

## 12.4. CORPORATE SERVICES

### 12.4.1. Changing Method of Valuation of Land

*Cr J Farquhar declared a financial interest in this matter as an owner of land to have value changed.*

*Cr J Farquhar vacated the Council Chambers at 5:31pm prior to discussions commencing.*

<b>DATE:</b>	24 August, 2018
<b>AUTHOR:</b>	Coordinator Financial Operations
<b>RESPONSIBLE OFFICER:</b>	Vernon Lawrence, Director Corporate Services
<b>FILE NO:</b>	FM.11.68
<b>DISCLOSURE OF INTERESTS:</b>	Nil

### VOTING REQUIREMENT

Simple Majority

### OFFICER'S RECOMMENDATION

**That Council Authorises the Chief Executive Officer to undertake a review of Unimproved Value (UV) rated properties and commence the process to transition properties not used for rural purposes to Gross Rental Values (GRV) in accordance with section 6.28 of the *Local Government Act 1995*.**

### COUNCIL DECISION

**Minute Number: 28/08/2018 - 115846**

**Moved: Cr T Chafer**

**Seconded: Cr M McKittrick**

**That Council Authorises the Chief Executive Officer to undertake a review of Unimproved Value (UV) rated properties and commence the process to transition properties not used for rural purposes to Gross Rental Values (GRV) in accordance with section 6.28 of the *Local Government Act 1995*.**

**Decision:7/0**

## **PURPOSE**

To request that Council authorise the Chief Executive Officer to undertake a review of properties and commence the process for transition of properties in certain rate categories from Unimproved Valuations (UV) to Gross Rental Valuations (GRV).

## **NATURE OF COUNCIL'S ROLE IN THE MATTER**

Leader - plan and provide direction through policy and practices.

Regulator - enforce state legislation and local laws.

## **BACKGROUND/ PREVIOUS CONSIDERATIONS BY COUNCIL/ COMMITTEE**

Under section 6.28 of the Local Government Act 1995 (the Act), the Minister for Local Government is responsible for determining the method of valuation of land to be used by a local government as the basis for a rate. In determining the method of valuation, the Minister is to have regard to the general principle that the basis for a rate on any land is to be:

- Where the land is used predominantly for rural purposes, the Unimproved (UV) value of the land; and
- Where the land is used predominantly for non-rural purposes, the Gross Rental Value (GRV) of the land.

Rural purpose is defined by the Department of Local Government Sports and Cultural Industries (DLGSC) to mean "a purpose pertaining to agriculture and agriculture is defined to mean the use or cultivation of land for any purpose of husbandry or horticulture, including the raising of livestock and the growing of crops".

It is the Local Government's responsibility to review the predominant use of land and apply to the Minister to have the method of valuation changed where appropriate. In 2014 Council's Strategic Rating policy was reviewed and the current policy includes Council's intention that properties in the UV Rural Residential and UV Commercial/ Industrial rating categories will be transitioned from UV to GRV values as the primary purpose is non rural. 237 properties have been identified in these rating categories as requiring transition. In addition 17 properties in the UV Rural Agriculture 2 rating category have been identified as having a residential land use. These properties are due to be re-zoned in Local Planning Scheme No. 9 to Rural Small holding.

The UV to GRV transition process was scheduled to be undertaken in 2017 with the implementation of changes to valuations to take effect from 1 July 2018, however due to the general GRV revaluation taking place in 2018 the process was postponed until the 2018/19 financial year to avoid any potential confusion for ratepayers of two separate unrelated revaluations occurring in the same year.

## **STATUTORY IMPLICATIONS**

Local government has a role in ensuring rating principles of the *Local Government Act 1995* (the Act) are correctly applied so that land used for rural purposes is rated on its Unimproved Value (UV), and similarly land used for non-rural purposes is rated on its Gross Rental Value (GRV). Section 6.28 of the Act differentiates between the two methods of valuation available dependent upon the predominant use of the land.

*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.*
  
- (4) *Subject to subsection (5), for the purposes of this section the valuation to be used by a local government is to be the valuation in force under the Valuation of Land Act 1978 as at 1 July in each financial year.*
  
- (5) *Where during a financial year —*
  - (a) *an interim valuation is made under the Valuation of Land Act 1978; or*
  - (b) *a valuation comes into force under the Valuation of Land Act 1978 as a result of the amendment of a valuation under that Act; or*
  - (c) *a new valuation is made under the Valuation of Land Act 1978 in the course of completing a general valuation that has previously come into force, the interim valuation, amended valuation or new valuation, as the case requires, is to be used by a local government for the purposes of this section.*

## **POLICY IMPLICATIONS**

Council Policy CP FIN-3200 Strategic Rating outlines the Council's principles and methodology when exercising the Council's discretionary powers to determine the level and structure of rates levied under the *Local Government Act 1995*.

The above policy incorporates the Objects and Reasons for Differential Rates including the following relevant to the UV rates categories for which the land use is to be reviewed:

#### *UV – RURAL RESIDENTIAL*

*A differential rate is applied to UV valued land located outside the gazetted town site that is zoned Rural Living, Rural Smallholding and Special Rural which is used primarily for or capable of being used primarily for rural residential purposes.*

*Rural residential has the same meaning as the objectives of TPS7 and TPS6 for these Zones, being:-*

- a. Providing for those people wishing to reside on a small rural holding (as in the case of a Rural Living Zone in TPS7); or*
- b. Providing for those people wishing to reside on rural lifestyle lots (as in the case of the Rural Smallholding Zone in TPS7); or*
- c. Providing for those people wishing to reside on a small rural holding (as in the case of the Special Rural Zone in TPS6).*

*It should be noted that this is intended as a transitional rating differential category while the Shire work through a process to have these properties provided with a gross rental value instead of an unimproved value given the primary purpose is residential.*

*The average rates payable for each property will be similar to the average rates payable for GRV Residential properties, recognising the transition to a GRV value.*

#### *UV – COMMERCIAL/INDUSTRIAL*

*A differential rate is applied to UV valued land located outside the gazetted town site that is used primarily for, or capable of being used primarily for commercial, industrial and/or tourism purposes.*

*This sector generates high traffic volumes and should therefore contribute a greater share of the costs associated with road construction, maintenance and refurbishment including road drainage systems and other infrastructure required, along with other costs associated with marketing and economic development.*

*It should be noted that this is intended as a transitional rating differential category while the Shire work through a process to have these properties provided with a gross rental value instead of an unimproved value given the primary purpose is commercial, industrial and/or tourism and the land owners should be contributing more equitably to these costs.*

#### **FINANCIAL IMPLICATIONS**

\$40,000 has been allocated in the 2018/19 budget for the cost of the revaluation.

The intention is to raise an equivalent amount of rates revenue from any new GRV rate categories to that raised under the UV rate categories that they replace, however variation in the GRV values for individual properties within the new rate categories may result in some properties having an increase and some having a decrease in rates. It is not expected that there will be any significant budget impact as once the new valuations have been received modelling will be undertaken as part of the budget process allowing the rate in the dollar to be adjusted if necessary to ensure that differential rates are applied in a manner that achieves the desired total rates yield for the 2019/20 financial year.

## **STRATEGIC IMPLICATIONS**

*Strategic Community Plan 2017-2027*

Focus Area 4: Civic Leadership

Goal 4.4: Sustainably maintain the Shire's financial viability

Strategy 4.4.3: Adequately plan for and fund asset maintenance and renewal to deliver planned services

Strategy 4.4.4: Apply best practice financial management to ensure long term sustainability

## **RISK IMPLICATIONS**

**Risk:** Failure to comply with legislative requirements leading to damage of reputation and/or financial loss.

**Control:** Review policies and procedures in accordance with review schedule.

## **COMMUNITY ENGAGEMENT**

Engagement will take place in accordance with the Shire's Community Engagement Guidelines and will include the following:

- Letters will be sent to affected landowners requesting a declaration of land use to be completed and returned to the Shire within 21 days.
- Once the review of land use has been completed affected landowners will be advised of the review decision and given 28 days to respond.

## **COMMENTS**

Changing the method of valuation from UV to GRV for properties not used for rural purposes is required so that all properties in the Shire are valued in accordance with the requirements of section 6.28 of *the Local Government Act 1995*.

Once revalued to GRV, properties in the UV Rural Residential rating category may be rated under a new differential rating category of GRV Rural Residential which will allow Council to set the rate in the dollar for this category to prevent any significant change in the rates applicable. Properties in the UV Commercial/Industrial category would be rated as GRV Commercial or GRV Industrial depending on the use of the land. The UV Rural Agriculture 2

properties would most likely come under the GRV Rural Residential or a new rate category of Rural Small Holding depending on the new Zoning and their land use. It should be noted that if the rate in the dollar for these new rate categories is set to ensure that the average rates for each category remains the same, this may result in some individual properties having an increase and some having a decrease in total rates in a similar manner to that which occurred with the recent GRV general revaluation.

The planned process and timeline for the transition from UV to GRV valuations is as follows:

**August 2018** - Council resolve to authorise the Chief Executive Officer to carry out a review of the land use for UV rated properties.

**August 2018** - Indicative Values Obtained from the Valuer General's Office for specified properties in the relevant UV rate categories.

**September 2018** - Letter sent to affected landowners requesting a declaration of land use to be completed and returned to the Shire within 21 days.

**October 2018** - Shire officers assess land use declarations and review land use. Affected landowners advised of review decision and given 28 days to respond.

**November 2018** - Council considers any submissions prior to resolving to apply to the Minister for approval to change the method of valuation for the specified properties.

**November 2018** - Application submitted to the Minister for approval to change the method of valuation.

**December/January 2019** - GRV valuation undertaken by the Valuer General's Office.

**February 2019** - Valuation information supplied to the DLGSC for submission to the State Law Publisher for Gazettal.

**March 2019** - Publication in Government Gazette.

**April/May 2019** - Rate modelling undertaken and rate in the dollar determined for 2019/20 financial year.

**July 2019** - Gross Rental Values applied to the specified properties with an effective date of 1 July 2019.

## **ATTACHMENTS**

Attachment 12.4.1.1 - CP FIN-3200 Strategic Rating Policy

Attachment 12.4.1.2 - DLGSC Rating Policy - Valuation of Land

*Cr Farquhar returned to the Chambers at 5:36pm at the conclusion of the above item. For the benefit of Cr Farquhar the Shire President advised her of the Council resolution, which was passed unanimously.*