

minutes

Special Meeting of Council

MEETING HELD ON **TUESDAY 22 MAY 2018**

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CITY OF JOONDALUP

SPECIAL COUNCIL MEETING HELD IN THE COUNCIL CHAMBER, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP ON TUESDAY 22 MAY 2018.

DECLARATION OF OPENING

The Mayor declared the meeting open at 5.45pm.

ANNOUNCEMENT OF VISITORS

Nil.

Mayor:

HON. ALBERT JACOB, JP

Councillors:

CR KERRY HOLLYWOOD	North Ward
CR TOM McLEAN, JP	North Ward
CR PHILIPPA TAYLOR	North Central Ward
CR CHRISTOPHER MAY	Central Ward
CR RUSSELL POLIWKA	Central Ward – <i>Deputy Mayor</i>
CR CHRISTINE HAMILTON-PRIME	South-West Ward
CR MIKE NORMAN	South-West Ward
CR JOHN CHESTER	South-East Ward
CR JOHN LOGAN	South-East Ward
CR RUSS FISHWICK, JP	South Ward
CR SOPHIE DWYER	South Ward

Officers:

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

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

DECLARATIONS OF INTEREST

Nil.

PUBLIC QUESTION TIME

The following questions were submitted prior to the Special Council meeting on 22 May 2018:

Mr A Shorter, Craigie:

Re: JSC02-05/18 – Proposal for Levying Differential Rates for the 2018-19 Financial Year.

Q1 How can the administration recommend a rate increase that is well above Perth's forecast for both inflation and wages growth?

A1 Inflation as measured by CPI is not an adequate indicator of movements in local government costs. CPI includes such items as food, alcohol, tobacco, health and the like which are of little relevance to local government. Of more relevance is road and construction costs, machinery and equipment, street lighting and wages among others. The City has mitigated the impact of these in prior years partly through procurement and efficiency improvements and partly through absorbing the additional costs. The proposed increase of 2.95% is considered commensurate with forecast economic conditions.

Q2 Is there an increase in deliverables that would justify an increase above the forecast?

A2 There are no significant increases in services or facilities proposed for 2018-19. The basis for the increase is as per the response in A1 above.

Q3 Why is this report being presented in a stand-alone meeting rather than the ordinary Council meeting?

A3 The Special Council meeting to be held on 22 May 2018 facilitates the proposed differential rates being advertised with sufficient time for Council to consider public comments at its meeting to be held on Tuesday 26 June 2018.

The following questions were submitted verbally at the Special Council meeting:

Mr M Moore, Edgewater:

Re: JSC02-05/18 – Proposal for Levying Differential Rates for the 2018-19 Financial Year.

Q1 Is there going to be public consultation undertaken on the setting of differential rates?

A1 Mayor Jacob stated the intent of the Special Council Meeting is to decide whether to go out to public consultation.

Q2 What type of information will be provided if there is public consultation?

A2 The Director Corporate Services advised the City will publish the proposed differential rates along with a document which sets out the objects and reasons for the differential rating.

Dr T Green, Padbury:

Re: JSC02-05/18 – Proposal for Levying Differential Rates for the 2018-19 Financial Year.

Q1 Can I please get clarification of what options have been considered regarding raising operating revenue in tandem with rates, for example from facility hire fees or shortening the hours of evening use of flood light facilities?

A1 Mayor Jacob ruled the question out of order as it is not applicable to the matter regarding advertising and setting of differential rates. He encouraged Dr Green to ask the question at the June Council meeting when the budget would be considered.

Mr J Raftis, Duncraig:

Re: JSC02-05/18 – Proposal for Levying Differential Rates for the 2018-19 Financial Year.

Q1 Given the reference to the Governance Framework for the City of Joondalup and decision-making management, transparent business practices and accountability to the ratepayers, why is there no transparent document in support of the 2.95% that is put forward as part of this variable rate increase?

Q2 Will there be full support explaining to the ratepayers how the 2.95% rate increase was arrived at as part of the information package?

A1&2 Mayor Jacob ruled the questions out of order as they were not applicable to the matter regarding advertising and setting of differential rates.

PUBLIC STATEMENT TIME

The following statements were submitted verbally at the Special Council meeting:

Mrs B Hewitt, Edgewater:

Re: JSC02-05/18 – Proposal for Levying Differential Rates for the 2018-19 Financial Year.

Mrs Hewitt spoke against the differential rate increase of 2.95% and urged Council not to raise the rates beyond the capacity of the City's ratepayers to pay.

Mr A Murphy, Edgewater:

Re: JSC02-05/18 – Proposal for Levying Differential Rates for the 2018-19 Financial Year.

Mr Murphy spoke against the differential rate increase and suggested that the City look at other options of raising the funds needed for the upcoming financial year.

Mr J Raftis, Duncraig:

Re: JSC02-05/18 – Proposal for Levying Differential Rates for the 2018-19 Financial Year.

Mr Raftis spoke against the differential rate increase as it was greater than the forecast Local Government Cost Index. Mr Raftis suggested the City use reserve funds to reduce the rate increase to ratepayers.

Dr T Green, Padbury:

Re: JSC02-05/18 – Proposal for Levying Differential Rates for the 2018-19 Financial Year.

Dr Green stated that it was not clear in the agenda for the Special Meeting of Council that the meeting was being held to discuss advertising of the proposed differential rates and requested that this be made clear in the future.

APOLOGIES/LEAVE OF ABSENCE**Leave of Absence Previously Approved:**

Cr Nige Jones	20 May to 25 May 2018 inclusive;
Cr Sophie Dwyer	6 to 7 June 2018 inclusive;
Cr Christine Hamilton-Prime	18 June to 6 July 2018;
Cr John Logan	1 to 15 July 2018 inclusive;
Cr Mike Norman	22 July to 4 August 2018 inclusive.

C50-05/18 REQUEST FOR LEAVE OF ABSENCE – CR SOPHIE DWYER - [107073]

Cr Sophie Dwyer requested Leave of Absence from Council duties covering the period 10 to 17 June 2018 inclusive.

MOVED Mayor Jacob, SECONDED Cr Hamilton-Prime that Council APPROVES the Request for Leave of Absence from Council duties covering the following dates:

1 Cr Sophie Dwyer 10-17 June 2018 inclusive.

The Motion was Put and

CARRIED (12/0)

In favour of the Motion: Mayor Jacob, Crs Chester, Dwyer, Fishwick, Hamilton-Prime, Hollywood, Logan, McLean, May, Norman, Poliwka and Taylor.

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

Nil.

REPORT**JSC02-05/18 PROPOSAL FOR LEVYING DIFFERENTIAL RATES FOR THE 2018-19 FINANCIAL YEAR**

WARD	All
RESPONSIBLE DIRECTOR	Mr Mike Tidy Corporate Services
FILE NUMBER	107008, 101515
ATTACHMENT	Attachment 1 Objects of and reasons for proposed differential rates for the 2018-19 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 2018-19 financial year.

EXECUTIVE SUMMARY

As part of the process for the 2018-19 draft budget it is proposed to continue to apply 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.

It is recommended 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, in accordance with section 6.2 of the Act, and sets the cents 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 to maintain the distribution of the rate burden between the classes of residential, commercial and industrial property following a revaluation. The relativities between the differentials have been adjusted at subsequent revaluations in 2011-12, 2014-15 and 2017-18.

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

Draft Budget 2018-19

The City is in the final stages of developing and preparing the draft *2018-19 Budget*.

This process has encompassed the following:

- Reference and alignment to the *Strategic Community Plan*.
- *Strategic Financial Plan* alignment and review.
- Other Plans and Strategies.
- Critical Analysis of 2016-17 and progress in *2017-18 Annual Plan* performance.
- Consideration of budget parameters.
- Ongoing review of service delivery and service standards.
- Consideration of the efficiency and effectiveness of services and facilities and implementation of new efficiencies.
- Consideration of operating and capital proposals.
- Assessment of capacity including financial, rating and resources, sustainability, assets and reserves.

The development has been scrutinised by:

- Executive through an extensive evaluation process encompassing the *Capital Works Program* and each Business Unit's draft budget.
- Elected Members through the conduct of six draft 2018-19 Budget Workshops to date (during February, March, April and May 2018).

The final stage of the draft *2018-19 Budget* process prior to adoption is to consider the setting of the cents in the dollar.

Differential Rates

Section 6.33 of the Act makes provision for the City to be able to levy differential rates 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.*”

Section 6.33 of the Act permits Council to levy differential rates 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 an increase in rates for the *2018-19 Budget*.

Cents in the Dollar

There are three options for determining how the cents 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. These relativities have been adjusted at subsequent revaluations to maintain the relativity between residential compared to commercial and industrial.

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.

A change was made to the differential for vacant residential property in 2015-16 to bring it into line with treatment of the differentials for vacant commercial and industrial property. The differential for residential, commercial and industrial vacant property has been set at a rate that is twice the lowest differential which is the rate for residential improved property.

Since the differential rates were last considered for the 2017-18 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 2017-18

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 2017-18 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 cents in the dollar by the valuation, no property should be assessed for rates at an amount below the minimum payment. The cents in the dollar and minimum payment will together determine the minimum property valuation. Properties with a valuation below 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 a statutory limit prohibiting a minimum being set so high that more than 50% of properties in each differential rating category would be on the minimum. The percentage of properties in the City of Joondalup on the minimum is well below this threshold in each differential rating category.

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 2017-18 financial year, the City's minimum payment for residential improved of \$863 is middle of the road compared to eight of the larger metropolitan local governments by population noting that three of them do not have a separate refuse charge and include refuse in the rates charge.

Local Government	Residential Improved Minimum Payment 2017-18 \$
City of Stirling	833
City of Joondalup	863
City of Swan	865
City of Gosnells	944
City of Rockingham	1,118
*City of Melville	1,258.15
*City of Cockburn	1,303
*City of Wanneroo	1,337

**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 increases to the minimum payment that is in line with the overall City rate increase provides the most consistent and equitable approach.

This option is recommended.

Draft 2018-19 Budget Rate Revenue Requirement

The Draft 2018-19 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 2018-19 Budget Position

Operating Revenue (excluding General Rates)	\$ 50.182 million
Plus Capital Revenue	\$ 10.522 million
Plus Operating Adjustments for Depreciation etc	\$ 31.090 million
Plus Net Funding and Transfers	\$ 7.541 million
	\$ 99.335 million
Less Operating Expenditure	(\$156.589 million)
Less Capital Expenditure	(\$ 43.473 million)
	(\$100.726 million)
Plus Surplus Brought Forward (estimated)	\$ 0.535 million
Less Surplus Carried Forward	(\$ 0.150 million)
Rate Setting Statement Deficit to be made up from General Rates	(\$100.342 million)
This represents an overall Rate Increase of 2.95%	

It is recommended that the City base its cents 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:

- That differential rates apply to residential, commercial and industrial improved property based on an overall City rate increase of 2.95% compared to 2017-18.
- That the differential rate on residential, commercial and industrial vacant property continue to be set at twice the lowest differential rate.
- An increase in the minimum payment for all residential, rural, commercial and industrial property of 2.95% compared to 2017-18 in line with the overall City rate increase.

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

The Local Government Act 1995 Section 6.33 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, whether they are improved or unimproved and any other characteristic or combinations of characteristics prescribed.

Section 6.36 of the Act requires that if the City is intending 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 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 category of residential, commercial and industrial property.

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.

The proposed differential rates are required to 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 2.95% compared to 2017-18. This is in line with feedback from the budget workshops held to date.

The various differential rates and minimum payments maintain 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 on 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 *2018-19 Budget*.

VOTING REQUIREMENTS

Simple Majority.

MOVED Cr May, SECONDED Cr McLean that Council:

- 1 NOTES the process undertaken for the development of the draft budget for the 2018-19 financial year;**
- 2 APPLIES differential rates for the draft budget for the 2018-19 financial year;**
- 3 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 JSC02-05/18 setting out the objects and reasons for the differential rates:**

	Cents in \$	Minimum Payment
<u>General Rate - GRV</u>		\$
Residential Improved	5.4656	889
Residential Vacant	10.9312	909
Commercial Improved	6.7339	909
Commercial Vacant	10.9312	909
Industrial Improved	5.7375	909
Industrial Vacant	10.9312	909
<u>General Rate - UV</u>		
Residential	1.0121	889
Rural	1.0073	889

- 4 REQUESTS a further report be presented to Council to consider:**
 - 4.1 any public submissions in relation to the proposed differential rates;**
 - 4.2 the adoption of the budget for the 2018-19 financial year after the close of public submissions.**

It was requested that each part of the Motion be voted upon separately.

MOVED Cr May, SECONDED Cr McLean that Council:

- 1 NOTES the process undertaken for the development of the draft budget for the 2018-19 financial year.**

The Motion was Put and

CARRIED (12/0)

In favour of the Motion: Mayor Jacob, Crs Chester, Dwyer, Fishwick, Hamilton-Prime, Hollywood, Logan, McLean, May, Norman, Poliwka and Taylor.

MOVED Cr May, SECONDED Cr McLean that Council:

- 2 APPLIES differential rates for the draft budget for the 2018-19 financial year.**

The Motion was Put and

CARRIED (10/2)

In favour of the Motion: Mayor Jacob, Crs Dwyer, Fishwick, Hamilton-Prime, Hollywood, Logan, McLean, May, Norman and Taylor.

Against the Motion: Crs Chester and Poliwka.

MOVED Cr May, SECONDED Cr McLean that Council:

- 3 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 JSC02-05/18 setting out the objects and reasons for the differential rates:**

	Cents in \$	Minimum Payment
<u>General Rate - GRV</u>		\$
Residential Improved	5.4656	889
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Commercial Vacant	10.9312	909
Industrial Improved	5.7375	909
Industrial Vacant	10.9312	909
<u>General Rate - UV</u>		
Residential	1.0121	889
Rural	1.0073	889

The Motion was Put and

CARRIED (11/1)

In favour of the Motion: Mayor Jacob, Crs Chester, Dwyer, Fishwick, Hamilton-Prime, Hollywood, Logan, McLean, May, Norman and Taylor.

Against the Motion: Cr Poliwka.

MOVED Cr May, SECONDED Cr McLean that Council:

4 REQUESTS a further report be presented to Council to consider:

4.1 any public submissions in relation to the proposed differential rates;

4.2 the adoption of the budget for the 2018-19 financial year after the close of public submissions.

The Motion was Put and

CARRIED (12/0)

In favour of the Motion: Mayor Jacob, Crs Chester, Dwyer, Fishwick, Hamilton-Prime, Hollywood, Logan, McLean, May, Norman, Poliwka and Taylor.

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1agn180522.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 HON. ALBERT JACOB, JP
CR KERRY HOLLYWOOD
CR TOM McLEAN, JP
CR PHILIPPA TAYLOR
CR CHRISTOPHER MAY
CR RUSSELL POLIWKA
CR CHRISTINE HAMILTON-PRIME
CR MIKE NORMAN
CR JOHN CHESTER
CR JOHN LOGAN
CR RUSS FISHWICK, JP
CR SOPHIE DWYER