

minutes

Special Meeting of Council

MEETING HELD ON **TUESDAY 26 MAY 2020**

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CITY OF JOONDALUP

SPECIAL COUNCIL MEETING HELD BY ELECTRONIC MEANS ON TUESDAY 26 MAY 2020.

DECLARATION OF OPENING

The Mayor declared the meeting open at 6.00pm.

ANNOUNCEMENT OF VISITORS

Mayor:

HON. ALBERT JACOB, JP

Councillors:

CR KERRY HOLLYWOOD	North Ward
CR TOM McLEAN, JP	North Ward
CR PHILIPPA TAYLOR	North Central Ward
CR NIGE JONES	North Central Ward
CR CHRISTOPHER MAY	Central Ward
CR RUSSELL POLIWKA	Central Ward
CR CHRISTINE HAMILTON-PRIME	South-West Ward
CR JOHN RAFTIS	South-West Ward
CR JOHN CHESTER	South-East Ward
CR JOHN LOGAN	South-East Ward
CR RUSS FISHWICK, JP	South Ward – <i>Deputy Mayor</i>
CR SUZANNE THOMPSON	South Ward

Officers:

MR GARRY HUNT	Chief Executive Officer
MR JAMIE PARRY	Director Governance and Strategy
MR NICO CLAASSEN	Director Infrastructure Services
MR MAT HUMFREY	Director Corporate Services
MR BRAD SILLENCE	Manager Governance
MS SIMONE HOLMES-CAVANAGH	Manager Communications and Stakeholder Relations

Due to the Council Meeting being held by electronic means there were no members of the public and no members of the press in attendance.

C38-05/20

PROCEDURAL MOTION – SUSPENSION OF CITY OF JOONDALUP MEETING PROCEDURES LOCAL LAW – [08122, 02154]

MOVED Mayor Jacob, **SECONDED** Cr Jones that Council in accordance with clause 14.1 of the *City of Joondalup Meeting Procedures Local Law 2013*, suspends the operation of the following clauses of the *City of Joondalup Meeting Procedures Local Law 2013* while this meeting is being held by electronic means:

- 1 clause 5.2 (7) - Procedure to close meetings to the public;
- 2 clause 5.15 - Media attendance;
- 3 clause 7.1 - Members to occupy own seats.

The Procedural Motion was Put and

CARRIED (13/0)

In favour of the Procedural Motion: Mayor Jacob, Crs Chester, Fishwick, Hamilton-Prime, Hollywood, Jones, Logan, May, McLean, Poliwka, Raftis, Taylor and Thompson.

DECLARATIONS OF INTEREST

Nil.

PUBLIC QUESTION TIME

Nil.

PUBLIC STATEMENT TIME

Nil.

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

Nil.

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.

MOVED Mayor Jacob, SECONDED Cr Fishwick 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

	Cents in \$	Minimum Payment
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.**

The Motion was Put and

CARRIED (11/2)

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

Against the Motion: Crs Poliwka and Raftis.

Appendix 1 refers

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

CLOSURE

There being no further business, the Mayor declared the Special Meeting closed at 6.21pm the following Elected Members being present at the electronic meeting at that time:

MAYOR HON. ALBERT JACOB, JP
CR KERRY HOLLYWOOD
CR TOM McLEAN, JP
CR PHILIPPA TAYLOR
CR NIGE JONES
CR CHRISTOPHER MAY
CR RUSSELL POLIWKA
CR CHRISTINE HAMILTON-PRIME
CR JOHN RAFTIS
CR JOHN CHESTER
CR JOHN LOGAN
CR RUSS FISHWICK, JP
CR SUZANNE THOMPSON