf](#)

CLOSURE

There being no further business, the Mayor declared the Meeting closed at 6.37pm; the following Elected Members being present at that time:

MAYOR T PICKARD
CR K HOLLYWOOD
CR T MCLEAN, JP
CR S THOMAS
CR P TAYLOR
CR G AMPHLETT, JP
CR M NORMAN
CR J CHESTER
CR B CORR
CR R FISHWICK, JP
CR T RITCHIE