

agenda

Addendum Ordinary Meeting of Council

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 23 MAY 2023**

COMMENCING AT **6.30pm**

JAMES PEARSON
Chief Executive Officer
19 May 2023

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.

This document is available in alternate formats upon request

TABLE OF CONTENTS

ITEM NO.	TITLE	WARD	PAGE NO.
	REPORTS		3
CJ084-05/23	CONFIDENTIAL – 252 – 254 CAMBERWARRA DRIVE CRAIGIE – SHALOM HOUSE – CONSIDERATION OF COUNCIL DIRECTION	CENTRAL	3
CJ085-05/23	PROPOSAL FOR LEVYING DIFFERENTIAL RATES FOR THE 2023-24 FINANCIAL YEAR	ALL	4

REPORTS

CJ084-05/23 CONFIDENTIAL – 252 – 254 CAMBERWARRA DRIVE CRAIGIE – SHALOM HOUSE – CONSIDERATION OF COUNCIL DIRECTION

WARD	Central
RESPONSIBLE DIRECTOR	Mr Chris Leigh Planning and Community Development
FILE NUMBER	45152, 101515
ATTACHMENTS	Nil
AUTHORITY / DISCRETION	Administrative - Council administers legislation and applies the legislative regime to factual situations and circumstances that affect the rights of people. Examples include town planning applications, building licences and other decisions that may be appealable to the State Administrative Tribunal.

This report is confidential in accordance with Section 5.23(2) of the *Local Government Act 1995*, which permits the meeting to be closed to the public for business relating to the following:

(d) legal advice obtained, or which may be obtained, by the local government and relates to a matters to be discussed at the meeting.

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 The report is not for publication.

CJ085-05/23 PROPOSAL FOR LEVYING DIFFERENTIAL RATES FOR THE 2023-24 FINANCIAL YEAR

WARD	All
RESPONSIBLE DIRECTOR	Mr Mat Humfrey Corporate Services
FILE NUMBER	110452, 101515
ATTACHMENT / S	Attachment 1 Objects of and reasons for proposed differential rates for the 2023-24 financial year.
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 2023-24 Financial Year.

EXECUTIVE SUMMARY

As part of the process for the 2023-24 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 generally 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 to be an inducement to develop vacant land.

DETAILS

Draft Budget 2023-24

The City is in the final stages of developing and preparing the Draft 2023-24 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 2021-22 and progress in *2022-23 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:

- Executive through an extensive evaluation process encompassing the Capital Works Program and each Business Unit's draft budget.
- Elected Members through the conduct of five Draft 2023-24 Budget Workshops to date (during February, March, April and May 2023).

The final stage of the draft 2023-24 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 2023-24 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.

2023-24 is a revaluation year which has again seen a significant distortion in increases in residential property valuations compared to commercial and industrial property valuations. Reverting back to a general rate would significantly 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 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 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 2023-24 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 2022-23

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. In view of the updated Gross Rental Value (GRV) valuations that have resulted in considerable disparity in valuation movements between residential and commercial properties and within these categories as well, maintaining the relativity between the differentials, based on those that were set in 2022-23 would best permit the setting of appropriate differential rates for 2023-24. 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 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 2022-23 financial year, the City's minimum payment for residential improved of \$850 is the lowest of the 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 2022-23 \$
City of Joondalup	850.00
City of Stirling	893.00
City of Swan	890.00
City of Gosnells	1,009.00
City of Rockingham	1,266.00
City of Wanneroo	1,035.00
*City of Melville	1,328.35
*City of Cockburn	1,414.00

**Minimum rate includes rubbish 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 2022-23 will result in a significant fall in the number of properties on the minimum, due to the upwards movement in GRVs, especially in residential properties. It is therefore not considered appropriate to retain the current minimum payment levels for 2023-24.

This option is not recommended.

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

It is generally 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 2023-24 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 2023-24 Budget Rate Revenue Requirement

The Draft 2023-24 Budget is in the final stages of preparation. Workshops have been held with Elected Members, and the draft Budget expected to be presented to Council in June 2023.

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 are under significant pressure and the City must balance these two outcomes in a financial responsible manner.

The proposed differential rates in 2023-24 is expected to result in a 3.25% increase in rates revenue compared to 2022-23.

In addition, the revaluation of GRVs undertaken by the Valuer-General has seen significant rises in the GRVs pertaining to residential properties across the board, that are considerably higher than corresponding increases in commercial property GRVs. The differential rates (cents-per-dollar) applicable to each category have been adjusted to minimise the impact of the valuation rises as much as possible. However, due to individual property valuations differing, sometimes considerably, from one another, it is noted that there will be varying impacts on the rates levied on individual properties, as a consequence of this.

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 *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.

10-Year Strategic Community Plan

Key theme	Leadership.
Outcome	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

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

Due to the movement in individual property GRVs, there is a risk that these movements will result in a number of properties experiencing an increase in rates levies on those properties being higher than the proposed 3.25% increase, due to the impact of increases in the respective GRVs. At the same time, there is a corresponding risk that these movements will result in a number of properties experiencing an increase lower than the proposed 3.25% increase.

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 considered at budget workshops by Elected Members and the Executive Leadership 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 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 June 2023 meeting.

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 City reduced overall rates revenue in 2020-21 by over \$5 million from 2019-20, as part of the City's COVID-19 support to the community.

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 2023-24 Budget.

VOTING REQUIREMENTS

Simple Majority.

RECOMMENDATION

That Council:

- 1 **NOTES** the process undertaken for the development of the Draft Budget for the 2023-24 Financial Year;
- 2 **APPLIES** differential rates for the Draft Budget for the 2023-24 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 CJ085-05/23 setting out the objects and reasons for the differential rates as below:

	Cents in \$	Minimum Payment \$
<u>General Rate - GRV</u>		
Residential Improved	5.3496	877
Residential Vacant	10.3964	959
Commercial Improved	7.0334	959
Commercial Vacant	10.3964	959
Industrial Improved	6.3731	959
Industrial Vacant	10.3964	959
<u>General Rate - UV</u>		
Residential	1.0709	938
Rural	1.0691	938

- 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 2023-24 Financial Year after the close of public submissions;
- 5 **NOTES** the intention to apply a discount of \$150 to commercial improved properties and a discount of \$75 to industrial improved properties in the 2023-24 Financial Year.

Appendix 21 refers

To access this attachment on electronic document, click here: [Attach21agn230523.pdf](#)