

minutes

Special Meeting of Council

MEETING HELD ON **MONDAY 26 MAY 2014**

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CITY OF JOONDALUP**SPECIAL COUNCIL MEETING HELD IN THE COUNCIL CHAMBER, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON MONDAY 21 MAY 2014.****DECLARATION OF OPENING**

The Mayor declared the meeting open at 6.04pm.

ANNOUNCEMENT OF VISITORS**Mayor:**

TROY PICKARD

Councillors:

CR KERRY HOLLYWOOD	North Ward
CR TOM McLEAN, JP	North Ward
CR PHILIPPA TAYLOR	North-Central Ward
CR SAM THOMAS	North-Central Ward
CR LIAM GOBBERT	Central Ward – <i>Deputy Mayor</i>
CR GEOFF AMPHLETT, JP	Central Ward
CR CHRISTINE HAMILTON-PRIME	South-West Ward
CR BRIAN CORR	South-East Ward
CR RUSS FISHWICK, JP	South Ward

Officers:

MR GARRY HUNT	Chief Executive Officer
MR MIKE TIDY	Director Corporate Services
MS DALE PAGE	Director Planning and Community Development
MR NICO CLAASSEN	Director Infrastructure Services
MR BRAD SILLENCE	Manager Governance
MRS LESLEY TAYLOR	Governance Officer

There were no members of the public or member of the press in attendance.

DECLARATIONS OF INTEREST

Nil.

PUBLIC QUESTION TIME

Nil.

PUBLIC STATEMENT TIME

Nil.

APOLOGIES AND LEAVE OF ABSENCE

Apologies

Cr John Chester.

Cr Mike Norman.

Cr Teresa Ritchie, JP.

Leave of Absence previously approved

Cr Christine Hamilton Prime 1 June to 20 June 2014 inclusive;

Cr Russ Fishwick, JP 4 August to 23 September 2014 inclusive;

Cr Philippa Taylor 20 August – 12 September 2014 inclusive.

IDENTIFICATION OF MATTERS FOR WHICH THE MEETING MAY BE CLOSED TO THE PUBLIC

Nil.

REPORTS**JSC02-05/14 PROPOSAL FOR LEVYING DIFFERENTIAL RATES FOR THE 2014-15 FINANCIAL YEAR**

WARD	All
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	103774, 101515
ATTACHMENT	Attachment 1 Objects and Reasons for Proposed Differential Rates for the 2014-15 Financial Year
AUTHORITY / DISCRETION	Legislative - includes the adoption of local laws, planning schemes and policies.

PURPOSE

For Council to consider a proposal for the setting of differential rates for the Draft Budget for the 2014-15 Financial Year.

EXECUTIVE SUMMARY

As part of the process for the 2014-15 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 is required 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 first introduced in 2008-09 following a revaluation to maintain the distribution of the rate burden between the classes of residential, commercial and industrial property. The relativities between the differentials were adjusted again in 2011-12 following a further revaluation and maintained up to and including 2013-14.

In addition to a differential between classes of property the City has applied a differential between improved and vacant land within each of the classes of residential, commercial and industrial property. The City is keen to promote and encourage the development of vacant 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

A revaluation will apply for 2014-15. There are modest differences in the valuation increases for 2014-15 between residential, commercial and industrial property. Average increases for improved residential are 21%, commercial 18% and industrial 12%. This will influence consideration of differentials for 2014-15.

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, whether or not under a local planning scheme or improvement scheme in force under the Planning and Development Act 2005; or*
 - (b) *a purpose for which the land is held or used as determined by the local government; or*
 - (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 purpose for which the land is held or used 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 *2014-15 Budget*.

Rate in the Dollar

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

Option One – 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.

Since 2008-09 the differential for commercial and industrial property have been maintained at a higher level than the residential differential rate and 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 Two – 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. In 2008-09 the 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 property was introduced on the basis of discouraging the holding of property in a vacant or undeveloped state.

Since the differential rates were last considered for the 2013-14 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 Three – Apply a Differential Rate as a Percentage Based on the Differentials Set in 2013-14

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 2013-14 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. The percentage of properties in the City of Joondalup on the minimum is in the order of 10%.

There are two options.

Option Four – 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 2013-14 financial year, the City's minimum payment for residential improved of \$767 is middle of the road for the eight largest local governments by population.

Local Government	Residential Improved Minimum Payment 2013-14 \$
City of Cockburn	657
City of Melville	697.50
City of Stirling	763
City of Joondalup	767
City of Swan	805
City of Gosnells	850
City of Rockingham	885
*City of Wanneroo	1,155

**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 Five – Apply Increases in Line with the Increases in Rates

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

This option is recommended.

Draft 2014-15 Budget Rate Revenue Requirement

The draft *2014-15 Budget* is in the final stages of preparation. Workshops have been held with elected members and a draft overall position considered. A summary of the overall position is set out below:

Current draft 2014-15 Budget Position

Operating Revenue (excluding General Rates)	\$49.677m
Plus Capital Revenue	\$12.277m
Plus Operating Adjustments for Depreciation etc	\$19.594m
Plus Net Funding and Transfers	<u>\$20.690m</u>
	\$102.238m
Less Operating Expenditure	(\$136.487m)
Less Capital Expenditure	<u>(\$ 51.594m)</u>
	(\$85.843m)
Plus Surplus Brought Forward (estimated)	\$ 0.022m
Less Surplus Carried Forward	<u>(\$ 0.000m)</u>
Rate Setting Statement Deficit to be made up from General Rates	(\$85.821m)

This represents an overall rate increase of 3.9% (1% is equal to \$858,000 approximately).

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 3.9%.
- That differential rates apply to residential, commercial and industrial property with relativities applied as they were for 2013-14.
- 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.
- An increase in the minimum payment for all residential, rural, commercial and industrial property of 3.9% in line with the overall City rate increase.

Legislation / Strategic Community Plan / policy implications**Legislation**

Section 6.33 of the *Local Government Act 1995* 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 Community Plan

Key theme	Financial Sustainability.
Objective	Effective management.
Strategic initiative	Not applicable.
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.

Regional significance

Not applicable.

Sustainability implications

Not applicable.

Consultation

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

As referred to under the 'Legislation' section of this Report, 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 3.9% 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 *2014-15 Budget*.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr Amphlett, **SECONDED** Cr McLean that Council:

- 1 **APPLIES** differential rates for the draft Budget for the 2014-15 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 Report JSC02-05/14 setting out the objects and reasons for the differential rates:

	Rate in \$	Minimum Payment
General Rate - GRV		\$
Residential Improved	0.049903	797.00
Residential Vacant	0.070548	797.00
Commercial Improved	0.061062	814.00
Commercial Vacant	0.099806	814.00
Industrial Improved	0.055857	814.00
Industrial Vacant	0.099806	814.00
General Rate - UV		
Residential	0.009078	797.00
Rural	0.009034	797.00

- 3 **REQUESTS** a further report be presented to Council to consider:
 - 3.1 Any public submissions in relation to the proposed differential rates;
 - 3.2 The adoption of the Budget for the 2014-15 Financial Year after the close of public submissions.

The Motion was Put and

CARRIED (10/0)

In favour of the Motion: Mayor Pickard, Crs Amphlett, Corr, Fishwick, Gobbert, Hamilton-Prime, Hollywood, McLean, Taylor and Thomas.

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1agn260514.pdf](#)

CLOSURE

There being no further business, the Mayor declared the Meeting closed at 6.05pm; the following Elected Members being present at that time:

MAYOR T PICKARD
CR KERRY HOLLYWOOD
CR TOM McLEAN, JP
CR PHILIPPA TAYLOR
CR SAM THOMAS
CR LIAM GOBBERT
CR GEOFF AMPHLETT, JP
CR CHRISTINE HAMILTON-PRIME
CR BRIAN CORR
CR RUSS FISHWICK, JP