

## Objective

Section 2.7 of the *Local Government Act 1995* states:

*“Role of council*

- (1) *The council —*
- (a) *governs the local government’s affairs; and*
  - (b) *is responsible for the performance of the local government’s functions.*
- (2) *Without limiting subsection (1), the council is to —*
- (a) *oversee the allocation of the local government’s finances and resources; and*
  - (b) *determine the local government’s policies.”*

Further, Section 1.3 (3) states that:

*“In carrying out its functions a local government is to use its best endeavours to meet the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity.”*

## Financial Sustainability

The Operating Surplus Ratio has remained under the Department of Local Government’s standard for the past 5 years as indicated in the table below and is deteriorating:

| Financial Year Ended 30 June | 2022   | 2021    | 2020   | 2019   | 2018 |
|------------------------------|--------|---------|--------|--------|------|
| Operating Surplus Ratio      | (0.12) | (0.011) | (0.05) | (0.05) | 0.10 |

Council has been systematically attempting to reduce annual cash expenditure in an attempt to address this issue despite servicing 14.1% more properties over the past 4 years within the Shire of Serpentine Jarrahdale. To sufficiently address this issue, the Shire’s operating revenue needs to rise by at least \$4 million, or conversely operating costs need to fall by a similar margin.

Council now deems the commensurate decline in levels of service that would result from further cutting cash operating costs which presents an unacceptable risk to the responsible performance of the local government’s functions.

## Rating Equity

Council acknowledge that rates are not being imposed in an equitable manner upon the residents of the district.

This is an important concept in taxation. The Department of Local Government’s Guidelines on Changing Rating Methodology states that rating principles should be applied fairly and equitably.



Each property should make a fair contribution to rates based on a method of valuation that appropriately reflects predominant use.

With the changing nature of land use within the Shire of Serpentine Jarrahdale it has become evident that a significant number of residential properties are still being rated as though they are used for a rural purpose.

The effect of this is that some of the Shire's largest and most expensive residential properties pay significantly less rates than residents on smaller more modestly valued properties.

Council deems that in making its best endeavours to meet the needs of current and future generations through an integration of environmental protection, social advancement and economic prosperity, it should take measures to ensure that rates are imposed equitably within the municipality.

## Strategic Response

### Strategy One - Ensure correct valuation method is applied

The Shire of Serpentine Jarrahdale has two valuation options for the levying of rates, being either the Unimproved Value (UV) or the Gross Rental Valuation (GRV).

It is not the Shire that determines the valuation methodology used to raise rates.

Specifically, the *Local Government Act 1995* states:

#### 6.28. Basis of rates

- (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.

Therefore, the Shire should continue to work closely with the Ministers Office to ensure that all properties are rated using the correct valuation methodology.

### Strategy Two – Maintain Differential Rating

The Shire currently utilises differential rating to meet its equity and financial sustainability obligations.

As the process of changing the valuation methodology is onerous and time consuming, sometimes properties can exist for a long time with an incorrect valuation method.

These shortcomings of the current system make it very difficult to accurately ensure that rates are levied on a method of valuation that appropriately reflects predominant use.

The use of a differential rating system can go some way towards ameliorating the abovementioned issues.



# Rating Strategy

The Shire will impose the following Differential Rating Categories.

## GRV Residential

**Object:** This category covers all improved non-rural properties used for residential purpose and all improved non-rural properties that are not vacant and are used for purposes other than residential.

**Reason:** The Shire's rating strategy is to achieve rate revenue that meets the shortfall from other revenue sources and allows for the delivery of services and the creation of infrastructure. The Shire desires to levy rates that are more equitable across different types of properties and thus has implemented differential rates.

## GRV Commercial / Industrial

**Object:** This category covers all improved non-rural properties that are not vacant and are used for a purpose other than residential.

**Reason:** The Shire's rating strategy is to achieve rate revenue that meets the shortfall from other revenue sources and allows for the delivery of services and the creation of infrastructure. The Shire desires to levy rates that are more equitable across different types of properties and thus has implemented differential rates.

## UV General

**Object:** This category covers all rural properties not covered by another rating category.

**Reason:** The Shire's rating strategy is to achieve rate revenue that meets the shortfall from other revenue sources and allows for the delivery of services and the creation of infrastructure. The Shire desires to levy rates that are more equitable across different types of properties and thus has implemented differential rates.

## UV Rural Residential

**Object:** This category covers all rural properties less than or equal to 50,000sqm whose predominant use is Residential.

**Reason:** The Shire's rating strategy is to achieve rate revenue that meets the shortfall from other revenue sources and allows for the delivery of services and the creation of infrastructure. The Shire desires to levy rates that are more equitable across different types of properties and thus has implemented differential rates.

## UV Commercial / Industrial

**Object:** This category covers all rural properties used predominantly for commercial / industrial purpose, excluding those used for intensive agriculture.

**Reason:** The Shire's rating strategy is to achieve rate revenue that meets the shortfall from other revenue sources and allows for the delivery of services and the creation of infrastructure. The Shire desires to levy rates that are more equitable across different types of properties and thus has implemented differential rates.



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## UV Intensive Farming

**Object:** This category covers all rural properties used for intensive agriculture (e.g. poultry farms and feed lots).

**Reason:** The Shire's rating strategy is to achieve rate revenue that meets the shortfall from other revenue sources and allows for the delivery of services and the creation of infrastructure. The Shire desires to levy rates that are more equitable across different types of properties and thus has implemented differential rates.

## Strategy 3 – Rural Valuation Review

In an effort to ameliorate any inequity caused by maintaining a differential rating system, the Shire will continue to conduct a “Rural Valuation Review” of UV Rural Residential and UV Commercial / Industrial rated properties each year.

The effect of the Rural Valuation Review is to identify any property found to be liable for a lesser rate amount if they were rated on a GRV rating methodology, that would benefit from a change of valuation methodology that are determined by Officers to be likely not to have another near to medium term review event forecast.

An example of properties expected to experience a near to medium term review event are likely to be in close proximity to the development fronts occurring in Byford, Cardup and Mundijong and will be required to have their valuation method reviewed upon subdivision occurring.

Officers are to conduct a change of valuation methodology process in keeping with the Ministers Rating policy – Valuation of Land, for all properties identified in the Rural Valuation Review.



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