

agenda

Special Meeting of Council

NOTICE IS HEREBY GIVEN THAT THE NEXT SPECIAL MEETING OF THE COUNCIL OF THE CITY OF JOONDALUP WILL BE HELD BY ELECTRONIC MEANS

ON **TUESDAY 26 MAY 2020**

COMMENCING AT **6.00pm**

PURPOSE OF MEETING

The purpose of the meeting is to give consideration to the following Item:

JSC03-05/20 Proposal for Levying Differential Rates for the 2020-21 Financial Year.

GARRY HUNT
Chief Executive Officer
22 May 2020

www.joondalup.wa.gov.au

This document is available in alternate formats upon request

PUBLIC QUESTION TIME

Members of the public are requested to lodge questions in writing by 9.00am on

Monday 25 May 2020

Questions and their responses, will be distributed to Elected Members prior to the meeting and published on the City's website.

Please Note: Section 7(4) (b) of the Local Government (Administration) Regulations 1996 states that a Council at a special meeting is not required to answer a question that does not relate to the purpose of the meeting. It is requested that only questions that relate to items on the agenda be asked.

QUESTIONS TO

council.questions@joondalup.wa.gov.au
PO Box 21 Joondalup WA 6919

www.joondalup.wa.gov.au

ELECTRONIC MEETINGS

In accordance with regulation 14E(2) of the *Local Government (Administration) Regulations 1996* notice is hereby given that City of Joondalup Council Meetings to be held on Tuesday 21 April 2020, Tuesday 19 May 2020 and 23 June 2020 and up until **Tuesday 30 June 2020**, inclusive will now be conducted by electronic means.

In accordance with regulation 14D of the *Local Government (Administration) Regulations 1996* a Council or Committee meeting may be held by electronic means:

- (a) if:
- (i) a public health emergency or a state of emergency exists in the whole or a part of the area of the City's district; and
 - (ii) because of the public health emergency or state of emergency, the Mayor or Council considers it appropriate for the meeting to be held by electronic means
- or
- (b) if:
- (i) a direction is issued under the *Public Health Act 2016* or the *Emergency Management Act 2005* that prevents the meeting from being held in person; and
 - (ii) the Mayor or Council authorises the meeting to be held by electronic means.

The electronic means by which the meeting is to be held include by telephone, video conference or other instantaneous communications as determined by the Mayor or Council, with the Chief Executive Officer being consulted before such determination is made.

Where a Council or Committee meeting is determined to be conducted by electronic means, the following procedures will apply and replace all other procedures for public question time, public statement time, and deputations. The following procedures also apply to the City's Briefing Sessions where it has been determined that those meetings are held by electronic means and replace all other procedures detailed in this document.

PROCEDURES FOR PUBLIC QUESTION TIME

Where a meeting of a committee is open to the public the procedures for public question time and public statement time apply. In this regard these procedures are amended by substituting "Council" with "Committee" to provide proper context.

Questions in Writing

- 1 The City will accept a maximum of five written questions per person. To ensure equity and consistency, each part of a multi-part question will be treated as a question in its own right.
- 2 Written questions submitted for a special Council meeting must relate to a matter that affects the City of Joondalup. Written questions submitted for a Special meeting of Council must relate to the purpose for which the meeting has been called. Written questions submitted for a Briefing Session must relate to a report contained in the agenda.

- 3 Questions lodged by 9.00am on the day immediately prior to the scheduled meeting will be responded to. These questions, and their responses, will be distributed to Elected Members at the meeting and where possible published on the City's website prior to the meeting.
- 4 The Presiding Member shall decide to accept or reject any written question and their decision is final. Where there is any concern about a question being offensive, defamatory or the like, the Presiding Member will make a determination in relation to the question. Questions determined as offensive, defamatory or the like will not be published.
- 5 The Presiding Member may rule questions out of order where they are substantially the same as questions previously submitted and responded to.
- 6 Written questions unable to be responded to at a Council meeting or Briefing Session will be taken on notice. In this case, a written response will be provided as soon as possible and included on the agenda of the next Council meeting or Briefing Session.
- 7 Other questions and any response will be summarised and included in the minutes of the Council meeting, or in the agenda of the next Briefing Session.
- 8 For the purposes of the record, the name and suburb of the member of the public that has asked a question will be detailed.
- 9 It is not intended that question time should be used as a means to obtain information that would not be made available if it was sought from the City's records under Section 5.94 of the *Local Government Act 1995* or the *Freedom of Information Act 1992* (FOI Act 1992). Where the response to a question(s) would require a substantial commitment of the City's resources, the Chief Executive Officer (CEO) will determine that it is an unreasonable impost upon the City and may refuse to provide it. The CEO will advise the member of the public that the information may be sought in accordance with the FOI Act 1992.

PROCEDURES FOR PUBLIC STATEMENT TIME

- 1 Written public statements will be accepted by emailing the Mayor (Mayor.Jacob@joondalup.wa.gov.au) who will distribute any statement received to other elected members before the meeting. Public statements must be received by 9.00am on the day of the meeting.
- 2 Written public statements submitted for an Ordinary Council meeting must relate to a matter that affects the City of Joondalup. Written public statements submitted for a Special meeting of Council must relate to the purpose for which the meeting has been called. Written public statements submitted for a Briefing Session must relate to a report contained in the agenda.
- 3 Members of the public may also wish to contact the City's administration at info@joondalup.wa.gov.au or contact an individual Elected Member directly.

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CITY OF JOONDALUP

Notice is hereby given that a Special Meeting of the Council will be held by electronic means on **Tuesday 26 May 2020** commencing at **6.00pm**.

GARRY HUNT
Chief Executive Officer
22 May 2020

Joondalup
Western Australia

VISION

“A global City: bold, creative and prosperous.”

PRIMARY VALUES

- Transparent.
- Accountable.
- Honest.
- Ethical.
- Respectful.
- Sustainable.
- Professional.

DISTINGUISHING VALUES

Bold

We will make courageous decisions for the benefit of our community and future generations.

Ambitious

We will lead with strength and conviction to achieve our vision for the City.

Innovative

We will learn and adapt for changing circumstances to ensure we are always one step ahead.

Enterprising

We will undertake ventures that forge new directions for business and the local community.

Prosperous

We will ensure our City benefits from a thriving economy built on local commercial success.

Compassionate

We will act with empathy and understanding of our community's needs and ambitions.

AGENDA

DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

DECLARATIONS OF FINANCIAL INTEREST/PROXIMITY INTEREST/INTEREST THAT MAY AFFECT IMPARTIALITY

PUBLIC QUESTION TIME

(Please Note: Section 7(4)(b) of the *Local Government (Administration) Regulations 1996* states that a Council at a special meeting is not required to answer a question that does not relate to the purpose of the meeting. It is requested that only questions that relate to items on the agenda be asked.)

PUBLIC STATEMENT TIME

Statements made at a Special Meeting of the Council must relate to the purpose for which the meeting has been called.

APOLOGIES AND LEAVE OF ABSENCE

Leave of Absence previously approved

| | |
|-----------------------------|---------------------------------|
| Cr Christine Hamilton-Prime | 1 May to 8 June 2020 inclusive; |
| Mayor Albert Jacob, JP | 8 to 10 June 2020 inclusive. |

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

REPORT**JSC03-05/20 PROPOSAL FOR LEVYING DIFFERENTIAL RATES FOR THE 2020-21 FINANCIAL YEAR**

| | |
|-------------------------------|--|
| WARD | All |
| RESPONSIBLE DIRECTOR | Mr Mat Humfrey Corporate Services |
| FILE NUMBER | 108348, 101515 |
| ATTACHMENT | Attachment 1 Objects of and reasons for proposed differential rates for the 2020-21 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 2020-21 financial year.

EXECUTIVE SUMMARY

As part of the process for the 2020-21 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 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 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 2020-21

The City is in the final stages of developing and preparing the Draft 2020-21 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 2018-19 and progress in 2019-20 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 five Draft 2020-21 Budget Workshops to date (during February, March, April and May 2020).

The final stage of the Draft 2020-21 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 2020-21 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 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 2019-20 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 2019-20

There has been no change in legislative requirements impacting on the application of differential rating in the City of Joondalup. The change in circumstances arising from the ongoing COVID-19 pandemic do not suggest that the basic drivers for differential rating need to be reconsidered. However, to deal with the changed circumstances caused by COVID-19, applying a percentage change based on the differentials that were set in 2019-20 would best preserve the relativity between the differentials in view of the changes to the Gross Rental Values in the different categories. 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 2019-20 financial year, the City's minimum payment for residential improved of \$909 is middle of the road compared to eight of the 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 2019-20 \$ |
|-------------------------|--|
| #City of Stirling | 853.00 |
| City of Joondalup | 909.00 |
| City of Swan | 890.00 |
| City of Gosnells | 980.00 |
| City of Rockingham | 1,200.00 |
| City of Wanneroo | 988.00 |
| *City of Melville | 1,283.43 |
| *City of Cockburn | 1,353.00 |

Does not differentially rate

**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 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. In addition, with 2020-21 being a revaluation year, Gross Rental Valuations (GRVs) for different property categories reflect differing valuation outcomes compared to 2019-20. It is considered appropriate that any changes to minimum rates are commensurate with these valuation movements.

This option is recommended.

Draft 2020-21 Budget Rate Revenue Requirement

The Draft 2020-21 Budget is in the final stages of preparation. Workshops have been held with Elected Members, but due to the ongoing disruption arising from the COVID-19 crisis and corresponding state of emergency in Western Australia, the draft overall position is still under consideration.

Based on the proposed cents per dollar in each differential rating category, coupled with the expected changes to GRVs, it is estimated that overall revenue from rates is likely to reduce by over \$5 million when compared to a levy based on 2019-20 cents per dollar and GRVs. However, current 2020-21 budget deliberations incorporate the effects of this impact so that the rates revenue required in 2020-21 for the delivery of services and projects is commensurate with this reduction.

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 reduction in City rates revenue compared to 2019-20.
- That the differential rate on residential, commercial and industrial vacant property be set at no more than twice the lowest differential rate.
- A decrease in the minimum payment for residential improved properties with no change in the minimum payment for all other residential, rural, commercial and industrial properties compared to 2019-20.

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 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 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 result in an overall reduction in revenue from rates compared to 2019-20. This is in line with deliberations from the Budget Workshops held to date.

The net effect of the recommended changes below and the revaluations of all properties by the Valuer General is that 95% of rate payers will pay less in rates than they did in 2019-20. The reductions in rates have been targeted to assist residents and small businesses – who have been most effected by the Covid-19 pandemic. The recommendation below, if implemented will result in a reduction of rates revenue of \$5.5 million. This combined with the reduction in other revenues will require a reduction in operating expenditure for the 2020-21 financial year. As with the recommended reductions in rates, the reductions in expenditure will be targeted to ensure that current staff are not stood down and that economic activity within the City is not adversely affected.

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 2020-21 Budget.

VOTING REQUIREMENTS

Simple Majority.

RECOMMENDATION

That Council:

- 1 **NOTES** the process undertaken for the development of the Draft Budget for the 2020-21 financial year;
- 2 **APPLIES** differential rates for the Draft Budget for the 2020-21 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 JSC03-05/20 setting out the objects and reasons for the differential rates as below:

| | Cents in \$ | Minimum Payment |
|----------------------------------|-------------|-----------------|
| <u>General Rate - GRV</u> | | \$ |
| Residential Improved | 5.9669 | 850 |
| Residential Vacant | 11.1772 | 929 |
| Commercial Improved | 6.6444 | 929 |
| Commercial Vacant | 11.1772 | 929 |
| Industrial Improved | 6.0426 | 929 |
| Industrial Vacant | 11.1772 | 929 |
| <u>General Rate - UV</u> | | |
| Residential | 1.0349 | 909 |
| Rural | 1.0300 | 909 |

- 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 2020-21 financial year after the close of public submissions.

Appendix 1 refers

To access this attachment on electronic document, click here: [Attach1agn200526.pdf](#)

CLOSURE



**DECLARATION OF
FINANCIAL INTEREST / PROXIMITY INTEREST / INTEREST THAT
MAY AFFECT IMPARTIALITY**

**To: CHIEF EXECUTIVE OFFICER
CITY OF JOONDALUP**

| | |
|-------------------------------|---|
| Name/ Position | |
| Meeting Date | |
| Item No/ Subject | |
| Nature of Interest | Financial Interest * Proximity Interest* Interest that may affect impartiality* <i>* Delete where not applicable</i> |
| Extent of Interest | |
| Signature | |
| Date | |

Section 5.65(1) of the *Local Government Act 1995* states that:

“A member who has an interest in any matter to be discussed at a Council or Committee meeting that will be attended by that member must disclose the nature of the interest:

- (a) in a written notice given to the CEO before the meeting; or*
- (b) at the meeting immediately before the matter is discussed.”*