

**NOTICE OF
SPECIAL MEETING & AGENDA**

To:
All Councillors

PLEASE TAKE NOTICE that a **SPECIAL MEETING OF COUNCIL** will be held in the **Council Chambers**, Council's Administration Centre, Orchard Avenue, Armadale commencing at **6.00 pm** on

MONDAY, 11 JULY 2011

R S TAME
CHIEF EXECUTIVE OFFICER

8 July, 2011

1 **DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS**

2 **RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE**
(previously approved)

3 PUBLIC QUESTION TIME

Minimum time to be provided – 15 minutes (unless not required).

A procedure has been adopted by Council to ensure the orderly conduct of Public Question time and a copy of this procedure is attached to the Council Agendas made available in the public gallery.

The public's cooperation in this regard will be appreciated.

4 BUSINESS BEFORE COUNCIL

NOTICE OF INTENTION TO LEVY DIFFERENTIAL RATES

NOTICE OF INTENTION TO LEVY DIFFERENTIAL RATES

WARD All
FILE REF:
DATE 8TH July 2011
REF AFM
RESPONSIBLE ED CorpS
MANAGER

In Brief:

- This Report follows a meeting of Council’s Rating Review Working Party held on 5th July 2011 to consider the proposed rates for the 2011-12 year;
- The Report Recommendation is, for the first time in several years, to impose differential rates in the gross rental value areas of the City.

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

The relevant sections of the *Local Government Act 1995* are as follows (the highlighted parts more particularly refer)

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 specified area rate; or*
 - (ii) *a minimum payment;*
- and*
- (c) *may impose* a service charge on land within its district.*

* 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.

6.36. 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.

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.*

Council Policy/Local Law Implications

Nil

Budget/Financial Implications

In accordance with the 2011-12 Budget Adoption Timetable, this Report makes recommendation to Council on the proposed rates.

Consultation

Council's Rating Review Working Party (Membership: Crs Reynolds, MacDonald, Tizard, Wielinga and Zelones)

BACKGROUND

This Report is in follow-up to a meeting of Council's Rating Review Working Party (RRWP) held on Tuesday 5th July 2011.

The RRWP was presented with details of the revaluation and the 2011-2012 proposed rates tentatively based upon a general rate increase of 5.5% made up of:

- a 4.5% local government inflation cost factor; and
- a 1.0% "growth" factor to fund the City's growth initiatives and infrastructure renewal.

DETAILS OF PROPOSAL

This Report proposes that Council, for the 2011-2012 year, support the imposition of differential rates (rather than rates being imposed uniformly which has been Council's practice since 2005-06) in the gross rental value areas of the City.

COMMENTAnalysis

The information as presented to and considered by the RRWP, is summarised as follows:

(i) Facts & Figures

- This year 2011-2012 is a revaluation year meaning all properties have been revalued by the Valuer Generals' Office – the new valuations apply from 1st July 2011;
- New Gross Rental Values will apply for the next 3 rating years;
- New Gross Rental Values are based on market valuations as at August 2009;
- Currently there are 26,942 rateable assessments (917 more than this time last year)
- Of the 26,942 rateable assessments,
 - 26,777 are predominantly urban and rated on their gross rental value
 - 165 are predominantly rural and rated on their unimproved value
- The breakdown of the 26,777 urban assessments (based on ESL Codes) is:
 - residential 23,219
 - commercial/industrial 747
 - vacant 2,785
 - farming 4
 - miscellaneous 22

(ii) Revaluation – Gross Rental Values

Overview by Property Type:

Property Type	No. of Assessments	Total Old GRV	Total New GRV	GRV %Diff
Residential	23,182	227,432,103	326,116,736	43.4%
Vacant	2,785	42,711,220	34,084,273	-20.2%
Commercial	340	38,847,076	47,181,731	21.5%
Industrial	407	9,508,679	13,609,742	43.1%
Farming	4	1,089,210	1,340,780	23.1%
Miscellaneous	25	449,872	455,200	1.2%
	26,743	320,038,160	422,788,462	32.1%

Overview – Residential by Suburb

	Count	Average Old GRV	Average new GRV	GRV %Diff	Average Current Rates
Hilbert	157	13,215	17,586	34%	1,396.62
Mt Richon	680	11,045	14,891	35%	1,177.89
Mt Nasura	1,175	10,640	14,728	38%	1,127.73
Brookdale	808	9,106	12,753	41%	963.51
Champion Lakes	227	10,663	15,113	42%	1,130.01
Seville Grove	3,173	9,677	13,816	43%	1,022.83
Armadale	5,284	8,288	11,809	43%	912.60
Kelmscott	4,067	8,997	12,879	43%	971.84
Camillo	1,786	8,357	12,026	44%	892.49
Roleystone	2,338	11,220	16,198	45%	1,193.04
Bedforddale	743	13,052	18,850	46%	1,381.25
Karragullen	73	12,019	17,562	47%	1,285.23
Wungong	107	12,554	18,240	47%	1,335.78
Ashendon	2	11,102	16,380	47%	1,172.37
Harrisdale	1,211	12,604	18,709	48%	1,330.98
Forrestdale	395	10,458	15,489	50%	1,115.37
Haynes	55	13,684	20,312	50%	1,447.91
Piara Waters	904	12,467	18,907	52%	1,316.48

The current Average Residential Rates pa is approx \$1,050

(iii) *Differential Rating*

The City last used differential rates in 2004-2005 due in part to:

- a. the legislative impediment associated with those areas of the City under the planning jurisdiction of the Armadale Redevelopment Authority Planning Scheme not being recognised by the *Local Government Act* for the purposes of differentiating rates on the basis of town planning scheme zonings; and
- b. the City's preference to use property valuations as the sole means of apportioning rates between properties.

(iv) *The Case/Argument for introducing the use of Differential Rates*

If the one general rate and minimum rate is retained in the GRV areas, then the revaluation will have the effect of shifting a greater proportion of the total rates onto improved properties, ie. \$1,103,000 will move from vacant to improved properties representing a 3.2% shift. For the average improved residential property paying current rates of \$1,050, the shift approximates \$46 or +4.4% and that's prior to considering the proposed general rate increase of 5.5%.

The following Tables show the difference in % rate increases based on a +5.5% rates increase with and without the proposed differential:

Improved Assessments						
Rate % Increase Range	No Differential			With Differential		
	No.	% of Tot	Average%	No.	% of Tot	Average%
Decrease	460	1.9%	-11.7	1086	4.5%	-7.2
0	5	0.0%		70	0.3%	
0 to 5.4	1202	5.0%	3.4	2941	12.3%	3.5
5.5	2408	10.1%		3817	15.9%	
5.6 to 10	3938	16.4%	8	10385	43.3%	8.1
10 to 15	11366	47.4%	12.8	5128	21.4%	11.6
15 to 20	4061	17.0%	16.6	265	1.1%	17.2
20 to 30	361	1.5%	23.6	164	0.7%	23.8
30 to 50	104	0.4%	36.8	64	0.3%	38.7
> 50	53	0.2%	134.8	38	0.2%	156.5
	23958			23958		
Vacant Assessments						
Rate % Increase Range	No Differential			With Differential		
	No.	% of Tot	Average%	No.	% of Tot	Average%
Decrease	1877	67.4%	-23.1	1608	57.7%	-15.9
0	0	0.0%		0	0.0%	
0 to 5.4	140	5.0%	2.7	131	4.7%	2.9
5.5	744	26.7%		736	26.4%	
5.6 to 10	1	0.0%	5.7	14	0.5%	7.8
10 to 15	6	0.2%	12	15	0.5%	12.7
15 to 20	3	0.1%	18.3	15	0.5%	17.7
20 to 30	4	0.1%	28	50	1.8%	24.3
30 to 50	3	0.1%	42.4	168	6.0%	33.1
> 50	7	0.3%	312.7	48	1.7%	144.1
	2785			2785		

Options

The only option is to uniformly impose within the gross rental value area, the one general rate and minimum payment. But to do this, unless total rates are significantly reduced (by approx \$1.1m) thereby resulting in reduced works and services, an undue rates impost will as a result of the revaluation, fall on ratepayers of improved properties.

Conclusion

The case for imposing differential rates is clear (in reference to the above Tables) in that if not introduced, the **additional** rate increase on a large proportion of improved properties will be approximately 5% which is considered unreasonable when it's due solely to the revaluation.

The RRWP is supportive of the proposed differential rates being applied.

Other matters to note include:

- giving local public notice of the proposed rates, does not preclude 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 the reasons for the change;

- the requirement to advertise the proposed differential rates for 21 days is unfortunately likely to push-out the adoption date of the annual budget by one week, ie. the scheduled Special Meeting of the City Strategy Committee on 1st August and the scheduled Special Meeting of Council on 8th August 2011 to adopt the annual budget, are both likely to be held one week later.

RECOMMEND

That Council, in accordance with 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 City for the 2011-2012 year, according to whether or not land is vacant land, with the details of

- (i) the proposed differential rates; and
- (ii) the supporting Statement of Objects and Reasons, being as follows:

(i) **Proposed Differential Rates**

Rate Group	Proposed Rates	
	Rate in \$ (cents)	Minimum Rate \$
Gross Rental Value Area		
- Improved Land	7.96	875.00
- Vacant Land	13.167	875.00
Unimproved Value Area		
- General	0.3538	1,050.00

(ii) **Statement of Rating Objects & Reasons**
Rates

Rates are calculated to provide the shortfall in revenue required to enable the City to provide necessary works and services in the 2011-2012 financial year.

Rates may be imposed either uniformly or differentially. For the first time since 2004-2005, 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.

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 some minimum level of benefit from the works and services provided.

The proposed rate increase for the 2011-2012 year is 5.5% made up as follows:
- a 4.5% local government inflation cost factor, PLUS
- a 1.0% “growth” factor to fund the City’s growth initiatives and infrastructure renewal.

The 2011-2012 year is a revaluation year for all GRV and UV properties. As such, the proposed rate increase of 5.5% will not be uniform for all ratepayers, a circumstance that is beyond Council’s control. For example, if a ratepayer’s property value increase is less than the average, their rates increase will be less than 5.5% and conversely, if a ratepayer’s property value increase is greater than the average, their rates increase will be greater than 5.5%

Details of Proposed Rates

Gross Rental Value Area

The rate in the dollar to apply to Improved Land is 7.96 cents.

The rate in the dollar to apply to Vacant Land is 13.167 cents.

The higher rate in the dollar on Vacant Land serves to:

- promote the development of all properties to their full potential thereby stimulating growth and development in all areas of our community, and
- reduce what would otherwise be considered an unfair shift in rates onto improved properties as a consequence of this year’s triennial revaluation which sees vacant land values decrease by an average 20.2% and improved land values increase by 40.2%.

The minimum payment to apply to both Improved Land and Vacant Land is \$875.00

Unimproved Value Area

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

The general rate in the dollar is 0.3538 cents and the minimum payment is \$1,050.00

Moved Cr _____
Motion Carried/Lost (....)