

agenda

Ordinary Meeting of Council Addendum

NOTICE IS HEREBY GIVEN THAT THE NEXT ORDINARY MEETING OF THE COUNCIL OF THE CITY OF JOONDALUP WILL BE HELD IN THE COUNCIL CHAMBER, JOONDALUP CIVIC CENTRE, BOAS AVENUE, JOONDALUP

ON **TUESDAY 27 MAY 2025**

COMMENCING AT **6.30pm**

JAMES PEARSON
Chief Executive Officer
23 May 2025

Acknowledgement of Traditional Custodians

The City of Joondalup acknowledges the traditional custodians of the land, the Whadjuk people of the Noongar nation, and recognises the culture of the Noongar people and the unique contribution they make to the Joondalup region and Australia. The City of Joondalup pays its respects to their Elders past and present and extends that respect to all Aboriginal and Torres Strait Islander peoples.

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TABLE OF CONTENTS

13	REPORTS OF COMMITTEES	3
13.3	AUDIT AND RISK COMMITTEE - 19 MAY 2025	3
13.3.1	CONFIDENTIAL - REVIEW INTO PROJECT AXIOM (WARD - ALL) ..	3
14	REPORTS OF THE CHIEF EXECUTIVE OFFICER.....	4
14.1	PROPOSAL FOR LEVYING DIFFERENTIAL RATES FOR THE 2025-26 FINANCIAL YEAR (WARD - ALL)	4

13 REPORTS OF COMMITTEES

13.3 AUDIT AND RISK COMMITTEE - 19 MAY 2025

13.3.1 CONFIDENTIAL - REVIEW INTO PROJECT AXIOM (WARD - ALL)

WARD	All
RESPONSIBLE DIRECTOR	Mr James Pearson Chief Executive Officer
FILE NUMBER	111375
AUTHORITY / DISCRETION	Information – includes items provided to Council for information purposes only that do not require a decision of Council (that is for 'noting').

This report is confidential in accordance with s5.23(2) of the *Local Government Act 1995*, which permits the meeting to be closed to the public for business relating to the following:

- (c) *a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting.*
- (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting.*
- (e) *a matter that if disclosed, would reveal:*
 - (ii) *information that has a commercial value to a person.*
- (f) *a matter that if disclosed, could be reasonably expected to:*
 - (i) *impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law.*

A full report is provided to Elected Members under separate cover. The report is not for publication.

14 REPORTS OF THE CHIEF EXECUTIVE OFFICER

14.1 PROPOSAL FOR LEVYING DIFFERENTIAL RATES FOR THE 2025-26 FINANCIAL YEAR (WARD - ALL)

WARD	All
RESPONSIBLE DIRECTOR	Mr Mat Humfrey Director Corporate Services
FILE NUMBER	111596, 101515
AUTHORITY / DISCRETION	Executive - The substantial direction setting and oversight role of Council, such as adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.

PURPOSE

For Council to consider a proposal for the setting of differential rates for the Draft Budget for the 2025-26 Financial Year.

EXECUTIVE SUMMARY

As part of the process for the 2025-26 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* (the Act) 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 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, 2017-18, 2020-21 and 2023-24.

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 is considered an inducement to develop vacant land.

DETAILS

Draft Budget 2025-26

The City is in the final stages of developing and preparing the Draft 2025-26 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 2023-24 and progress in 2024-25 Corporate Business 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 the following:

- Executive through an extensive evaluation process encompassing the Capital Works Program and each Business Unit's draft budget.
- Elected Members, through four Draft 2025-26 Budget Workshops to date (during February, March, April and May 2025).

The final stage of the draft 2025-26 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 consider the rates levy for the 2025-26 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 considerably increase the rate burden falling on residential property owners with a commensurate 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 to discourage 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 since been set at a rate that is not more than twice the lowest differential, which is the rate for residential improved property.

Since the differential rates were last considered for the previous year's 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 warrant the basic drivers needing to be reconsidered at this time.

This option is not recommended.

Option Three – Apply a Differential Rate Based on the Differentials Set in 2024-25

There has been no change in legislative requirements impacting on the application of differential rating in the City of Joondalup. There are no circumstances suggesting a change to the basic drivers for differential rating. Maintaining the relativity between the differentials, based on those set in 2024-25, would best permit setting appropriate differential rates for 2025-26. This is considered 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 an appropriate value for the minimum payment is 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 three further 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 2024-25 financial year, the City's current minimum payment for residential improved of \$873 is the lowest of eight larger metropolitan local governments by population noting that two of them do not have a separate refuse charge and include refuse in the rates charge.

Local Government	Residential Improved Minimum Payment 2024-25
City of Joondalup	899.00
City of Stirling	948.00
City of Swan	970.00
City of Gosnells	1,086.00
City of Rockingham	1,377.00
City of Wanneroo	1,105.00
City of Melville*	1,435.42
City of Cockburn*	1,537.00

**Minimum rate includes refuse charge*

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

Option Five – No Change to Minimum Payments

Leaving the existing minimum payments at the same level in 2024-25 is expected to result in a decrease in the number of properties on the minimum, as a consequence of not adjusting the minimum payments in line with the proposed differential rates for 2025-26. It is therefore not considered appropriate to retain the current minimum payment levels for 2025-26.

This option is not recommended.

Option Six – Apply Changes in Line with the Changes in Rates

It is considered that applying changes to the minimum payment that is in line with the overall City rate change provides the most consistent and equitable approach. The proposed differential rates for 2025-26 represent an increase from the current rates, and it is therefore considered appropriate to make changes to the minimum payments accordingly.

This option is recommended.

Draft 2025-26 Budget Rate Revenue Requirement

The Draft 2025-26 Budget is in the final stages of preparation. Workshops have been held with Elected Members, and the draft Budget is expected to be presented to Council in June 2025.

The budget is being developed in a challenging economic environment. The City has a responsibility to minimise the impact of rates levied on property owners along with a responsibility to deliver services, infrastructure and facilities that the community expects. Input costs remain under significant pressure and the City must balance these two outcomes in a financially responsible manner.

The proposed differential rates in 2025-26 represent a 3.95% increase in the cents in the dollar compared to 2024-25. A natural increase in rates revenue of 0.43% compared to 2024-25 is also anticipated, as a result of rates growth arising from property developments in the current year. Cumulatively, this is expected to result in a 4.38% increase in rates revenue compared to 2024-25.

It is recommended that the City base its cents in the dollar on Option Three and its minimum payment on Option Six with rates applying to each property category based on the following criteria:

- That differential rates apply to residential, commercial and industrial improved property.
- That the differential rate on residential, commercial and industrial vacant property be set at no more than twice the lowest differential rate.

Legislation / Strategic Community Plan / Policy implications

Legislation *Local Government (Financial Management) Regulations 1996.*
 Local Government Act 1995.

10-Year Strategic Community Plan

Key theme 5. Leadership.

Outcome 5-4 Responsible and financially sustainable - you are provided with a range of City services which are delivered in a financially responsible manner.

Policy Not applicable.

Risk management considerations

Risk management considerations in reports to Council consider the relevant strategic risk(s).

This category of risk requires input from Council and is managed by the Chief Executive Officer and relevant Director(s).

Strategic risks are external or internal risks that affect the achievement of the City's long-term objectives.

Strategic Risk Relationship

Risk	DECISIONS	FINANCIAL	REPUTATIONAL
Risk Event Description	Ineffective / improper decision making	Lack of financial sustainability	Loss of community trust
Risk Responsibility	Director Governance and Strategy	Director Corporate Services	Chief Executive Officer
Residual Risk	High	Medium	High
Control Effectiveness	Strong	Strong	Strong
Risk Appetite	High risk requires close monitoring with assurance of the highest levels of controls – strong – including plans for improving effectiveness levels.	Medium risk is acceptable without variation to existing control activities.	High risk requires close monitoring with assurance of the highest levels of controls – strong – including plans for improving effectiveness levels.
Risk Control	The relevant control, to mitigate risk, is the provision of the report clearly demonstrating compliance with the legislation relating to levying differential rates and recommending a financially responsible differential rate to Council by the responsible Director.		

Financial / budget implications

The application of differential rating is about apportioning rates revenue between different categories of property. No budget implications arise just from applying differential rating. The City would be able to derive the same revenue by applying a single general rate to all categories of property. The intention with differential rating, 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 considered at budget workshops by Elected Members. 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 appropriate consultation process will be undertaken, including requisite advertising for 21 days. When concluded, a report on the outcomes of the consultation will be prepared and submitted to Council at its meeting to be held on 24 June 2025.

COMMENT

The differential rates and minimum payments that have been recommended are in line with deliberations 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 this recommendation also does not represent any commitment in relation to the adoption of the 2025-26 Budget.

The proposed differential rates reflect a 3.95% increase in the cents per dollar in each differential rate category and the respective minimum rate. Coupled with a natural 0.43% growth in rates revenue, this is expected to yield a 4.38% rise in rates revenue in the 2025-26 financial year.

VOTING REQUIREMENTS

Simple Majority.

RECOMMENDATION

That Council:

- 1 NOTES the process undertaken for the development of the Draft Budget for the 2025-26 Financial Year;**
- 2 APPLIES differential rates for the Draft Budget for the 2025-26 Financial Year;**

- 3 **ADVERTISES** in accordance with section 6.36 of the *Local Government Act 1995* for public submission 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 as below:

	Cents in \$	Minimum Payment \$
<u>General Rate - GRV</u>		
Residential Improved	5.6945	935
Residential Vacant	11.0666	1,021
Commercial Improved	7.4868	1,021
Commercial Vacant	11.0666	1,021
Industrial Improved	6.7839	1,021
Industrial Vacant	11.0666	1,021
<u>General Rate - UV</u>		
Residential	1.1399	999
Rural	1.1380	999

- 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 2025-26 Financial year after the close of public submissions.

ATTACHMENTS

- 1. Objects of and Reasons for Proposed Differential Rates for the 2025-26 Year [14.1.1 - 2 pages]

OBJECTS OF AND REASONS FOR PROPOSED DIFFERENTIAL RATES FOR THE 2025-26 FINANCIAL YEAR

GROSS RENTAL VALUES:

OBJECT

The cents in the dollar (\$) for the various differential rates are calculated to provide the shortfall in income required to enable the City to provide necessary works and services in the 2025-26 Financial Year after taking into account all non-rate sources of funding.

REASONS

Residential Improved – the cents in the \$ of 5.6945 has been set to ensure that the proportion of total rate revenue derived from residential property remains consistent with previous years.

Residential Vacant – the cents in the \$ of 11.0666 has been set to ensure that the proportion of total rate revenue derived from residential property remains consistent with previous years and is higher than residential improved property in an effort to promote development of this category of property thereby stimulating growth and development in the community.

Commercial Improved – the cents in the \$ of 7.4868 has been set to ensure that the proportion of total rate revenue derived from commercial property remains consistent with previous years and recognises the higher demand on City infrastructure and services from the activity on commercial property.

Commercial Vacant – the cents in the \$ of 11.0666 has been set to ensure that the proportion of total rate revenue derived from commercial property remains consistent with previous years and is higher than commercial improved property in an effort to promote development of this category of property thereby stimulating growth and development in the community.

Industrial Improved - the cents in the \$ of 6.7839 has been set to ensure that the proportion of total rate revenue derived from industrial property remains consistent with previous years and recognises the higher demand on City infrastructure and services from the activity on industrial property.

Industrial Vacant – the cents in the \$ of 11.0666 has been set to ensure that the proportion of total rate revenue derived from industrial property remains consistent with previous years and is higher than industrial improved property in an effort to promote development of this category of property thereby stimulating growth and development in the community.

UNIMPROVED VALUES:

OBJECT

The cents in the dollar (\$) are calculated to provide the shortfall in income required to enable the City to provide necessary works and services in the 2025-26 Financial Year after taking into account all non-rate sources of funding.

REASON

Residential – the cents in the \$ of 1.1399 has been set to ensure that the proportion of total rate revenue derived from residential property remains consistent with previous years.

Rural – the cents in the \$ of 1.1380 has been set to ensure that the proportion of total rate revenue derived from rural property remains consistent with previous years.

MINIMUM PAYMENT:

A minimum payment of \$935 is applied to Gross Rental Valued residential improved categories in recognition that every property receives some minimum level of benefit from works and services provided.

A minimum payment of \$1,021 is applied to Gross Rental Valued commercial and industrial improved rate categories and Gross Rental Valued residential, commercial and industrial vacant rate categories in recognition that every property receives some minimum level of benefit from works and services provided.

A minimum payment of \$999 is applied to Unimproved Valued residential and rural rate categories in recognition that every property receives some minimum level of benefit from works and services provided.