



NOTICE OF MEETING

SPECIAL MEETING OF COUNCIL ADOPTION OF THE 2019/20 RATES FOR ADVERTISING

Members of Council are advised that a special meeting of the Council will be held in Council Chambers, Civic Building, 83 Mandurah Terrace, Mandurah on:

**Tuesday 2 July, 2019
at 5.30pm**

MARK R NEWMAN
Chief Executive Officer
27 June 2019

AGENDA:

1 OPENING OF MEETING AND ANNOUNCEMENT OF VISITORS

2 ACKNOWLEDGEMENT OF COUNTRY

3 ATTENDANCE AND APOLOGIES

Councillors Schumacher and Wortley on leave of absence.

4 IMPORTANT NOTE:

Members of the public are advised that any decisions made at the meeting tonight can be revoked, pursuant to the *Local Government Act 1995*. Therefore, members of the public should not rely on any decisions until formal notification in writing by Council has been received

5 PUBLIC QUESTION TIME

Public Question time provides an opportunity for members of the public to ask a question of Council. For more information regarding Public Question Time, please phone 9550 3787 or visit the City's website www.mandurah.wa.gov.au.

6 DEPUTATIONS

Any person or group wishing to make a 5-minute Deputation to the Special Council meeting regarding a matter listed on this agenda for consideration must first complete an application form. For more information about making a deputation, or to obtain an application form, please visit the City's website www.mandurah.wa.gov.au or phone 9550 3787.

7 DECLARATIONS OF FINANCIAL, PROXIMITY AND IMPARTIALITY INTERESTS**8 QUESTIONS FROM ELECTED MEMBERS (WITHOUT DISCUSSION)**

8.1 Questions of which due notice has been given

8.2 Questions of which notice has not been given

9 REPORTS:

<i>Item</i>	<i>Page No</i>
1 Adoption of 2019/20 Rates for Advertising	

10 CLOSE OF MEETING

1	SUBJECT: CONTACT OFFICER/S: AUTHOR: FILE NO.:	Adoption of 2019/20 Rates for Advertising David Prattent / Jarred King/Paul Bates David Prattent/Paul Bates R0002415191
----------	--	--

Summary

The 2019/20 Draft Budget outlines how the City will deliver its existing level of services, deliver economic investment, and provide asset management and community infrastructure investment. The budget has been prepared acknowledging both the current economic conditions and the priorities for expenditure, particularly in economic development, identified during community consultation.

Mandurah faces a range of economic issues which are interlinked. These include, but are not limited to, the lack of employment opportunities and the need to attract economic investment. In recommending an average rate increase of 2.5%, the City recognises that, although its capacity to create major job growth and investment may be limited, it nevertheless has a significant role to play both in direct economic investment and in creating the type of environment which will stimulate businesses to establish and grow, and tourists to visit and spend. The budget establishes economic expenditure programmes, including capital investment, designed to deliver both medium and long term outcomes.

The City has received revalued gross rental valuations (GRV) for all properties and these values are applied from 1 July 2019. As with all revaluations, property prices have not moved uniformly, and some areas will receive higher-than-average increases while, conversely, others will experience lower-than-average increases, or a reduction in rates.

The *Local Government Act 1995* requires local governments which have differential rates, to advertise their proposed rates, and invite public submissions. Council is requested to adopt the rates in the dollar and Objects and Reasons for advertising purposes.

Disclosure of Interest

Nil.

Previous Relevant Documentation

- SP.3/7/18 2 July 2018 Adoption of 2018/19 Budget and Rates

Background

The local economy

Mandurah's economic issues can be broadly outlined under the following headings.

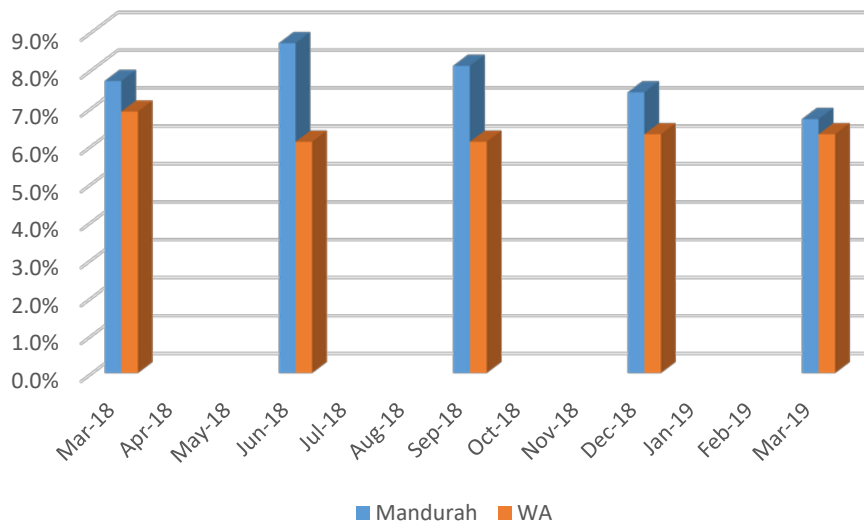
A consumption economy

A consumption economy is one which is driven by consumer expenditure. It has few of the characteristics of other, broader-based economies which include manufacturing, government expenditure, and export-based businesses. Consumer expenditure is a vital part of any economy, and in Australia, as with many other developed economies, represents a significant part of gross domestic product (GDP). Although statistics are not available at the local level, in Australia consumer spending represents approximately 60% of GDP. Given its profile of retail as a dominant sector and employer, Mandurah is a heavily consumer-oriented economy. Consumption economies, however important, are exposed to issues such as low economic growth, low inflation, and unemployment.

Again, although local data are not available, the current anecdotal position of the retail sector in Mandurah, which is seeing lower turnover and business closures, points to the fact that the consumption economy is under stress.

Unemployment and job opportunities

Typically, Mandurah has tended to experience a level of unemployment higher than the average for the State. For the last five quarters, Mandurah’s annualised unemployment rate, compared with the State average is shown in the chart below.



The narrowing of the data points by March 2019 needs to be treated with some caution. A more detailed breakdown of Mandurah data into the four measured districts in the table below shows that it is evident that there are major imbalances in the city’s employment profile:

	Mar 19	Dec 18	Sep 18	Jun 18	Mar 18
Mandurah	15.6%	16.9%	18.1%	19.3%	17.0%
Mandurah East	6.4%	7.1%	7.9%	8.6%	7.9%
Mandurah North	3.8%	4.2%	4.6%	4.9%	4.3%
Mandurah South	9.7%	11.1%	12.3%	13.3%	12.0%

In addition to this, it should be noted that the reference to jobs, in measuring employment, does not imply full-time work. The definition of a job, for measurement purposes, is work that entails more than 1 hour of labour per week. In a consumption economy, where retail is a dominant employer, the normal profile is biased towards part-time and casual work. Mandurah may be improving its overall unemployment profile but this may well be masking an underemployment issue which, in turn, contributes to a lack of consumer expenditure.

Housing and house prices

A key indicator of household wealth in Australia is the level of house prices and the equity held by home owners. Home ownership is one reason why household debt in the country is among the highest in the world. Property equity not only makes people feel more wealthy, but evidence shows that it contributes to consumer expenditure as equity is regarded either as a form of security or as an asset available for leverage.

Based on normalised data, the average annual movement of median house prices in Mandurah over the past 10 years is minus 0.5%. Many suburbs demonstrate greater reductions which are offset by growth indices for both Lakelands and Madora Bay. Bearing in mind that these two northern suburbs are relatively recent developments, and are areas of relatively good employment, this is not altogether surprising. However, the pattern for the rest of the city is less benign:

Rates background

Differential rates, as opposed to a single rate in the dollar, can be imposed on land which has one, or a combination of, the following characteristics:

- The purpose for which a land is zoned (e.g. residential, commercial).
- A purpose for which land is held or used as determined by the local government.
- Whether or not the land is vacant land.

A local government cannot impose a differential rate which is more than twice the lowest rate without the approval of the Minister for Local Government. Only one rate in the dollar can be imposed for individual rate categories.

In addition, a local government can impose a minimum rate. If, for an individual property, the GRV multiplied by the rate in the dollar is less than the minimum rate, the minimum rate is payable.

A local government cannot impose a minimum rate on more than 50% of properties in each category. The exception to this is vacant land where, with Ministerial permission, this can be exceeded.

For comparison purposes, the following general rate increases have been previously applied:

2018/19	2.0%
2017/18	1.9%
2016/17*	2.4%
2015/16	3.4%

*Denotes revaluation year

Properties are revalued triennially by the Valuer General. Because property value changes are not uniform throughout the City, it is not possible to apply a standard rate increase to properties. In any revaluation year, the amount of the rate increase discussed represents the average increase applied to properties. Either side of the average, rate increases will either be higher or lower than this figure.

Comment

2019/20 draft budget

It is acknowledged that the City cannot influence many of the factors which are dampening its local economy. These are matters for Federal and State fiscal and monetary policy recognising that even then there are global forces to which they cannot provide an absolute response. However, at the local level it is important to recognise that there are initiatives which can, and should, be undertaken to contribute to securing Mandurah's medium and long term economic future including business growth and jobs creation. This is expressed through:

- Economic initiatives aimed at encouraging business growth and development, and job creation. In this area the budget includes, among other things, the following programmes:
 - Continued investment in the Mandurah and Peel Tourism Organisation (MAPTO). The objectives of this organisation include the development and implementation of plans to increase tourism and tourism spending. This, in turn, leads to the development of tourism businesses and the creation and maintenance of employment.
 - The development of a partnership with the Shire of Murray to secure the long term economic future of the region. It is noted that the development of the Peel Business Park in Nambeelup, the result of a joint advocacy programme including local governments and the Peel Development Commission, will provide long term economic growth for Mandurah and Murray.

Report from **Chief Executive Officer**
to **Special Council Meeting of 2 July 2019**

- Funding for the development of business plans for major projects. An example of this is the proposal to create a Water Science Institute which represents a long term vision to establish Mandurah as a centre for environmental science as well as attracting employment and visitors to the area.
- Investment in the city centre and Eastern and Western Foreshores to stimulate business and tourism. In 2019/20, significant capital funding is proposed for:
 - The redevelopment of the Smart Street Mall. This will not only provide an improved environment for businesses to trade but also help activate the area to attract visitors.
 - Further development of the Eastern Foreshore to include over-water infrastructure and land-based structures to connect the foreshore to the Smart Street Mall.
 - Creation of an international level skate park, adventure play and other leisure areas on the Western Foreshore.

2019/20 property revaluation

The 2019/20 property revaluation produced the following results:

2019/20 Valuation					
Rate category	2018/19 Valuation	2019/20 Valuation	Valuation Change	Valuation %	No Properties
Business Improved	160,248,170	146,358,368	-13,889,802	-8.7%	1,360
Business Vacant	4,249,297	3,874,644	-374,653	-8.8%	145
Residential Improved	685,431,462	600,456,342	-84,975,120	-12.4%	39,828
Residential Vacant	32,124,396	30,018,372	-2,106,024	-6.6%	3,470
Urban Development Vacant	4,337,500	3,691,300	-646,200	-14.9%	13
Grand Total	886,390,825	784,399,026	-101,991,799	-11.5%	44,816

All rate categories see a reduction in valuations. However, as has been noted, individual valuations do not move uniformly and, as a consequence, rate increases will occur above and below the recommended average of 2.5%.

In achieving the average increase of 2.5%, the following distribution is recommended:

	2019/20							
	2018/19 yield	2.5% Yield increase	2.5 % Yield difference	% yield change	Rate in dollar	No. properties full rates	Minimum rate increase	No. minimum properties
	\$	\$	\$		\$		\$	
Residential Improved	57,434,022	58,870,146	1,436,124	2.5%	0.09594	31,484	2.5%	8,344
Business Improved	14,310,818	14,525,087	214,269	1.5%	0.09783	989	2.5%	371
Residential Vacant	4,991,963	5,239,021	247,058	4.9%	0.16300	1,926	2.5%	1,544
Business Vacant	615,952	646,357	30,404	4.9%	0.16560	126	2.5%	19
Urban Development Vacant	459,341	482,047	22,706	4.9%	0.13059	13	2.5%	-
Grand Total	77,812,096	79,762,658	1,950,561	2.5%		34,538		10,278

Two points are noted:

- Recognising the issues faced by many businesses, the level of average increase for this sector is lower than for other rate categories. The business revaluation, however, is relatively volatile and, therefore, the dispersion of rate increases/decreases is greater.
- All minimum rates are increased by 2.5%. Unlike fully rated properties, revaluation variances have no effect and there are no variances either side of this increase.

Consultation

- Elected Member briefings
- The purpose of this report is to commence the process of engaging the community in providing feedback on the City's proposed rating structure for 2018/19. Following the public comment period of 21 days a further report will be presented to Council.

The communications plan will focus on two objectives:

1. Informing the community in regard to the proposed budget and rate increase and the key benefits the community will receive from the forecast budget
2. To seek feedback in regard to the budget and proposed rate increase.

The 2019/20 annual Budget will focus on:

- An economic wellbeing plan to re-energise the economy for now and the future.
- Continuing to build on the investment in recent years into Mandurah's long-term economic wellbeing.
- The community's contribution (at the proposed rate in the dollar) will help deliver:
 - Future jobs
 - Places to meet, play and rest
 - Creating a vibrant city centre
 - Increased tourism

The communications channels will be integrated and also allow for two way conversation and feedback, they will include the statutory required advertising as well as (but not limited to):

- Digital – Video, Have your Say Mandurah, Facebook, Website, Intranet, Website, email
- Press advertising (Local and the West)
- Media briefing and press releases
- Radio

Statutory Environment

Local Government Act 1995:

- Section 6.33 Differential general rates : power to impose
- Section 6.35 Minimum payment
- Section 6.36 Local Government to give notice of certain rates

The City must conduct local advertising and detail each rate and minimum rate and make available the objects and reasons for rating. A minimum period of 21 days must be allowed to permit the community to provide feedback. Any submissions received must be considered by Council prior to the adoption of rates and the 2019/20 budget.

Policy Implications

None

Risk Implications

No significant risks are identified as part of this process.

Economic Implications

Rates and associated revenues provide approximately 70% of the City's operating revenues and enable the provision of a diverse range of services and infrastructure. In addition to the delivery of services the City's operations bring other economic benefits to the community such as the provision of employment and bringing business to local suppliers. The City also actively seeks to provide economic development opportunities to the community through activities such as the facilitation of tourism.

Strategic Implications

The following strategy from the *City of Mandurah Strategic Community Plan 2017 – 2037* are relevant to this report:

Organisational Excellence:

- Listen to and engage with our community.
- Ensure the City has the capacity and capability to deliver appropriate services and facilities.
- Deliver excellent governance and financial management.

Conclusion

The City continues to face challenges in providing services and infrastructure to a growing community. Although it is recognised that sections of the community are experiencing financial stress, it is important that the City places an emphasis on ensuring that it will be able to deliver its services and provide community infrastructure into the future. This will not be achievable if revenues are insufficient for the task.

RECOMMENDATION

That Council

- 1. Notes the 2019/20 draft budget including the initiatives taken and capital investment programmes.**
- 2. Approves the following rates in the dollar and minimum rates, equivalent to a 2.5% average increase, and Objects and Reasons for 2019/20 for the purpose of advertising for public submissions:**

Introduction

This statement is provided:

- **to inform electors and ratepayers of the City of the objects and reasons for the differential rates being proposed for the 2019/20 financial year;**
- **to invite submissions from ratepayers on the proposed differential rates and minimum payments;**
- **in accordance with the *Local Government Act 1995 Section 6.36*.**

Submissions must be in writing and ratepayers wishing to do so are invited to lodge their comments by no later than close of business 5.00 pm on Sunday 28 July 2019.

Written submissions can be:

- Made on www.haveyoursaymandurah.com.au
- Mailed to the Chief Executive Officer, City of Mandurah, PO Box 210, Mandurah WA 6210.
- Lodged in person at the City's Administration Centre, 3 Peel Street, Mandurah.

Please note that all submissions are provided to Council as public documents and will be disclosed in a Council report.

In order to help with the understanding of how the City manages its rates, this document provides an overview of the rating system in Western Australia as well as explaining the reasons as to why the City sets particular rates.

An overview of rating

Legislation

Please note that all references are to the Local Government Act 1995.

Basis of rates (S. 6.28)

The key element of rating is the establishment of land values. To achieve this, the Minister for Local Government must determine whether the predominant use of land is for rural or non-rural purposes. The categories of land values are:

- Use for rural purposes--- valuation is on the basis of the unimproved value (UV) of the land.
- Use for non-rural purposes – the gross rental value (GRV) of the land.

The Minister has previously determined that land use in the City of Mandurah is predominantly for non-rural purposes and all properties are valued on a GRV basis¹.

Rates and service charges (S. 6.32)

When it adopts its budget the City must seek funding by imposing a general rate on all properties. This is expressed as a rate in the dollar (RID) which, when multiplied by the GRV's for properties determines the amount of money raised. This RID can be applied:

- Uniformly, through the application of a single rate in the dollar for all types of property.
- Differentially, by applying different rates to certain types of property.

Differential general rates (S. 6.33)

Differential rates can be imposed on land which has one, or a combination of, the following characteristics:

- The purpose for which a land is zoned (e.g. residential, commercial).
- A purpose for which land is held or used as determined by the local government.
- Whether or not the land is vacant land.

A local government cannot impose a differential rate which is more than twice the lowest rate without the approval of the Minister for Local Government.

¹ The Gross Rental Value of a property is the amount of annual rental which the Valuer General determines the property would earn if it were offered on an open rental market.

Minimum payment (S. 6.35)

A local government can impose a minimum rate. If, for an individual property, the GRV multiplied by the rate in the dollar is less than the minimum rate, the minimum rate is payable.

A local government cannot impose a minimum rate on more than 50% of properties in each category. The exception to this is vacant land where, with Ministerial permission, this can be exceeded.

Giving notice of rates to be imposed (S. 6.36)

Before a local government can impose differential rates for the year it must firstly advertise:

- Details of each RID and minimum payment to be imposed.
- An invitation for a submission to be made by an elector or ratepayer in respect of this and any related matters within 21 days.
- Where and how this document may be viewed.

All submissions received must be considered by Council prior to the rates being imposed.

Objects and reasons for the City's 2019/20 proposed differential rates

The City proposes to impose differential general rates to all gross rental values in its district according to one or a combination of:

- The purpose for which land is zoned.
- Whether or not the land is vacant land.

The following rate categories have been assigned to properties:

Improved land	Vacant land
Residential improved Business improved	Residential vacant Business vacant Urban development

The City also imposes a minimum payment to recognise that properties must contribute a minimum amount for the provision of services and infrastructure which benefit all the community.

Increase in rates for 2019/20

The City proposes to levy an average 2.5% increase in rates.

In 2019/20, all properties in the City have been subject to a revaluation by the Valuer General. Properties are revalued every three years and the City is required to apply the GRV's provided.

The effect of the revaluation is that individual property values do not move uniformly. Some values may not change or may even reduce. Others can increase and, in some cases, the increase will be significant.

This means that, although the City is seeking a revenue increase of 2.5%, some properties will experience rate increases of more than this and some will see little change or even a reduction in rates. Because the City is permitted only one RID for each property category, it is not possible to prevent this happening.

Rates by category

Residential improved land – rate in the dollar \$0.09594

This rate is regarded as the base rate as it represents the most number of properties in the City. This rate aims to ensure that the proportion of rates raised from this category is between 70% and 75% of total rates.

Residential vacant - rate in the dollar \$ 0.16300

This rate is set at a higher level as the City wishes to promote the development of all properties to their full potential. This will act to stimulate economic growth and development in the community.

Business improved - rate in the dollar \$ 0.09783

This rate is set at a higher level to recognise that certain expenditures in the budget are specifically directed towards the economic development of the City. Examples of this are:

- The Economic Development function which is largely directed towards the encouragement of business to locate in the City and to support business organisations.
- The promotion of tourism.
- Costs related to the general improvement of to the road streetscapes of the entry roads to Mandurah, including landscaping, tree plantings and the provision of pedestrian and cycle paths.

Business vacant - rate in the dollar \$ 0.16560

This rate is set at a higher level as the City wishes to promote the development of all properties to their full potential. This will act to stimulate economic growth and development in the community.

Urban development - rate in the dollar \$ 0.13059

This rate relates to land held for future development. As with other vacant land rates, this rate is set at a higher level as the City wishes to promote the development of all properties to their full potential.

Minimum rates

The minimum rates for 2019/20 are set at:

- | | | | |
|------------------------|------------|----------------------|----------|
| • Residential improved | \$1,108.00 | • Residential vacant | \$917.00 |
| • Business improved | \$1,108.00 | | |
| • Business vacant | \$1,108.00 | | |
| • Urban Development | \$1,108.00 | | |

Mark R Newman
Chief Executive Officer