

CHIEF EXECUTIVE OFFICER'S REPORT

9 JUNE 2014

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CITY OF ARMADALE
Chief Executive Officer's Report

Mayor and Councillors
City of Armadale

Following is my Report for the period
ended 9 June 2014

1.1 - NOTICE OF INTENTION TO IMPOSE DIFFERENTIAL RATES

WARD : ALL
FILE No. : M/448/14
DATE : 30 May 2014
REF : TM
RESPONSIBLE : Executive Director
MANAGER : Corporate Services

In Brief:

- This Report presents the considerations and findings of Council's Rating Review Working Party which met on 27th May 2014 to consider and make recommendation on the proposed differential rates for the 2015 year;
- The Report recommendation is to give local public notice (21 days) of Council's intention to impose differential rates in the gross rental value area of the district

Tabled Items

Nil

Officer Interest Declaration

Nil

Strategic Implications

4.6 – Financial sustainability and accountability for performance

4.6.3 develop and maintain long term financial planning, management and reporting to ensure resources are provided to deliver services and manage Council's assets

Legislation Implications

Sections 6.28, 6.33, 6.35 and 6.36 of the Local Government Act 1995 apply.

Council Policy/Local Law Implications

Nil

Budget/Financial Implications

In accordance with the 2015 Budget Timetable, this Report makes recommendation to Council on the proposed differential rates for the 2015 year.

Consultation

- Council's Rating Review Working Party (membership being Crs Butterfield, Geary, Munn, Shaw and Zelones);
- Councillors through the Workshops as noted below.

BACKGROUND

The current legislation in regard to rates is as follows:-

6.28. Basis of rates

- (1) *The Minister is to —*
 - (a) *determine the method of valuation of land to be used by a local government as the basis for a rate; and*
 - (b) *publish a notice of the determination in the Government Gazette.*
- (2) *In determining the method of valuation of land to be used by a local government the Minister is to have regard to the general principle that the basis for a rate on any land is to be —*
 - (a) *where the land is used predominantly for rural purposes, the unimproved value of the land; and*
 - (b) *where the land is used predominantly for non-rural purposes, the gross rental value of the land.*

6.32. Rates and service charges

- (1) *When adopting the annual budget, a local government —*
 - (a) *in order to make up the budget deficiency, is to impose* a general rate on rateable land within its district, which rate may be imposed either —*
 - (i) *uniformly; or*
 - (ii) *differentially;*
 - (b) *may impose* on rateable land within its district —*
 - (ii) *a minimum payment;*** Absolute majority required.*
- (2) *Where a local government resolves to impose a rate it is required to —*
 - (a) *set a rate which is expressed as a rate in the dollar of the gross rental value of rateable land within its district to be rated on gross rental value; and*
 - (b) *set a rate which is expressed as a rate in the dollar of the unimproved value of rateable land within its district to be rated on unimproved value.*

6.33. Differential general rates

- (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 in force under the Planning and Development Act 2005;*
 - (b) *a purpose for which the land is held or used as determined by the local government;*
 - (c) *whether or not the land is vacant land; or*
 - (d) *any other characteristic or combination of characteristics prescribed.*

- (3) *In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.*

6.35. Minimum payment

- (1) *Subject to this section, a local government may impose on any rateable land in its district a minimum payment which is greater than the general rate which would otherwise be payable on that land.*
- (2) *A minimum payment is to be a general minimum but, subject to subsection (3), a lesser minimum may be imposed in respect of any portion of the district.*
- (3) *In applying subsection (2) the local government is to ensure the general minimum is imposed on not less than —*
- (a) *50% of the total number of separately rated properties in the district; or*
 - (b) *50% of the number of properties in each category referred to in subsection (6), on which a minimum payment is imposed.*
- (4) *A minimum payment is not to be imposed on more than the prescribed percentage of —*
- (a) *the number of separately rated properties in the district; or*
 - (b) *the number of properties in each category referred to in subsection (6), unless the general minimum does not exceed the prescribed amount.*
- (5) *If a local government imposes a differential general rate on any land on the basis that the land is vacant land it may, with the approval of the Minister, impose a minimum payment in a manner that does not comply with subsections (2), (3) and (4) for that land.*
- (6) *For the purposes of this section a minimum payment is to be applied separately, in accordance with the principles set forth in subsections (2), (3) and (4) in respect of each of the following categories —*
- (a) *to land rated on gross rental value;*
 - (b) *to land rated on unimproved value; and*
 - (c) *to each differential rating category where a differential general rate is imposed.*

6.36. Local government to give notice of certain rates

- (1) *Before imposing any differential general rates or a minimum payment applying to a differential rate category under section 6.35(6)(c) a local government is to give local public notice of its intention to do so.*
- (3) *A notice referred to in subsection (1) —*
- (a) *may be published within the period of 2 months preceding the commencement of the financial year to which the proposed rates are to apply on the basis of the local government's estimate of the budget deficiency;*
 - (b) *is to contain —*
 - (i) *details of each rate or minimum payment the local government intends to impose;*
 - (ii) *an invitation for submissions to be made by an elector or a ratepayer in respect of the proposed rate or minimum payment and any related matters within 21 days (or such longer period as is specified in the notice) of the notice; and*
 - (iii) *any further information in relation to the matters specified in subparagraphs (i) and (ii) which may be prescribed;*
- and*

- (c) *is to advise electors and ratepayers of the time and place where a document describing the objects of, and reasons for, each proposed rate and minimum payment may be inspected.*
- (4) *The local government is required to consider any submissions received before imposing the proposed rate or minimum payment with or without modification.*

This Report is informed by:-

- Council's adopted 2013-2018 Corporate Business Plan which is underpinned by the long term financial plan;
- A meeting of Council's Rating Review Working Party (RRWP) held on 27th May 2014;
- Outcomes and matters arising from the Councillor Workshops held on 31st March, 7th April, 8th April, 22nd April, 13th May and 4th June to review the Corporate Business Plan and its various informing plans, eg. long term financial plan, asset management plan and workforce plan.

DETAILS OF PROPOSAL

This Report proposes that Council for the 2015 year, support the imposition of proposed differential rates in the gross rental value area of the City according to :

- whether or not the land is vacant land, and
- the purpose for which the land is zoned.

It is proposed that (3) differential rate groups apply as follows:

- Group 1 – all vacant land
- Group 2 – all improved land that is NOT zoned for business purposes (ie. primarily residential land);
- Group 3 – all improved land that is zoned (pursuant to the City's Town Planning Scheme No.4 and the Armadale Redevelopment Scheme 2004) for business purposes.

COMMENT

The City's RRWP met on 27 May 2014 to consider the proposed rates for the 2015 year.

Matters considered by RRWP in supporting the proposed rates as recommended in this Report included:

- The City's long term financial plan which for the 2015 year has a rate growth factor of 3% to fund new expenditure initiatives considered essential to the City's future economic prosperity and sustainability;
- The local government cost index (similar to the consumer price index) which measures the increase in the cost of the goods and services procured by local government in providing works and services – the forecast local government cost index for the 2015 year is 2.5%;
- Matters arising from the (6) Councillor Workshops held over the last 2 months when reviewing the key actions and related estimates in year 2015 of the adopted Corporate Business Plan, ie. variations, additions and deletions to the key actions and enabling services and programs due to circumstances having either changed over the last 12 months or forecast to change over the ensuing 12 months;

- The new valuations provided by Landgate are effective from 1st July 2014 – the revaluation data for the 2015 year covers both land valued on its unimproved value (there are approx. 150 properties in the City rated on a unimproved value basis) and gross rental value (there are approx. 30,000 properties in the City rated on a gross rental value basis) – gross rental values are re-valued every 3 years and unimproved values are re-valued every year.

With regards to the revaluation, the RRWP noted the following matters:-

- The (3) yearly review of gross rental values shows the following broad increases:-
 - Vacant land +6.9%
 - Residential improved land +22.5%
 - Business improved land +12.7%
- The annual review of unimproved values shows a +10.6%.
- Due to the revaluation, not all properties in the coming 2015 year will receive a uniform 5.5% rate increase. The rate increase for some properties will be more than 5.5% (because their valuation has increased by a factor greater than the average increase) and for others, it will be less than 5.5% (because their valuation has either not changed or it has increased by a factor less than the average increase);
- Partly in response to the revaluation but more so to better reflect the “benefit principle”, ie. the relationship between the rates paid and the benefits received, the proposed rates includes a new differential rate group for land that is zoned for business purposes. The rationale for this new rate group, which has a higher rate in the dollar and minimum payment, is explained in the attached Statement of Rating Objects and Reasons.

Other matters to note include:-

- Giving local public notice of the proposed differential rates does not prevent Council from subsequently imposing rates that differ from those advertised, however should that occur, there is understandably a legislative requirement upon Council to explain in the annual budget document and the rating information accompanying the rates notice, the reasons for the change;
- Local public notice of the proposed differential rates is planned to appear in the West Australian on Wednesday 11th June 2014, in the Comment News on Monday 16th June 2014 and in the Examiner on Thursday 19th June 2014. Electors and ratepayers will have until close of business on Wednesday 2nd July 2014 to make submission on the proposed rates;
- As with the 2014 year rates, Minister's approval will be required prior to imposing the minimum payment on vacant land given the number of properties on the minimum payment will be greater than 50% - section 6.35(5) of the Local Government Act 1995 refers.

CONCLUSION

Based upon the discussions at the recent 2015 Annual Budget and Corporate Business Plan Councillor Workshops, the considerations and findings of the Rating Review Working Party, the information presented in this Report and noting that the proposed rate increase of 5.5% is the same as that reported for the 2015 year in Council's adopted 2013-2018 Corporate Business Plan, the following recommendation is presented for Council's approval.

ATTACHMENTS

1. Statement of Rating Objects and Reasons 2014-15

RECOMMEND

That Council, pursuant to section 6.36 of the *Local Government Act 1995*, agrees to give local public notice of its intention to impose differential rates in the gross rental value area of the district for the 2014-2015 year in accordance with the attached *Statement of Rating Objects and Reasons* (which will be available for public inspection during the notice period at the City's Administration Centre and each of the libraries) wherein the proposed differential rates and minimum payments are as follows:-

Rate Group	Proposed Rates	
	Rate in \$	Minimum
	(cents)	Payment \$
<i>Gross Rental Value Area:</i>		
- Group 1 - Vacant Land	14.924	1,030
- Group 2 - Residential Improved	7.627	1,030
- Group 3 - Business Improved	8.316	1,200
<i>Unimproved Value Area:</i>		
- General Rate	0.3945	1,235

1.2 - COUNCILLORS' INFORMATION BULLETIN - ISSUE NO. 10/2014

WARD : ALL
FILE No. : M/442/14
DATE : 28 May 2014
REF : CT
RESPONSIBLE : Chief Executive Officer
MANAGER

In Brief:

- Councillors' Information Bulletin – Councillors are advised to take note of the information submitted in Issue No. 10/2014 to be received by Council.

Strategic Implications

Corporate Services

- 2.1 Identify and implement mechanisms to improve communication and achieve common understanding of corporate issues and objectives.

COMMENT

The following general information and memorandums were circulated in Issue No. 10/2014 on 5 June 2014.

Correspondence & Papers

- **Correspondence**
- **WA Local Government Association (WALGA) News**
- **Australian Local Government Association (ALGA) News**
 - 23 May 2014
 - 30 May 2014
- **Media Releases**
 - Passing Blame on Costs to Ratepayers – 29 May 2014
 - Reform Costs: Experience Trumps Assumptions - 29 May 2014

Information from Human Resources

- Employee Movements

Information from City Strategy

Progress Report

Progress Report on Contingency, Operational & Strategic Projects

- **Outstanding Matters & Information Items**
 - Report on Outstanding Matters – City Strategy Committee
- **Donations/Grants/Contributions**
 - July/August/September/October/November
 - /December/January/February/March/April/May 2013/14
 - Grants
 - Annual Contributions
 - Accounting Reports**

**Rates Report
Report of the Common Seal**

Information from Development Services

- **Outstanding Matters & Information Items**
Report on Outstanding Matters - Development Services Committee
- **Health**
Health Services Manager's Report - May 2014
- **Planning**
Planning Applications Report - May 2014
Town Planning Scheme No.4 - Amendment Action Table
Subdivision Applications - WAPC Approvals/Refusals - May 2014
Subdivision Applications - Report on Lots Registered for 2013/2014
PAW Closure Report - Significant Actions during May 2014
Compliance Officer's Report - May 2014
- **Building**
Building Services Manager's Report - May 2014
Building/Health Compliance Report - May 2014
Building Applications Monthly Statistics - May 2014

ATTACHMENTS

There are no attachments for this report.

RECOMMEND

That Council acknowledge receipt of Issue No 10/2014 of the Information Bulletin.

CHIEF EXECUTIVE OFFICER'S REPORT		
ATTACHMENTS		
9 JUNE 2014		
ATT NO.	SUBJECT	PAGE
1.1 NOTICE OF INTENTION TO IMPOSE DIFFERENTIAL RATES		
1.1.1	Statement of Rating Objects and Reasons 2014-15	11

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Statement of Rating Objects and Reasons

Should you have any enquiries in respect to this Statement
please contact our Rates Department on 9399 0164.

May 2014

STATEMENT OF RATING OBJECTS AND REASONS

MAY 2014

Introduction

This Statement is provided:

- in accordance with section 6.36 of the *Local Government Act 1995*;
- to inform residents of the City of the objects and reasons for the differential rates being proposed for the 2014-2015 financial year; and
- to invite submissions from residents on the proposed differential rates and minimum payments.

Residents wishing to make written submission are invited to lodge their submission with the City by **no later than close of business, 4.45pm, on Wednesday 2nd July 2014.**

Written Submissions can be:

- lodged in person at the City's Administration Centre at 7 Orchard Avenue, Armadale; or
- mailed to: Chief Executive Officer, City of Armadale, Locked Bag 2, Armadale WA 6992, or
- emailed to info@armadale.wa.gov.au

Rating – An Overview

The current legislation with regards to rates is as follows:

6.28. Basis of rates

- (1) *The Minister is to —*
 - (a) *determine the method of valuation of land to be used by a local government as the basis for a rate; and*
 - (b) *publish a notice of the determination in the Government Gazette.*
- (2) *In determining the method of valuation of land to be used by a local government the Minister is to have regard to the general principle that the basis for a rate on any land is to be —*
 - (a) *where the land is used predominantly for rural purposes, the unimproved value of the land; and*
 - (b) *where the land is used predominantly for non-rural purposes, the gross rental value of the land.*

6.32. Rates and service charges

- (1) *When adopting the annual budget, a local government —*
 - (a) *in order to make up the budget deficiency, is to impose* a general rate on rateable land within its district, which rate may be imposed either —*
 - (i) *uniformly; or*
 - (ii) *differentially;*
 - (b) *may impose* on rateable land within its district —*
 - (i) *a minimum payment;*

** Absolute majority required.*
- (2) *Where a local government resolves to impose a rate it is required to —*
 - (a) *set a rate which is expressed as a rate in the dollar of the gross rental value of rateable land within its district to be rated on gross rental value; and*
 - (b) *set a rate which is expressed as a rate in the dollar of the unimproved value of rateable land within its district to be rated on unimproved value.*

STATEMENT OF RATING OBJECTS AND REASONS

MAY 2014

6.33. Differential general rates

- (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 in force under the Planning and Development Act 2005;
 - (b) a purpose for which the land is held or used as determined by the local government;
 - (c) whether or not the land is vacant land; or
 - (d) any other characteristic or combination of characteristics prescribed.
- (3) In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.

6.35. Minimum payment

- (1) Subject to this section, a local government may impose on any rateable land in its district a minimum payment which is greater than the general rate which would otherwise be payable on that land.
- (2) A minimum payment is to be a general minimum but, subject to subsection (3), a lesser minimum may be imposed in respect of any portion of the district.
- (3) In applying subsection (2) the local government is to ensure the general minimum is imposed on not less than —
 - (a) 50% of the total number of separately rated properties in the district; or
 - (b) 50% of the number of properties in each category referred to in subsection (6), on which a minimum payment is imposed.
- (4) A minimum payment is not to be imposed on more than the prescribed percentage of—
 - (a) the number of separately rated properties in the district; or
 - (b) the number of properties in each category referred to in subsection (6), unless the general minimum does not exceed the prescribed amount.
- (5) If a local government imposes a differential general rate on any land on the basis that the land is vacant land it may, with the approval of the Minister, impose a minimum payment in a manner that does not comply with subsections (2), (3) and (4) for that land.
- (6) For the purposes of this section a minimum payment is to be applied separately, in accordance with the principles set forth in subsections (2), (3) and (4) in respect of each of the following categories —
 - (a) to land rated on gross rental value;
 - (b) to land rated on unimproved value; and
 - (c) to each differential rating category where a differential general rate is imposed.

6.36. Local government to give notice of certain rates

- (1) Before imposing any differential general rates or a minimum payment applying to a differential rate category under section 6.35(6)(c) a local government is to give local public notice of its intention to do so.
- (3) A notice referred to in subsection (1) —
 - (a) may be published within the period of 2 months preceding the commencement of the financial year to which the proposed rates are to apply on the basis of the local government's estimate of the budget deficiency;
 - (b) is to contain —
 - (i) details of each rate or minimum payment the local government intends to impose;
 - (ii) an invitation for submissions to be made by an elector or a ratepayer in respect of the proposed rate or minimum payment and any related matters

STATEMENT OF RATING OBJECTS AND REASONS

MAY 2014

- within 21 days (or such longer period as is specified in the notice) of the notice; and*
- (iii) *any further information in relation to the matters specified in subparagraphs (i) and (ii) which may be prescribed;*
and
- (c) *is to advise electors and ratepayers of the time and place where a document describing the objects of, and reasons for, each proposed rate and minimum payment may be inspected.*
- (4) *The local government is required to consider any submissions received before imposing the proposed rate or minimum payment with or without modification.*

Objects & Reasons for the City's 2014-2015 Proposed Differential Rates

Rates may be imposed either *uniformly* or *differentially*.

The City proposes imposing differential general rates in the *gross rental value* area of the City according to :-

- **whether or not the land is vacant land, and**
- **the purpose for which the land is zoned.**

The City proposes (3) differential rate groups for land valued on its gross rental value, namely :-

- **Group 1 – all vacant land**
- **Group 2 – all improved land that is NOT zoned for business purposes (primarily residential land);**
- **Group 3 – all improved land that is zoned for business purposes**

The zonings (from the *City of Armadale Town Planning Scheme No.4* and the *Armadale Redevelopment Scheme 2004*) that are included in Group 3 include:

-
- District Centre
- General Industry
- Industrial Business
- Local Centre
- MRA – City Centre Rail Station
- MRA – Forrestdale Business Park
- MRA – Kelmscott Town Centre
- MRA – Wungong Urban – Commercial
- Strategic Regional Centre

The City when imposing the rates is required to:

- (a) set a rate which is expressed as a rate in the dollar of the gross rental value of rateable land within its district to be rated on gross rental value; and
- (b) set a rate which is expressed as a rate in the dollar of the unimproved value of rateable land within its district to be rated on unimproved value.

The City also imposes minimum payments to recognise that every property receives a minimum level of benefit from the works and services provided.

The proposed rate increase for the 2014-2015 year is 5.5% made up as follows:

- a 2.5% local government inflation cost increase factor, PLUS
- a 3% “growth” factor to fund the City’s growth initiatives and infrastructure renewal.

STATEMENT OF RATING OBJECTS AND REASONS

MAY 2014

DETAILS OF PROPOSED RATES

(i) Gross Rental Value Area

Group 1 – Vacant Land

The proposed rate in the dollar to apply is **14.924 cents**.

The object of, and reason for, the higher rate in the dollar (as compared to the Group 2 rate in the dollar) is to :-

Promote the development of all properties to their full potential thereby stimulating economic growth and development in all areas of our community.

Group 2 - all improved land that is NOT zoned for business purposes

The proposed rate in the dollar to apply is **7.627 cents**.

Group 3 - all improved land that is zoned for business purposes

The proposed rate in the dollar to apply is **8.316 cents**.

The object of and reason for the higher rate in the dollar (as compared to the Group 2 rate in the dollar) is to-

acknowledge that the following works and services included in the proposed annual budget are provided mostly for the benefit of business type properties, ie.

- *the Economic Development function which is largely directed at the encouragement of commercial and industrial businesses to locate and relocate to the City of Armadale, as well as to provide support for the industrial and commercial community;*
- *The improvements to, the upgrade of and renewal of the street network in the CBD, including improvements to the street lighting systems;*
- *Increased maintenance and operational costs in industrial areas, particularly related to drainage;*
- *Increased costs related to the general improvement to the road streetscapes of the entry roads into Armadale, including landscaping, tree plantings and the provision of pedestrian and cycle paths.*

The proposed **minimum payments** to apply are:-

- Group 1 \$1,030
- Group 2 \$1,030
- Group 3 \$1,200

(ii) Unimproved Value Area

There is just the one general rate in the dollar and minimum payment proposed to apply to properties rated on their unimproved value.

The general rate in the dollar is **0.3945 cents** and the minimum payment is **\$1,235.00**

STATEMENT OF RATING OBJECTS AND REASONS

MAY 2014

Other Details to Note about the Proposed Rates

The 2014-2015 year is revaluation year meaning all land in the City has been re-valued by Landgate. Land valued on its gross rental value is re-valued every 3 years and land valued on its unimproved value is re-valued every year.

Due to the revaluation, not all properties will receive a uniform 5.5% increase. The increase for some properties will be more than 5.5% (because their valuation has increased by a factor greater than the average increase) and for others, it will be less than 5.5% (because their valuation has either not changed or it has increased by a factor less than the average increase).

Based on the above proposed rates in the dollar and minimum payments, the rates to be levied for the 2014-2015 year are as follows:-

Particulars	Rate in \$ (cents) and Minimum Payment	Property Numbers	Rateable \$Value	Proposed Rates 2015
Differential Rates				
<u>Gross Rental Value Lands</u>				
Group 1 - Vacant	14.924	1,134	24,000,900	3,581,900
Group 2 - Residential	7.627	22,214	423,240,300	32,280,500
Group 3 - Business	8.316	605	73,159,600	6,084,000
<u>Unimproved Value Lands</u>				
General Rate	0.3945	136	209,962,000	828,300
<i>sub total</i>		24,089	730,362,800	42,774,700
Minimum Payments				
<u>Gross Rental Value Properties</u>				
Group 1 - Vacant	1,030	1,725	9,332,200	1,776,800
Group 2 - Residential	1,030	4,167	50,858,000	4,292,000
Group 3 - Business	1,200	291	3,145,300	349,200
<u>Unimproved Value Properties</u>				
General Minimum	1,235	13	3,153,500	16,000
<i>sub total</i>		6,196	66,489,000	6,434,000
Total		30,285	796,851,800	49,208,700

Should you have any enquiries in respect to this Statement, please contact our Rates Department on 9399 0164.

R S Tame
Chief Executive Officer