

10.3.5 - Changes to Method of Valuation used for Rating Purposes post consultation (SJ274)	
Responsible Officer:	Manager Finance
Senior Officer:	Director Corporate Services
Disclosure of Officer's Interest:	No Officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

Authority / Discretion

Executive	The substantial direction setting and oversight role of the Council such as adopting plans and reports, accepting tenders, directing operations and setting and amending budgets.
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Report Purpose

The purpose of this report is to request that Council approve an application to the Minister for a determination pursuant to Section 6.28 (1) of the *Local Government Act 1995*, to change the method of valuation of land to be used by a local government as the basis of rates for 623 properties detailed under **attachment 1** from Unimproved Value (UV) to Gross Rental Value (GRV) as the predominant use of the land for these properties has been determined by Officers to be non-rural.

Relevant Previous Decisions of Council

Ordinary Council Meeting – 12 December 2022 – OCM311/12/22 – COUNCIL RESOLUTION / Officer Recommendation

That Council:

1. *APPROVES commencement of Rural Valuation Review as per rating strategy (attachment 1) and flow chart (attachment 2).*
2. *APPROVES the proposed consultation letter as per attachment*
3. *ADOPTS the communication plan as per attachment*
4. *NOTES attachment 5.*

*Special Council Meeting – 15 June 2022 – SCM010/06/22 – COUNCIL RESOLUTION / Officer Recommendation – **extract***

4. *ADOPTS the Rating strategy as per attachment 1.*

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Background

In June 2022, Council approved a revised rating strategy (contained in **attachment 3**). In December 2022, Council approved the implementation of a Rural Valuation Review as per that strategy, which identified 662 landowners for review.

The Department of Local Government, Sport and Cultural Industries has provided an Operational Guideline Flowchart for “Changing Methods of Valuation of Land”. This document outlines a step-by-step process to follow in achieving a change of valuation methodology and is contained in **attachment 2**. Officers are utilising the One Stage Review.

The required steps are listed below, Flow chart wording is detailed in italics below with Officers responses:

1. *Obtain Council resolution to commence review.*

Resolution was obtained 12 December 2022

2. **Covering letter** which clearly indicates:

- (a) *That the local government is reviewing the current land use of the property;*
- (b) *That the local government intends to apply to the Minister to change the property's valuation method to GRV if the review concludes that the land is no longer used for rural purposes;*
- (c) *The likely financial impact on their rates bill (either using existing valuations or via estimates using comparable properties);*
- (d) *Specifying a date (no less than 4 weeks) by which the ratepayer can submit the land-use form and any other submissions they wish to make regarding land use.*

Council's approved letters were mailed out on 16 December 2022 and the Consultation period was from 19 December 2022 to 27 January 2023 with consultation letters containing applicable information distributed to each identified property owner who may benefit from a change in valuation methodology.

3. *Results of review and copies of all submissions are presented to Council for a final decision to apply to the Minister for change of valuation.*

This report provides compliance with this requirement.

4. *Staff prepare and submit application to the Minister for commencement 1 July 2023.*

Application is contained in **attachment 4** and will be submitted following Council Resolution.

Community / Stakeholder Consultation

The Rural Valuation Review Consultation period commenced on 19 December 2022 and concluded on 27 January 2023. Consultation letters containing expected rate reduction and a Land Use Declaration form were sent to all identified landowners. Within the consultation period landowners had the opportunity to return the Land Use Declaration form to the Shire and make comment through either the Your Say SJ page or by writing to the CEO. Responses from Land Use Declaration forms, the Your Say SJ page and comments received by email from landowners have been collated and are contained in **attachment 5** (due to file size, this attachment has been divided into four parts for distribution and publication).

A letter was sent to the Office of Hugh Jones MLA on 20 January 2023 to advise of the rating strategy consultation.



Statutory Environment

Section 6.28 of the Local Government Act 1995

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.

(3) The unimproved value or gross rental value, as the case requires, of rateable land in the district of a local government is to be recorded in the rate record of that local government.

Comment

Land Use Declaration forms were sent out to 662 identified landowners with a covering letter explaining the process. Property owners were given from 19 December 2022 to 27 January 2023 to return the form and respond with comment.

208 responses were received with the breakdown of responses received being:

- 169 – Answered “No” to the property being used for predominantly Rural Purposes
- 30 – Answered “Yes” to the property being used for predominantly Rural Purposes but “No” to earning a livelihood from the property
- 9 – Answered “Yes” to the property being used for predominantly Rural Purposes and “Yes” to earning a livelihood from the property

454 landowners did not respond.

It is now Council’s role to review each submission and make a recommendation to the Minister to change the method of valuation.

The Minister, in making his determination, will adhere to the following Policy guidance as detailed in Rating Policy - Department of Local Government and Communities – **attachment 6**.

Policy wording is detailed below in italics with Officer’s responses.

The Minister’s determination under section 6.28(1) will be made in line with the key values of objectivity, fairness and equity, consistency, and transparency and administrative efficiency. To that end, the Minister will not determine a change in the method of valuation based on an application under this Policy (**the application**) unless the Minister is satisfied of the following matters.



Objectivity

- *The request for change of method of valuation of the land is based on its predominant use.*
Demonstrated by reviewing size of land and requesting owners to complete and return a “Land Use Declaration form”. Officers also reviewed scale of use and made comparisons to other similar properties within the Shire by review of aerial maps.
- *The local government has provided evidence of the current predominant land use. This may be via an aerial image, site visit information, building information or land use declaration form from the occupier (or a combination of these). In the case of a new subdivision, a deposited plan must have been issued and approved by the Western Australian Planning Commission.*
Officers have provided aerial maps, Land Use Declaration forms and subdivision plans as attachments to this report. (Whilst maps show entire subdivision areas, individual properties will need to be identified by seeking lot numbers).
- *Lot numbers are defined.*
Lot numbers are defined in **attachment 1**, **attachment 5** and **attachment 7**.
- *Where the land is being used for non-rural purposes, the application is to convert the method of valuation from UV to GRV.*
Application provided at **attachment 4**.
- *Where the land is being used for rural purposes, the application is to convert the method of valuation from GRV to UV (where applicable).*
Not Applicable
- *The local government has provided a clear description of the land by the following method:*
 - *Landgate approved plan, such as a deposited plan*
 - *aerial image which clearly identifies the lot numbers and plan number, or*
 - *a combination of both.*Officers have provided a combination of both contained in **attachment 1** and **attachment 7**.
- *The Valuer General’s Office has provided an indication of the new notional values (or the basis for otherwise estimating the value is sound).*
Officers used the valuations provided by the Valuer General to calculate the probable effect of rating changes.

Fairness and equity

- *Unless the application is initiated by the landowner, the owner was informed in writing by the local government of:*
 - *the reason for seeking the change in method of valuation*
 - *the likely impact on the annual rates payable for that property**and was given at least 28 days after receiving that information to make a submission to the local government on whether the assessment of predominant use is correct.*



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The ratepayer's submissions, if any, and the local government's response to each ratepayer's submission (as recorded in the minutes of the council meeting at which the response was adopted) have been provided to the Minister.

The Rural Valuation Review Consultation period commenced on 19 December 2022 and concluded on 27 January 2023. Consultation letters providing a reason for seeking the change which contained expected rate reduction and a Land Use Declaration form were sent to all identified landowners. Within the consultation period landowners had the opportunity to return the Land Use Declaration form to the Shire and make comment through either the Your Say SJ page or by writing to the CEO. Responses from Land Use Declaration forms, the Your Say SJ page and comments received by email from landowners have been collated and are contained in **attachment 5**.

Consistency

- *Similar properties that are used for same purpose are treated in the same way. If not, a reason is provided.*
- Officers made comparisons to other similar properties within the Shire by review aerial maps. Further, it is considered a large number of properties, approximately 2,400, will need to change but as per Council's adopted Rating Strategy contained in **attachment 3**, Officers are conducting this review in a staged approach.
- *The local government has considered whether a split valuation is appropriate if a significant proportion of the land will continue as rural use.*

All properties are less than 5 hectares in area therefore a split valuation is not considered appropriate.

Transparency and Administrative Efficiency

- *The council of the local government has resolved to change the method of valuation and the resolution is recorded in council minutes (not required for subdivisions, see below).*

This report addresses this requirement.

- *The council of the local government has:*

- *considered each ratepayer submission (if any)*

All submissions have been provided at **attachment 5**.

- *given consideration to phasing in changes for properties where the change in method of valuation will have a significant impact on the rates payable.*

It is expected that all affected ratepayers will experience a rate reduction therefore phasing is not recommended.

Following close of the consultation period, the following information is provided:

1. As detailed in the engagement letter, if no communication was received throughout the consultation period it is assumed the landowner does not object to an application to change from UV to GRV valuation methodology.

There are 454 properties in this category and will be recommended for change from UV to GRV valuation methodology.



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2. 169 properties self-assessed as being used for predominantly residential purpose via their Land Use Declaration form and will be recommended for change from UV to GRV valuation methodology.
3. Any properties that self-identified as being used predominantly for rural purposes from the Land Use Declaration forms will be invited to participate in next year's review.

There are 39 properties in this category

If Council agrees to the approach proposed, draft letters to the landowners have been prepared for Council's consideration in **attachment 8** and **attachment 9**.

Officer will provide an application to the Minister requesting to change 623 identified properties from UV to GRV valuation methodology as per the above review.

The proposed changes from UV to GRV valuation methodology is likely to result in a reduced rate debt, therefore no phasing will be applied and the application to the Minister will seek to apply new valuations from 1 July 2023.

Options and Implications

Option 1

That Council:

1. Having reviewed the attachments to this report and noted the content therein REQUESTS the Chief Executive Officer submits the application contained in **attachment 4** to the Minister for a determination pursuant to Section 6.28 (1) of the *Local Government Act 1995*, to change the method of valuation of land to be used by a local government as the basis for a rate for properties detailed under **attachment 1** from Unimproved Value (UV) to Gross Rental Value (GRV) from 1 July 2023 as the predominant use of the land for these properties have been determined to be non-rural.
2. APPROVES the proposed letter in response to the rating strategy consultation as contained in **attachment 8** and **attachment 9** to be sent to identified landowners.
3. NOTES properties identified in **attachment 7** will be included in next year's review.

Option 2

That Council DOES NOT make an application to the Minister to change the valuation methodology for the properties contained in **attachment 1**.

Option 1 is recommended.

Conclusion

In accordance with Council's previous resolution and adopted Rating Strategy, a consultation process was conducted in line with the Department's processes. The result of this consultation period informs the draft submission to the Department which is presented to Council for consideration.



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Attachments (available under separate cover)

- **10.3.5 – attachment 1** – Individual property details and recommendations – No Reply or Predominantly Non-Rural Use (E23/1582)
- **10.3.5 – attachment 2** - Flow chart (IN22/23118)
- **10.3.5 – attachment 3** – Rating Strategy (E22/7299)
- **10.3.5 – attachment 4** – Valuation of Land Application Form (E23/2161)
- **10.3.5 – attachment 5** – Consolidation of responses from landowners (E23/1150)
- **10.3.5 – attachment 6** – Rating Policy (IN23/3246)
- **10.3.5 – attachment 7** – Individual property details and recommendations – Predominantly Rural Use (E23/1581)
- **10.3.5 – attachment 8** – Proposed response letter recommendation for application (OC23/1350)
- **10.3.5 – attachment 9** – Proposed response letter – no change (OC23/2690)

Alignment with our Strategic Community Plan

Outcome 3.1	A commercially diverse and prosperous economy
Strategy 3.1.1	Actively support new and existing local businesses within the district.

Financial Implications

No immediate financial implications are associated with this paper. However, if Council opted not to proceed there would be significant implications associated with the Long Term Financial Plan.



Risk Implications

Risk has been assessed on the Officer Options and Implications:

Officer Option	Risk Description	Controls	Principal Consequence Category	Risk Assessment			Risk Mitigation Strategies (to further lower the risk rating if required)
				Likelihood	Consequence	Risk Rating	
1	Residents whose properties will be changing rating category maybe concerned about the financial implications of the change in rating category	Nil	Reputation	Unlikely	Minor	LOW	Writing to individual landowners to advise them of the next steps
2	Inequitable rate burden not in keeping with the “ability to pay” basis of rates	Nil	Financial	Likely	Moderate	SIGNIFICANT	Accept Officer Recommendation

Voting Requirements: Simple Majority

Officer Recommendation

That Council:

1. Having reviewed the attachments to this report and noted the content therein **REQUESTS** the Chief Executive Officer submits the application contained in attachment 4 to the Minister for a determination pursuant to Section 6.28 (1) of the *Local Government Act 1995*, to change the method of valuation of land to be used by a local government as the basis for a rate for properties detailed under attachment 1 from Unimproved Value (UV) to Gross Rental Value (GRV) from 1 July 2023 as the predominant use of the land for these properties have been determined to be non-rural.
2. **APPROVES** the proposed letter in response to the rating strategy consultation as contained in attachment 8 and attachment 9 to be sent to identified landowners.
3. **NOTES** properties identified in attachment 7 will be included in next year’s review.