



Shire of
Serpentine
Jarrahdale

Project Plan and Communications Strategy

Basis of Valuation Method Review



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1. Background

1.1. Valuation methods

Rates are levied based on the valuation of a property multiplied by a rate set in the dollar. The valuation of a property is determined by the Valuer General based on either the Unimproved Value (UV) or the Gross Rental Value (GRV) of the property. Under Section 6.28(1) of the *Local Government Act 1995* (the Act), the Minister for Local Government determines which valuation method to use based on the criteria specified in the Act.

Section 6.28(2) of the Act states that in determining the basis of rates the Minister is to have regard to:

- where the land is used predominately for rural purposes, the unimproved value of the land; and
- where the land is used predominantly for non-rural purposes, the gross rental value of the land.

Levying rates on an incorrect valuation method can result in inequitable rating across a district. This means that across a district, if incorrect valuation methods are used, ratepayers could pay more or less than their fair share.

As land uses can change, the Minister regularly amends the valuation method as a result of a review in property usage in a district or from the creation of new subdivisions at the request of the local government. This process is managed by the Department of Local Government on behalf of the Minister. Applications to change the valuation method must follow the process set by the Department to be considered as published in the Department of Local Government, Sport and Cultural Industries publishes an Operational Guideline – Changing Methods of Valuation of Land.

This Project Plan and Communications Strategy outlines the Shire's approach in reviewing the valuation methodology. The required steps are as follows:

1. Identifying land use changes that may affect predominant use;
2. Reviewing predominant use;
3. Consulting affected parties; and
4. Changing the method of valuation.

The guideline also provides principles to observe when considering changing the rating methodology. The application of these principles supports a large-scale review and the case for reform.

Objectivity

As far as possible the predominant use of land should be reviewed and determined on the basis of an objective assessment of relevant criteria. External parties should be able to understand how and why a particular determination was made.

Fairness and equity

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.

Consistency

Rating principles should be applied, and determinations should be made, in a consistent manner. Like properties should be treated in a like manner.

Transparency

Systems and procedures for determining the method of valuation of land should be clearly documented and available for the public to inspect. This is fundamental to the “good government” principle upon which the Act is based. The right to govern accompanies the obligation to do so openly and fairly.

Administrative efficiency

Rating principles and procedures should be applied and implemented in an efficient and cost-effective manner.

1.2. The application of valuation methods in the Shire

The Shire levies rates on approximately 12,000 properties across the district. 8,676 properties are rated based on the GRV valuation methodology and 3,319 on a UV methodology. In 2007, following a review, Council resolved that a suite of

properties within the district would be submitted to the Minister for a change in valuation method.

No evidence exists that the above resolution of Council was acted upon. Discussions with the author of the 2007 report to Council has identified that he departed the organisation soon after the resolution was made by the Council of the day. Accordingly, the issues identified in the 2007 report still persist. Over the intervening years, a significant inequality in how the rate burden is distributed has emerged.

Following a more recent desktop review examining how rates were applied to the District of the Shire of Serpentine Jarrahdale it has become apparent that there exists a significant amount of inequity regarding the quantum of rates paid by homeowners.

Large lot residential properties where the Unimproved Valuation (UV) Methodology is used for the calculation of rates appear to pay substantially less rates per property than small lot residents where the Gross Rental Valuation (GRV) Methodology is used for the calculation of rates.

While the conversion of properties from UV to GRV is a normal, regular and common occurrence that is required as a result of changes to land use, the scenario in the Shire appears to require more significant attention to address long-standing rating inequalities identified in 2007 and ensure that the rating methodology used in the Shire is in accordance with the Act.

What is rural land?

In determining whether a property's rates should be calculated on UV or GRV, the key question is whether the land is being used for rural purposes. Legislation does not define 'rural purposes' and the Department of Local Government does not provide a definition.

As noted by other local governments across Western Australia, in these circumstances, the ordinary and natural meaning of the phrase should be applied. In this context 'Rural' means the character of non-urban areas where agriculture is carried out. "Rural land" means lands on which grazing, cropping, or other agriculture or horticultural activities are conducted.

What is predominately?

The word 'predominantly' is also not defined in the Act. However, the Land Valuation Tribunal of WA has considered its meaning in a related context and provided the following principles:

- the predominant use of land is one of fact and degree;
- where a part of the premises is used for a purpose which is subordinate to the purpose which inspires the use of another part, it is legitimate to disregard the former and treat the dominant purpose as that for which the whole is being used, and
- the predominant purpose for which land is used is determined by more than simply the area of land that is occupied for a particular use.

The basis for the UV rating method

In other jurisdictions, whether land is being used for rural purposes has been determined based on whether agriculture is being carried out on the land.

Notwithstanding, whether rural use of the land is the predominant purpose is a question of fact and degree and must be determined on an individual basis by considering the use of the land as a whole and not simply the area of land occupied for a particular use.

It is a question of fact and degree as to whether the particular agricultural activities that are being carried out on the land, including the commercial nature of those activities, are sufficient to conclude that the land 'is used predominantly for rural purposes'.

In other jurisdictions, it has been concluded that as general proposition, it is unlikely that land used as a hobby farm would satisfy the description of land 'used predominantly for rural purposes'.

Overall, unless in a particular case, there is sufficient evidence that land 'is used predominantly for rural purposes', then the GRV rating methodology should be applied.

1.3. The project plan

This project plan proposes a pathway to applying to the Minister to resolve the issues with the application of valuation method in the Shire which is likely to be contributing to an inequitable rating system in the district.

The project plan has been prepared following advice from the Department of Local Government, Sport and Cultural Industries and the Office of the Valuer General. The plan describes the steps required to review, and if required, apply to the Minister to revise valuation methodologies in the Shire.

For the purposes of procedural fairness and ensuring that the outcome of the project is a fair distribution of the rating burden across the Shire, it is recommended that all properties in the Shire are subject to the review.

The project is a significant task. The lessons learned from other local governments that have undertaken reviews that involve a large proportion of the district's properties is that the issue needs to be resolved as a single exercise rather than an elongated or staged approach. Accordingly, it is recommended that the review be completed the target of a report to Council at the 14 December 2020 Ordinary Council Meeting.

2. Roles & Responsibilities

The roles and responsibilities for the four key tasks are shown in the following table:

Task	Sub-tasks	Responsible entity
Identifying land use changes that may affect predominant use	1. Identifying potential inconsistencies at a macro-level	Corporate Services Directorate – Finance Team
Reviewing predominant use	1. Reviewing predominant use considering the fact and degree that a property should be categorised as	Corporate Services Directorate – Finance Team

	predominately rural or non-rural.	
Consulting affected parties	<ol style="list-style-type: none"> 1. Prepare communications material 2. Use multiple-communication channels to all residents to explain review 3. Consulting all land-owners 	<p>Lead - Corporate Services Directorate – Finance Team</p> <p>Support – Community Services, Corporate Communication</p>
Changing the method of valuation.	<ol style="list-style-type: none"> 1. Prepare assessment of properties for Council's consideration 2. Advise affected property owners on the outcome of the land use study as it relates to their property, the likely impact that any change in valuation method will have on their property, the details of how to lodge an objection to the determined land use and appeal procedures. 3. As required, prepare application to the Minister / Department of Local, Government, 	Corporate Services Directorate – Finance Team

	Sport and Cultural Industries	
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3. Scope

3.1. Inclusions

The project involves four key steps identified in the Department's process. Each of these steps requires the completion of various sub-tasks.

3.2. Exclusions

The assessment by the Minister or Department on behalf of the Minister is out of scope. The Department has advised that the application could be assessed under delegated authority or may be directed for the Minister's consideration. It may take several months for an application to be assessed.

In the event that the Minister approves changes to revaluation method, subsequent rating decisions are a matter for Council and are out of scope.

Under the Act, only the Minister can change the valuation method and there is no formal means for Council to direct the Minister or appeal a decision or non-decision. Given the evidence of possible inequalities, Officers consider that despite the potential that the Minister may choose not act, that the Shire has a responsibility to present a submission seeking a fairer distribution of the rating burden.

4. Tasks

4.1. Identifying land use changes that may affect predominant use

Identifying land use changes that may affect predominant use is a constant exercise. The characteristics of the Shire with its rapidly growing population and diverse property types of land uses complicates the task of maintaining an accurate rate book that is based on an appropriate rating methodology.

As noted in the 2007 Council resolution, there is already evidence that the predominant use in the Shire may not be reflected in the rating methodology applied to properties in the Shire. This viewpoint has been supported by more recent investigations and enquiries by Shire Officers.

4.2. Reviewing predominant use

For comprehensiveness and procedural fairness, it is considered appropriate that a review of predominate use should occur across all rateable land use in the Shire.

This is a significant task. The lessons from local governments that have undertaken large scale reviews is that successfully delivering on a project of this scale is more likely if it is undertaken in an intensive exercise rather than one elongated over a longer period.

In practice, reviewing the predominant use across the Shire involves a systematic check of each property in the rate book. Most properties, such as homes in residential suburbs it is evident that residential homes in suburban areas are not used for agricultural purposes and would have been converted to GRV valuation following the sub-division. Nevertheless, as part of the comprehensive review, each property will be reviewed.

In guidance material, the Department suggests that the following can be instructive in reviewing predominate use:

- development and other statutory approvals;
- property inspections; and
- land use surveys.

Whether land is being used for agriculture can also be assessed through related declarations. A tax declaration that a property is being used for primary production, for example, provides a strong indication that the property is being used for agriculture and thus rural purposes.

4.3. Consulting affected parties – Communications Strategy

Consultation with affected parties is a critical element in delivering on the principles of objectivity, fairness and equity; consistency; transparency; and administrative efficiency.

The Department recommends consultation be undertaken in the first instance with the Valuer General and the Department. This consultation, which is undertaken to enable Officers to understand the process and identify potential obstacles, has commenced.

Consultation with the broader community is critical. Given the importance of engagement, a separate communication plan has also been prepared.

Affected property owners should be informed of proposed changes to the method of valuing their properties and provided with an opportunity to comment especially where the changes are expected to significantly alter the rates payable.

For this comment to be meaningful, the information disseminated should include reasons for seeking to change the method of valuation, an indication of the overall likely impact of such changes and details of how to comment on the proposed changes.

Department of Local Government, Sport and Cultural Industries

This engagement needs to be informative, transparent and provide opportunity for comment. As the issue of rating equity impacts all of the community, engagement needs to be equally broad.

The Shire will use the IAP2 Spectrum of Public Participation, an internationally recognised tool, which helps define stakeholder roles in the engagement process.

The table below outlines how each stakeholder will be involved throughout the project.

Stakeholder	Level of engagement	When	Method
Shire residents/land owners	<p>Inform – Provide them with information to understand the project and why the Shire is undertaking the review of all land uses in the district</p> <p>Consult – Ask each landowner in the Shire what the predominant use is of their property to ensure correct valuation methodology is being applied to their property</p> <p>Inform – Advise residents of the recommendation outcome of the review of methodology applied to their property</p>	<p>Start of project – August 2020</p> <p>August 2020 – October 2020</p> <p>November 2020</p>	<ul style="list-style-type: none"> • Advertising • Social media • Website • eNewsletters • 1st Letter to all residents • Drop-in sessions • Face to face meetings (by appointment) • Council reports/minutes • 2nd letter to residents advising of recommendation
Department of Local Government, Sport and Cultural Industries and the Office of the Valuer General	Involve – work with the Department and Office of the Valuer General to ensure process meets required guidelines	Ongoing	<ul style="list-style-type: none"> • Meetings • Phone calls • Emails
Council	Empower – Council will ultimately be asked to make recommendations	December 2020	<ul style="list-style-type: none"> • Council report • 3rd letter to residents advising of the Council

	through a submission to the Minister seeking changes to valuation methodology being applied to selected properties within the Shire		resolution and next steps
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Key messages

The following are the key messages of the project:

- the Shire is reviewing the basis on which the Shire calculates rates to ensure fairness and equity in rates
- rates provide funding for essential services that we all use
- everyone needs to pay their fair share
- rate-payers in the Shire may currently be paying relatively too little or too much
- your feedback is important to ensure rating in the Shire is fair and equitable
- the rating method used to calculate rates is based on the use of your land
- land that is used for residences or commercial purposes should be rated based on the Gross Rental Value of the property
- land that is used for predominately rural purposes should be rated based on the Unimproved Value of the property
- the decision on what method to use is made by the Minister for Local Government
- we all benefit from a fair and equitable approach to rating.

Letters to ratepayers

As identified in the Department's guidance material, advice to affected property owners is an important step in engagement. This letter normally takes the form of a survey which asks the rate-payer to identify the use of the land.

A response to the letter to affected ratepayers is not legally binding. It informs affected ratepayers and provides an opportunity to make a submission on the predominant land use.

As large-scale changes to the rating methodology for properties impacts the overall possible rate yield, all residents are ultimately affected by a decision to amend the basis of rating. As part of the review, all residents will receive advice and the opportunity to make a submission. Every ratepayer will be given a minimum of 2 months to respond after receiving the letter.

Additional engagement

Rating is an inherently controversial topic. In other local governments, opposition to rate reform has mobilised effectively to halt efforts to introduce a more fair and equitable basis for rating.

Engagement with community leaders is critical to maintain momentum to achieve a fair and equitable approach to rating.

This will include regular updates to Council, local Residents and Ratepayers Associations, local Members of Parliament, media and social media. Drop-in sessions also will provide an active form of engagement that allow members of the public to readily and openly ask questions of Shire staff.

4.4. Changing the method of valuation

The Department's guideline states that a submission to the Minister must include:

- an assessment of predominant use;
- description of the land;
- impact on rate assessment; and
- a target date for implementation.

In practice, the bulk of the submission is a table that lists the properties in the Shire, their current basis for rating; the proposed change; comment from the respective rate-payer and a comment from the Shire.

This approach enables the Department acting on behalf of the Minister to make an assessment of each property in a systematic way. Again, the Shire cannot control the timetable for the Minister or Department.

5. Timeline

It is proposed that the project be completed with a report to Council at the 14 December 2020 Ordinary Council Meeting. Officers believe that this timetable, while ambitious, provides the greatest opportunity for delivering a submission to the Minister that, if accepted, will result in a fairer distribution of the rating burden.

Element	Milestone	Timetable
Identifying land use changes that may affect predominant use	Scope identified	Commenced
	Council approval to prepare project plan	April 2020 Ordinary Council Meeting
	Meeting with Department of Local Government	May 2020
	Meeting with Valuer General	June 2020
	Project plan prepared for Council consideration	July 2020 Ordinary Council Meeting
Reviewing predominate use	Preparation of rate-book for systematic review	Preliminary work commenced – completed in July 2020
	Data gathering on valuations and land uses	Preliminary work commenced – completed in July 2020
Consulting affected parties	Briefing with local MPs	August 2020
	Publication of FAQs on website	August 2020
	Drop-in sessions	August 2020 – October 2020
Changing the method of valuation	Preparation of Council Report	November 2020
	Letter to properties recommended for change	November 2020

Element	Milestone	Timetable
	Council consideration of recommendations	December 2020
	Letter to properties advising of Council's decision and next steps	December 2020
	Consideration by the Minister	Following Council's decision

6. Budget

The project is not without costs.

An allocation of \$40,000 in the draft Shire 2020-21 budget has been allocated. This amount will sufficient to complete the communications component of the project.

If not otherwise available, deposited plans may be required as part of the submission. These cost \$26 per property and may be required for properties proposed to change as part of the submission.

If the Minister ultimately agrees to change the valuation method, new valuations for each property will be required from the Valuer General. These are charged at \$80 per property.

7. Risks

The main risks specific to this project are as follows:

Risk	Consequences	Controls	Risk Rating
Following the identification land use changes that may affect predominant use; reviewing predominant use; and consulting affected parties, that Council does not resolve to make an application to the Minister	<ul style="list-style-type: none"> The issues associated with basis of rating identified in 2007 will continue to be unresolved. 	<ul style="list-style-type: none"> Effective communication and engagement with Council 	<ul style="list-style-type: none"> High

Risk	Consequences	Controls	Risk Rating
That the community and stakeholders are not effectively engaged	<ul style="list-style-type: none"> • That the community and stakeholders may not understand the rationale and consequences of the initiative. 	<ul style="list-style-type: none"> • Effective communication with community and stakeholders 	<ul style="list-style-type: none"> • High
Internal resourcing may not be sufficient to complete task on timely basis	<ul style="list-style-type: none"> • The project is delayed 	<ul style="list-style-type: none"> • Efficiencies may permit temporary and limited redistribution of Shire Officers to complete the task 	<ul style="list-style-type: none"> • High