8.2.4 REVIEW OF RATING STRUCTURE

File Ref:	FIN.8A
Applicant / Proponent:	Not applicable
Subject Land / Locality:	Not applicable
Disclosure of Officer Interest:	Nil
Date:	7 April 2020
Author:	Lee Sounness, Executive Manager Corporate Services
Authorising Officer:	David Schober, Chief Executive Officer
Attachments:	8.2.4 – Community Consultation & Engagement Strategy

Summary:
The 2019-2020 adopted budget included an expense provision to undertake a comprehensive review of the Shire's rating structure. A consultant was engaged to commence and assist with this process in January 2020.

Background:
On 28 July 2009, Council adopted Rating Equity Policy P030101. The purpose of this policy was to achieve, as far as possible, an equitable rating system throughout the Shire of Denmark.

The report noted, *the major sources of rating inequity in the Shire were in the rural areas and had resulted because the property, or a portion of the property, were being used for a purpose other than rural. (9.5.3 Rating Equity, Res:210709)*

The Rates Model adopted by Council for the 2009/10 Annual Budget prescribed a different rate in the $ and minimum rate for the following classes of property;

<u>Differential General Rate:</u>
- gross rental value (GRV)
- unimproved value (UV)

During the 2012/13 financial year, Council further reviewed the differential rating structure *with a view to ensuring that all property owners pay a fair and equitable contribution to Shire works and services.*

The intent of the review was to deal with concerns over perceived inequities in relation to rating of the following classes of properties and/or issues;

- home holiday accommodation.
- non-rural use on rural land.

- commercial properties.
- special rural and special residential properties, and
- valuation of vacant land.

In May 2013, Council resolved that with respect to the rating of land within the Shire of Denmark, it implement a new differential rating system for different land zonings and uses. (8.4.2 Review of Rating Policy, Res:100513)

It was noted by officers in 2013 that complications may arise in administering the proposed rating system into the future.

The officers stated *the Draft Statement of Rating Objects and Reasons takes a far more prescriptive approach, than that used previously by Council, to impose municipal rates. The Officer is of the view that the proposed changes would result, at least in part, in giving Council the ability and tools to address the rating equity issues identified.*
That said, the proposed changes will create resourcing issues for Council staff to firstly set up and implement such a system and then administer it into the future.

Much of the necessary research into identifying and classifying the various types of properties has been undertaken by staff, with validation of this data currently occurring. Ongoing resources will be required to liaise with property owners, identify and manage future changes to property zones and/or land use and administrative arrangements associated with rating functions.

The Rates Model adopted by Council for the 2013/14 Annual Budget prescribed a different rate in the dollar and minimum rate for the following classes of property;

- GRV Residential Developed.
- GRV Business/Commercial Developed.
- GRV Lifestyle Developed.
- GRV Rural Developed.
- GRV Holiday Developed.
- GRV Residential Vacant.
- GRV Business/Commercial Vacant.
- GRV Rural Vacant.
- GRV Lifestyle Vacant.
- UV Rural Base.
- UV Additional Use 1.
- UV Additional Use 2.
- UV Additional Use 3.
- UV Additional Use 4.

In January 2020 Moore Stephens were engaged to review the rating structure of the Shire of Denmark. The scope of the review was to:

- review the number and type of rating classes, including differential rating classes;
- compare and contrast the rating structures applied by adjacent local governments such as the rate in the dollar, dollar value, percentage of each category’s contribution to the whole, the proportion of UV and GRV rating to the overall rating income and any other matters considered appropriate for the Shire to gain an understanding of the current rating structure compared to adjacent local governments;
- develop a model based on the current rating structure to permit development of various alternate scenarios to be assessed in a workshop environment with the Elected Members and Senior Staff;

- prepare a draft rating review report for the Shire to establish a framework for future rating decisions. In this report, consider the principles of objectivity, fairness and equity, consistency, transparency and administrative efficiency;
- be available for workshops, to present report findings and any other related requirements to the council on request.

The Moore Stephens rating review identified:

- the rating structure is complex and does not appear to align to fundamental rating principles;
- the characteristics of differential rating categories are not clearly defined and articulated;
- differential rating categories are administratively inefficient;
- the objects and reasons for each differential rating category do not clearly articulate the reason for each differential rate;
- low numbers of properties in certain rating categories may result in compliance issues when setting the minimum payment; and
- certain rating characteristics are inconsistent with the basis of valuation of the properties.

To assist officers to assess and align the rating structure to the fundamental principles of rating, McLeods Barristers and Solicitors were engaged to address issues identified by Moore Stephens (Rates Review February 2020) of the Shire's rating structure to sections 6.32, 6.33 & 6.82 of the Local Government Act 1995. McLeods Barristers and Solicitors were requested to provide independent advice in relation to the mechanics of the model.

The response requested of McLeods Barristers and Solicitors were, in summary (Councillors have previously been forwarded the full legal response):

a) "it is recommended to amend the description for each differential rating category to more clearly distinguish between the objects, reasons and characteristics of each differential rate category. Comments made on each differential rating category identify particular aspects for review relating to the legislative requirements under section 6.33(1) of the Local Government Act 1995."

b) "whilst there are issues in the manner in which the characteristics of various differential rate categories are expressed, … it would not necessarily follow that the Shire is obliged to take any particular action other than considering and potentially revising its differential rating categories for the next financial year."

c) "the Local Government Act does not require adoption of a 'rating policy', nor impose any specific legislative requirements on such a policy. The Shires policy is rather an administrative guide to its application of the rating categories, which should provide guidance to rate payers as to the manner in which the rating categories would be interpreted and applied by the Shire."

After review of the rating structure by Moore Stephens and McLeods Barristers and Solicitors, the following opportunities to improve rating outcomes were recommended:

- align the rating structure to the fundamental principles of rating
- simplify the differential rating categories by reducing the number of differential rates
- clearly define the characteristics of each differential rate so there is no ambiguity
- clearly articulate the objects and reasons for each differential rating category
- observe and pursue a rating structure meeting legislative compliance without the need for ministerial approval
- review the basis of valuation of properties with a mixed use, and
- establish procedures to make application to the Minister for a change in basis of valuation, where appropriate.

The opportunities identified above to improve the rating outcomes for the Shire of Denmark, form the basis of the recommendation of this report.

Consultation:

External

Department of Local Government, Sport and Cultural Industries:
- Rating Policy for Valuation of Land (section6.28)
- Rating Policy for Differential Rates (section6.33)
- Local Government Guidelines - Changing Methods of Valuation of Land

Moore Stephens (WA) Pty Ltd:
- Was engaged to review the rating structure of the Shire of Denmark, conduct workshops with Councillors and provide comment regarding focus areas identified by the Shire. The scope of the review is contained within this report.

McLeods Barristers & Solicitors:
- Provided written advice.

Landgate:
- Provided verbal advice and direction.
- Gross Rental Value for a Portion of Lot – Valuation Policy 3.107
- Unimproved Values – Urban Valuation Policy 4.116

Internal

Corporate Services business unit.
Workshops with Councillors

Community Consultation

Assuming Council determines to adopt the attached Rating Review Communication and Engagement Strategy (Attachment 8.2.4), the following plan to engage with property owners is recommended:
- adopt the Rating Review Communication and Engagement Strategy for the purposes of seeking public comment from affected landowners and the general public
- advertise for public comment for a period of 21 days
- refer submissions received for further consideration in determining the 2020/21 rates
- if at this time Council chooses to adopt the new rating structure, seek approval to advertise the rates in the dollar and minimum payments and invites written feedback from ratepayers within a period of 21days from the giving of local public notice, as in accordance with S6.36 of the LG Act 1995.

Statutory Obligations:
Valuation of Land Act 1978

The Minister for Local Government has the responsibility for determining the method of valuation of land to be used by the Valuer General.

Section 6.28 (1) & (2) of the Local Government Act 1995 states:
(1) The Minister for Local Government 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.

Section 6.33 (1), (2), (3) & (4) of the Local Government Act 1995 states:
(1) A local government may impose differential general rates according to any, or a combination, of the following characteristics:
(a) the purpose for which the land is zoned, whether or not under a local planning scheme or improvement scheme in force under the Planning and Development Act 2005; or
(b) a purpose for which the land is held or used as determined by the local government; or
(c) whether or not the land is vacant land; or
(d) any other characteristic or combination of characteristics prescribed.

(2) Regulations may:
(a) specify the characteristics under subsection (1) which a local government is to use; or
(b) limit the characteristics under subsection (1) which a local government is permitted to use.

(3) In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.

(4) If during a financial year, the characteristics of any land which form the basis for the imposition of a differential general rate have changed, the local government is not to, on account of that change, amend the assessment of rates payable on that land in respect of that financial year but this subsection does not apply in any case where section 6.40(1) (a) applies.

Where the Minister changes the basis of valuation from UV to GRV, Council may resolve to apply the change of valuation immediately / or phase in any changes in valuation in accordance with Schedule 6.1 of the Act.

Section 6.35 states that Council may impose a minimum payment for each category.

Policy Implications:
P030101 Council Rating Equity Policy outlines the administrative process in applying differential rates. The report recommends repealing this policy.

Budget / Financial Implications:
There are no financial implications on the current 2019-2020 adopted Budget. The 2020-2021 draft Budget is currently being prepared on the basis of a zero increase in overall rate revenue yield, as outlined later in this report. An amount of up to $30,000 is to be included in the 2020/21 Budget for the administration of Split/Spot rating of UV properties with additional uses. Adjustments to the Long Term Financial Plan will need to be made and subsequently adopted by Council to recognise the impact of this change.

Strategic & Corporate Plan Implications:
The report and officer recommendation are consistent with Council's adopted Strategic Community Plan Aspirations and Objectives and the Corporate Business Plan Actions and Projects in the following specific ways:

<u>Denmark 2027</u>
L5.0 Our Local Government
The Shire of Denmark is recognised as a transparent, well governed and effectively managed Local Government.

L5.1 To be high functioning, open, transparent, ethical and responsive.
L5.3 To be decisive and make consistent and well considered decisions.
L5.4 To be fiscally responsible.

Corporate Business Plan
E1.4.1 Review our differential rating policy to ensure fairness and equity across all rating categories and promote and encourage agricultural land use.

Sustainability Implications:

➢ **Governance:**
There are no known significant governance implications relating to the report or officer recommendation.

➢ **Environmental:**
There are no known significant environmental implications relating to the report or officer recommendation.

➢ **Economic:**
The State Government have indicated they are intending to legislate a freeze on local government rates and fees and charges in relation to the COVID-19 pandemic for the 2020/21 financial year and this may have financial implications relating to this report.

➢ **Social:**
There are no known significant social considerations relating to the report or officer recommendation.

➢ **Risk:**

Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
The rate revenue risk associated with the time taken to implement split/spot rating of UV properties with additional uses	Unlikely (2)	Moderate (3)	Moderate (5-9)	Inadequate Financial, Accounting or Business Acumen	Manage by utilising DLGSC guidelines on changing methods of valuation of land.
That Community Consultation is not adequate.	Possible (3)	Moderate (3)	Moderate (5-9)	Inadequate Engagement - Community / Stakeholders / Crs	Implement the draft Communication and Engagement Plan

Comment:
The principal reason for the rating review is to make the rating model simpler for the ratepayer to understand and to align to the fundamental rating principles of the Local Government Act 1995. While a simpler model will assist staff in applying the rating principles, it is based on the need to be able to explain, in a fair and consistent manner, what the rates are being levied for.

To apply the rating principles set out within the Local Government Act 1995 and guide decision making on the purpose for which the land is held or used, the Shire is to ensure the following fundamental principles are observed:

- Objectivity – the use of land should be reviewed and determined based on an objective assessment of relevant criteria. External parties should be able to understand how and why a particular determination was made.

- Fairness and Equity – each property should make a fair contribution to rates based on a method of valuation that appropriately reflects its use. The objects of imposing differential rates and reasons for each proposed differential rate are set out by the local government in a publicly available document and clearly explains why each rate is proposed.
- 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 should be clearly documented.
- Administrative Efficiency – rating principles and procedures should be applied and implemented in an efficient and cost-effective manner.

In addressing the recommendations proposed to improve the rating structure and observe the principles of rating, the following is concluded:

1) SIMPLIFY THE DIFFERENTIAL RATING CATEGORIES BY REDUCING THE NUMBER OF DIFFERENTIAL RATES:

Section 6.33 of the Local Government Act 1995 provides local governments with the option of implementing differential rates. A number of workshops presented by Moore Stephens and officers were conducted for Councillors to consider rating models with alternative differential rating categories and the associated impact on overall rate yield and on individual ratepayers. Principles considered as part of the rating structure review:

- valuation as a basis for taxing vs differential categories
- placing a higher tax on vacant land
- taxing tourism and other user pays options

To act on the recommendation to simplify the differential rating categories, Council has in principle agreed for officers to present an alternative model that:

- reduces the number of differential rating categories from 14 to 4
- models the four differential rating categories of:
  - GRV General
  - GRV Holiday Use (Tourism)
  - GRV Vacant
  - UV Base
- the total rates levied to be modelled with four categories not to be more than the total rate yield budget for 2019/20 – ($6.712m).
- the model to identify the number of ratepayers who get an increase or a decrease.
- the model to identify the total amount of money required to waive the increase in rates from 2019/20 to 2020/21 applied as a result of any new rating model. Based on the rating data supplied as at January 2020.
- to take into account the announcement by Local Government Minister, David Templeman (9 April 2020) that the State Government is seeking to legislate that local governments will not be permitted to increase rates or fees and charges in the 2020/21 financial year when compared to the 2019/20 financial year, due to the declared public health emergency caused by COVID-19.

	Model #1	**Model #2**	**Model #3**
Number of Rate Categories	**4**	**4**	**4**
Total Rate Yield	**$6,677,314**	**$6,706,461**	**$6,712,179**
Total GRV	$5,263,849	$5,262,359	$5,263,865
Total UV	$1,413,466	$1,444,102	$1,448,315
No. Ratepayers with increase	**229**	**699**	**682**
No. Ratepayers with decrease	**1,274**	**1,642**	**1,187**

No. ratepayers with no change	**2,589**	**1,751**	**2,223**
Total Ratepayers	**4,092**	**4,092**	**4,092**
Total rate yield of ratepayers with increase greater than $0	**$31,024**	**$58,363**	**$54,804**
Rate waiver from 2019-20 budget	**$(42,175)**	**$(42,175)**	**$(42,175)**
Total decrease in rate yield inclusive of waiver from 2019-20 budget	**$(66,180)**	**$(64,373)**	**$(55,095)**
Total Yield	**$6,604,116**	**$6,605,923**	**$6,615,201**

Alternate Rate Model Recommendation:
The rate models presented offer three alternate models that meet the agreed principles outlined above. Of the three models, the officer recommends Model #1, for the following reasons:

- model #1 generates the required rate yield total using a reduction in rate categories from 14 to 4
- the model offers the least amount of properties to be affected by a rate increase or decrease compared to last year
- in reducing to 4 categories the total number of properties with no change in Model #1 is 2589 out of 4092
- model #1 generates a total increase of $31,024 (plus $42,175 waiver applied in 2019/20) for all ratepayers who have an increase above $0 from last year, excluding increases as a result of a change in property valuation.
- Models #2 and #3 would require a rate waiver of $58,363 (plus $42,175 waiver applied in 2019/20) and $ 54,804 (plus $42,175 waiver applied in 2019/20) respectively.

2) WAIVER AND CONCESSIONS

To ensure no ratepayer has an increase in their rate notice total from last year, Council would be required to approve a waiver to all affected ratepayers, other than those who have a change in property value. Based on the acceptance by Council of alternative rating Model #1, it is recommended that ratepayers who would have an increase on last year's rates, be waived to the value of $31,024 – this figure is subject to interim valuations provided by Landgate during 2020.

3) CLEARLY DEFINE THE CHARACTERISTICS OF EACH DIFFERENTIAL RATE SO THERE IS NO AMBIGUITY AND CLEARLY ARTICULATE THE OBJECTS AND REASONS FOR EACH DIFFERENTIAL RATING CATEGORY:

The table following articulates the draft description, objects and reasons of the four proposed differential rating categories to be considered by Council.

Objects and Reasons for Differential General Rates

Description	Characteristics - proposed	Objects - proposed	Reasons - proposed
GRV			
1. GRV General	All properties valued on a Gross Rental Value (GRV) basis which are not included within the GRV Holiday Use or GRV Vacant categories.	The object of the rate for this category is to be the base rate for all GRV rated properties and against which a higher rateis determined for other GRV rate categories.	To achieve the required amount of revenue from GRV rates to meet the budgeted deficiency.
2. Holiday Use	All properties valued on a Gross Rental Value (GRV) Basis which have planning approval to operate as short term holiday accommodation.	The object of a higher rate in the dollar for this category is to raise additioinal revenue to fund the level of service provided to these properties and the costs that result from the seasonal influx of visitors to these properties.The rate recognises the impact of such properties on infrastructure and environment within the Shire.	A higher rate has been set to assist in meeting the additional costs associated with providing tourism related infrastructure and services.
3. GRV Vacant	All properties valued on a Gross Rental Value (GRV)basis which are currently vacant.	The encouragement of development is strategically important as it has a positive effect on local employment, economic diversity and further community returns from population-linked investment. The object of a higher rate in the dollar for vacant properties is due to Councils preference for landowners to develop vacant land.	To ensure that all ratepayers make a reasonable contribution towards the ongoing maintenance and provision of works, services and facilities in the Shire. This is also intended to discourage land investors from land banking and to discourage excessive vacant land leaving subdivisions barren and aesthetically unappealing which may provide prospects for potential antisocial behaviour
UV			
4. UV Rural	All properties valued on a Unimproved Value (UV)basis.	The object of this rate is to set the base rate for properties rated as unimproved (UV)	To achieve the required amount of revenue from UV rates to meet the budgeted deficiency.

4) REVIEW THE BASIS OF VALUATION OF PROPERTIES WITH A MIXED USE.

Changing the Method of Valuation of Land - Split/Spot Rating:
The recommendation to change the differential rating categories from 14 to 4 includes removing the UV additional use categories 1-4 and having one UV Base rating category. To alleviate the rating inequity for UV landholders who use their property for additional uses, it is recommended that the Shire utilise split/spot rating provisions under Section 6.28 of the Local Government Act 1995 and through adoption of Local Government Operational Guidelines - Changing Methods of Valuation of Land

Reviewing predominant use of land:
The Act does not define the term “land” for the purpose of determining predominant use. Legal advice suggests that the term could be applied to a lot, part of a location or any part of a local government’s district. It is for those administering the provisions of section 6.28 to define the term according to the prevailing circumstances. Thus, where a local government identifies new developments or land uses, it can decide whether to review the predominant use of the affected land only, or a larger or smaller area of land. It has several options for doing so:

a) by portion of a lot (split valuation)
Where a local government identifies that a rateable property contains distinctly rural and non-rural uses on separately identifiable portions of the property, it may consider applying different methods of valuation to those distinct portions. This is commonly referred to as “split valuations”. Split valuations should only be considered as an option where the predominant use of a property cannot be determined objectively and fairly or where it is appropriate to do so for reasons of rating fairness.

They must be used consistently and fairly particularly in relation to properties of a similar type and use. Where split valuations are used, the UV and GRV areas will need to be defined with reasonable precision. This may involve a limited Global Positioning Survey (GPS) being undertaken or the area being surveyed by a licensed surveyor so that Landgate can prepare a technical description of the areas. This will be at the local government's cost.

b) by individual lot (spot valuation)
Individual lots are generally the smallest units of land for which a local government will review predominant use. Spot valuations, as they are commonly referred to, are most frequently used in situations where there are a number of individual lots within a valuation area that are used for purposes that are not consistent with the predominant use of land within that valuation area. Spot valuations can be effective in promoting rating equity by ensuring that properties with similar uses are rated on the same method of valuation regardless of their location within the district. However, they also can be more labour intensive and less administratively efficient than other options. Spot valuations must be used consistently and fairly.

The timeframe to apply for a split or spot valuation and follow Ministerial Guidelines on Changing Methods of Valuation of Land for Local Government is estimated to be up to 12 months.

Cost to Split/Spot Rate:
Landgate Valuation - $60 to $400 depending on assessed GRV (see below)
Gazetted Property - $105
Survey Costs – Minister accepts GIS data shape files to specification as generated by Shire officers.

Landgate GRV valuation costing:
There is a fixed charge per interim GRV valuation. The cost depends on the assessed GRV.
- If the GRV is less than $21,500, the charge is $57.30.
- If the GRV is between $21,501 and $100,000 the cost is $92.20.
- If the GRV is $100,001 or above the charge is $393.90.

Thus, the maximum value of any one UV property to be spot rated is estimated to be $498.90, plus officer time. The average value is likely to be less than the maximum value. At present there are 71 properties that could be split or spot rated depending on review of their predominant use.

5) REPEAL OF CURRENT RATING POLICY – P030101
The current Rating Equity Policy, as it stands, does not observe Department of Local Government, Sport and Cultural Industries' objectives around the fundamental principles of rating.

As the Local Government Act does not require adoption of a rating policy, it is recommended that the Rating Equity Policy be repealed. It is proposed a new Rating Equity Policy be developed to coincide with any changes to the rating structure, acknowledgement of any changes to the characteristics, objects and reasons of the rating categories and any resulting changes to split/spot rating if accepted by Council.

Voting Requirements:
Absolute majority.

OFFICER RECOMMENDATION ITEM 8.2.4

That Council:

1. Approve for advertising the following rate model and minimum payments and invite written feedback from ratepayers within the period of 21 days from the giving of local public notice; and

2020/2021

	Rate in $
Rate Model	
GRV General	To be determined
GRV Holiday Use (Tourism)	To be determined
GRV Vacant	To be determined
UV	To be determined
Minimum Rate	
GRV General	1,097.00
GRV Holiday Home	1,097.00
GRV Vacant	1,097.00
UV	1,343.00

2. Repeal the current Shire Rating Equity Policy P030101.
3. Waive any increase on rates, as a result of introducing a new rating model, from 2019/20 other than those who have a change in property value due to improvements or where a property has been re-valued.

COUNCIL RESOLUTION ITEM 8.2.4 a)
MOVED: CR GIBSON SECONDED: CR OSBORNE

That Council, in preparing its 2020/21 budget;

a. Ensure that no ratepayer shall pay more in rates for the same assessment than they did in 2019/20 except where improvements or development have occurred on the relevant property which have increased the rateable value of said property and;

b. Require that if changes to the Shire's rating model, rates in the dollar, valuations or other changes lead to a rates bill for an individual rates assessment which is greater than it was in 2019/20, then the increase shall be reduced to zero via a waiver of rates equal to that amount except where such increase is due to improvements or development on that property resulting in a valuation increase.

CARRIED UNANIMOUSLY & BY AN ABSOLUTE MAJORITY: 9/0 Res: 110420

REASONS FOR CHANGE

To explicitly inform the community and staff of Council's desire to avoid increasing anyone's rates.

COUNCIL RESOLUTION ITEM 8.2.4 b)
MOVED: CR GIBSON SECONDED: CR OSBORNE

That Council;

1. Advise its ratepayers and the broader Denmark community that it is considering changes to the current differential rating system to better align it with the principles of:
    a. Objectivity;
    b. Fairness and Equity;
    c. Consistency;
    d. Transparency and;
    e. Administrative efficiency.

2. In order to provide this advice and to engage meaningfully with the community on these proposed changes;
    a. Endorse the document titled *Communication and Engagement Plan (CEP): Rating Review(RR),* as found at attachment 8.2.4 of this agenda as a guide to community engagement and;

    b. Authorise the CEO to immediately action this plan to the extent possible considering the limitations of the COVID 19 Pandemic;

    c. Authorise for public distribution and advertising the following table (Table 1.1) of differential rates and rates in the dollar as an indicative guide to a proposed rating model.

Table 1.1 **Indicative categories**	**Indicative rate in $ and minimum rate**
GRV general	9.64280
GRV Holiday Use (Tourism)	10.7881
GRV Vacant	17.9000
UV	0.48570
Minimum Rate	
GRV general	$ 1,097.00
GRV Holiday Use (Tourism)	$ 1,097.00
GRV vacant	$ 1,097.00
UV	$ 1,343.00

    d. Authorise the CEO to prepare, distribute and advertise any further information and explanatory material the CEO deems is required to adequately explain both the current and proposed models.

    e. Require that, notwithstanding points 2a - 2d (above), this indicative guide (Table 1.1) and any necessary associated explanatory information be advertised publicly and that such advertisement shall also invite public written feedback on this proposed model for a period of not less than 21 days from the date of advertising.

3. Repeal Rating Equity Policy P030101.

4. Note that if Council cannot satisfactorily implement split or spot rating on UV properties with non-rural uses then Council would look to reintroduce UV additional use categories.

DEFFERAL MOTION
MOVED: CR BOWLEY SECONDED: CR JONES

That with respect to the Rating Review;
1. the item be deferred until December 2020, given the current COVID-19 declared public health emergency and acknowledging;
   a) that the economy is in a rapid rate of change that cannot be predicted: and
   b) the WA Government has stated that consumer charges will be frozen and significant measures that are being implemented to ease the current financial burden on the WA community.

LOST: 3/6 Res: 120420

Pursuant to Council Policy P040134 all Councillors' votes on the above resolution are recorded as follows:

FOR: Cr Bowley, Cr Jones and Cr Seeney.

AGAINST: Cr Gearon, Cr Lewis, Cr Osborne, Cr Allen, Cr Phillips and Cr Gibson.

THE ORIGINAL MOTION WAS THEN PUT AND CARRIED BY AN ABSOLUTE MAJORITY: 6/3 Res: 130420

Pursuant to Council Policy P040134 all Councillors' votes on the above resolution are recorded as follows:

FOR: Cr Gearon, Cr Lewis, Cr Osborne, Cr Allen, Cr Phillips and Cr Gibson.

AGAINST: Cr Bowley, Cr Jones and Cr Seeney.

Cr Jones requested that his words against the motion be recorded which were as follows;

"I fully support reviewing our rate model and ensuring we are being as fair and equitable across our community as is reasonable. There are elements of the proposed model that I support however there are other elements I believe we need more time to investigate further so that the community is fully informed of how their rates will be determined.

Split/spot rating forms part of the new model for properties currently rated as UV Additional Use 1 to 4. However the resolution does not address what Rate In $ will be applied once the changes are made. Will it be GRV Holiday Use or a different, new rating category? With more time, Shire Officers could carry out investigation of these property types such as one with 2 chalets and one with a winery, complete the necessary paperwork and request Landgate provide a GRV valuation guidance. This would allow Councillors to consider GRV Rate In $ categories available or determine if an additional new category or categories are needed.

More time will also allow financial modelling of some key options such as retaining Business/Commercial Developed to be provided to Council. This has not been done to date and I acknowledge COVID has quite rightly taken priority over Shire Officers time for the last 6 weeks.

The national and state response to COVID-19 has been unprecedented and a huge part of our community residents and businesses have been financially impacted with immense uncertainty as to when a semblance of normality will return. Shire is also under intense financial uncertainty. The proposed rate model #1 will impact our budget by a minimum of $140,000 ($108,000 rate revenue reduction from last year and approximately $30,000 Landgate costs for split/spot rating). The labour cost to perform the surveys/application process is currently unknown noting that a pilot as suggested earlier would help quantify this cost. A reduction in the number of categories will result in a budget impact.

There is a clear option to avoid this budget impost that the new rate model will impose until we are post COVID and I ask Council to consider the impact of this loss of revenue. The option is to stat as is and have all GRV landholders charged as per last year and UV rate yield kept the same.

I am also very concerned that with the COVID restrictions in place that we are only giving 21 days for community submissions on the model minus how UV Additional Use 1 to 4 will be rated. It is a short period of time however what perplexes me more is the community cannot meet Shire Officers and/or Council for face to face information sessions where the community can ask questions. Changing from 14 to 4 categories is a major change to how we charge our community their property rates. The public meeting for the Albany to Denmark water pipeline was highly informative, had an excellent Q&A session and based on feedback from the community it was very welcomed and successful. COVID restrictions do not let us provide a similar opportunity to our community and I feel we owe them a similar level of engagement.

I wish to finish with the individual ratepayer impact due to the reduction of the number of rating categories under the limitation of 'no ratepayer has an increase in their rate notice total from last year'…'other than those who have a change in property value.' Model #1 results in 1274 ratepayers receiving a rate decrease – I would be one of them since my category GRV Rural Developed will become GRV General. However everyone else receives zero rate change. This does not match the COVID-19 mantra of 'We are all in this together'. If it did then all ratepayers would get zero increase as per request from the WA Premier and Local Government Minister or all ratepayers would get a reduction. If this rate model change was a stimulus initiative then it is highly likely it would look different as I doubt I would get a rate reduction for my residential property and people living in town will not. It is also possible that Business/Commercial Developed category would be left in to allow the option for directed economic stimulus support.

In this COVID year I believe we should wait until the other side and use the time to gather more information to give a clearer picture of how certain properties will be rated and engage various community groups and leaders to test and validate the final model."

Submission Title	Submission Comments
1. Query Re Rating System Proposed Changes / Comments Re Shire's Intention to Change the Rating System / Further Comments Re Shire's Intention to Change the Rating System	It seems to me that if the shire's overall budget is not reduced (relative to CPI) then the review will mean some people pay less rates and some will have increased rates - this might be fairer and fewer categories should reduce the paper work costs. What we are not told is who recommended this review and the evidence supporting it? Also who are the "experts" advising the council? What are their qualifications? Are they outsourced - if so what is the cost? How were these experts chosen? Please, we require the details of the methodology and data used in the review. ThanK You COMMENTS RE SHIRE'S INTENTION TO CHANGE THE RATING SYSTEM (1) Ratepayers are offended by and object to the notion that shire staff would use technology to spy on ratepayers - this would constitute a serious breach of privacy. Just imagine the uproar if cameras were use to monitor the work activities of shire staff by ratepayers. (2) There is no urgency for the shire to waste money (particularly at this time of a public health emergency) - especially as the activity is outsourced. My understanding is that the government requires rates not to rise in 2020/21. A much more urgent matter is the provision of affordable housing. (4) The word "fairer" used needs clarification - what are the measures used? (5) There appears to be far too much outsourcing by the relatively large shire staff. It is my understanding that the ratepayers want staff with practical skills not excessive bureaucrats with aggrandised job titles. (6) Any new rating scheme, assuming the budget is unchanged, will mean some ratepayers will pay more and others less - this needs to be quantified. My suggestion: defer this exercise and devote funds to practical urgencies (eg affordable housing for the less affluent, bitumen for gravel lanes near the town centre and improving the street ambience - in particular reactivate the Public Health Plan Working Group as COVID-19 has demanded we rethink how our society will function - the tendency for some people to seek a diminution of free speech (eg as implied in an article published in "Voice of the South", last edition.) FURTHER COMMENTS RE SHIRE'S INTENTION TO CHANGE THE RATING SYSTEM I am disappointed that the information provided by the Shire staff is mainly rhetoric (far too many motherhood statements) and lacking important details. (1) The Shire staff should explain why so much time/money is being spent on a revised rating system at a time when our society needs to focus upon the ramifications of COVID-19 - this includes: the effect on property values and rental incomes; planning for inevitable future epidemics; expanding education, particularly trades; improving the ambience of communities - surely we need more creative inputs?; escalation of mental health issues, homelessness, unemployment. (2) Surely the Shire staff should detail its current income and expenditure (a balance sheet) - including the apparent large amount spent on outsourcing (eg the Shire has engineers/planners and yet it outsourced the planning of Praed Lane!) (3) I perceive the "Recommendation Paper" as deficient in detail of the evidence supporting its recommendations. Examples: (a) "The argument that a shop or commercial premise should pay more (or less) in rates when it has the same rental value as a house does not seem equitable." The rental estimate for a residential dwelling (in which the owners live) depends upon many factors including internal fixtures, orientation, nearness to shops/public transport, maintenance of building, landscaping, urban noise, etc - and thus cannot be accurately determined. If the owners embellish their home so that hypothetically it would attract a higher rent then is it equitable that they should pay higher rates? The Valuer General does not inspect individual homes and there could be a long delay between valuations. At the moment some landlords have had to reduce rents significantly because of the ramifications of COVID-19. (b) The argument presented relating to "land-banking" - special case1 - requires more analysis. It is incorrect to conclude that vacant land may equate with 'future capital gains' and consequently the owner should be punished. There is a capital gains tax in place and some politicians are wanting this increased. Furthermore, inflation is not considered when determining the actual capital gain assessed. No comment is made about the developer who say subdivides 5 acres into 5 one acre blocks and has difficulty selling the blocks. No comment is made about a person who buys a building block but has difficulty raising funds to build for some years (eg because of unemployment or injury). (c) (Special case 2) "1." For every action there is a reaction. If there are extra rates charged there will some risk of diminished small-scale tourist accommodation and/or higher rents charged. "2" On the other had this accommodation in itself promotes tourism and thus more money for the local economy. "3" The council owns vacant land which could be developed into affordable housing. That there are homeless people in Denmark is not caused by Airbnb's: it is more a reflection of the rich getting richer and the poor getting poorer. Just pause and think about the perks provided to politicians and business CEOs - business class air travel, chauffeurs, secret packages, etc. (4) I suggest consideration be given to the Aboriginal community (after all the settlers stole their land). I recommend that, say 5-10% of our rates be placed in a fund to support their accommodation, culture and education?
2. Simpler and Fairer Changes Merits Support	Reducing the property rating categories from 14 to 4 makes rating simpler and easier to administer, saving costs. Another rating reform long overdue, is to amend to Local Government Act to ensure that pensioner rates concessions take effect from the date that the concession is granted. A letter from the Shire to the Premier on this issue is requested.
3. Denmark Rating Review	The reduction of fourteen to four categories looks a lot better/fairer and easier to read. I'm in favour of charging a higher rate for vacant land and houses in GRV & UV categories, because there is a lot of land in Denmark that is bought for investment purposes and left vacant by absent investors ! They may visit Denmark occasionally but don't contribute much to the economy of Denmark.
4. Reduce Rates for Properties Who Are Used for Holiday Accommodation	we would appreciate reduction (credit) in rates for lot [redacted] for obvious reasons- Business decline estimated for 3-9 months
5. Have OUR say on changes to the Rating System	Greetings, My wife [redacted] and I are owners of residential vacant land at [redacted] There are no buildings on the land at present, there is no water supply at present, we do not use the kerbside waste collection, we ensure we meet the Shire's Fire Management Regulations. Our current in the dollar is $19.2243 with a minimum payment of $997.plus an additional $84 Emergency Services Levy. Although the rating review recommends a reduced in the dollar amount of $17.9000 the minimum payment is increased to $1,097. Obviously we are not happy about the minimum payment increase of $100 and we object to this increase. We support the council looking for ways to improve efficiency, making the system simpler, fairer and more transparent. However it does not seem fair to our vacant residential land situation to decrease the dollar amount but

	increase the minimum payment. Hence our objection to this scenario. We already feel we are not getting much for our minimum payment and to increase that minimum payment and suggest it is fairer does not feel very fair to us !
6. 2020 Ratings Review Submission - Peaceful Bay	Rating calculations for houses within the Peaceful Bay leasehold village fall below the minimum payment for rates. This is significant because there would be no where else in the Shire where there is such a high concentration of properties whose rates calculations fall below the minimum payment. It represents an entire village/township around 200 houses in one location. This is significant and must be recognized by the Shire. My understanding is that rate payment calculations for the majority of the houses equate to around $620 (based on GRV and rate in the dollar calculations) before the minimum payment markup is applied. This represents a significant difference between what is actually payed and what the rate payments would be based on normal rate calculations before the minimum payment markup is applied. I understand the reasons for a minimum rates payment and I do not disagree that all properties must contribute. I also understand there are other properties in the Shire whose rates calculations also fall below the minimum payment. However when an entire township's rates calculations are not well represented by the minimum payment then this is significant and must be recognized and addressed. Additionally many Peaceful Bay rate payers feel that we don't get a fair return on dollars spent back into the Peaceful Bay community as a reflection of what we pay in rates. We also feel we don't get a fair return on the $ we pay in lease fees, which I understand is a separate issue, but never the less it compounds our concerns. It is important to note that there are many issues (in addition to ones brought up in this submission) that are unique to Peaceful Bay. These issues when analyzed separately may not seem important but when added together create a compounding effect that result in the community feeling disadvantaged or underrepresented. I urge the Shire to recognize this and work with the Peaceful Bay Progress Association to address it. Thank you
7. Customer Enquiry	We refer to your Rating Review 2020 Notice that was recently issued. As one of the owners of the above property, can you please confirm where these properties, which are currently zoned Parks and Recreation, currently fit in to Council's proposed amendments to reduce the number of rating categories. It is assumed GRV General however both the Recommendation Paper and Council Agenda Item are silent in respect to the Peaceful Bay properties with their current zoning. Thank you in anticipation of your early response.
8. Comment on Denmark Rating System	To Whom it may concern. My name is [redacted] I have been a fire fighter for forty years. Myself and my wife [redacted] are wishing to retire in Denmark and we have spent our life's work in building our retirement home there. Since purchasing the land, I have enquired about control burning of Mt Hallowell as it has not been burnt for some sixty years. I have been advised that because of the fuel burden upon homes that have been built amongst the extreme fuel load a control burn is not recommended. I am building on [redacted] which backs onto Mt Hallowell. I have built a shed for the main purpose to house equipment to reduce and maintain my properties fuel load and to protect my property from fire. (tractor, slashers, rake blades, fire units etc. I have a larger tank for the main purpose for fire control with fire truck compatible attachments and have set the couplers up for the fire truck to fill and have access if required. I have a smaller tank on the boundary that I have also set up with fire truck compatible attachment so they can fill the truck if required. I have this all at my cost. I see it as offensive and not logical especially since the fires on the East Coast this year to have a rate increase to owners on Rural, Semi Rural and Special Rural Properties or acerage blocks that have sheds to house fire and fire reduction equipment and machinery to protect their homes and property. It should be encouraged for land owners to build shed to house machinery and fire equipment to protect their homes and property – Not for a Shire to penalise them. This in fire emergency situations lessons the burden on your Local Fire Brigade and also makes the Denmark Shire easier to protect and more fire proof.
9. Denmark Rating System Review - questions and feedback	Thank you for the extensive community consultation that you are undertaking for the rating system review. I really appreciate the online zoom sessions, as it makes it much easier for people who do not live in Denmark to be involved in the process. I joined in today's session and must thank and commend David Schober on his delivery and management of the meeting. I have some questions and feedback, and would appreciate if these can be covered in Monday afternoon's session about rating category GRV general at 4:30pm. This review has made me think objectively and question the way that rates are calculated, specifically in relation to Peaceful Bay leaseholders. I have realised that I require some extra information in order to fully assess the rating system review. These are my observations/feedback/questions/requests for information: 1. I realise the whole aim of the process is to reduce the number of rating categories, however it seems to me that Peaceful Bay is a unique situation, which could require a new rating category specifically for Peaceful Bay, designed to meet the unique characteristics. I'm not sure that Peaceful Bay has even been considered in the rating review? 2. Rates are calculated based on the gross rental value. Which does not seem to be relevant for Peaceful Bay because we are not allowed to rent our properties out. How does Landgate calculate GRV in this situation? What do they base it on? Is it possible for you to please obtain this information? 3. Similarly, we are not allowed to occupy the property for the full year. Can you please clarify if this is taken into consideration by the Shire of Denmark when rates are calculated? For example, is the GRV divided in half because we are only allowed to occupy the dwelling for half of the year? 4. What would be a typical GRV of an average house in Denmark townsite? 5. What is the typical GRV of an average hut in Peaceful Bay? 6. It seems to me that Peaceful Bay leaseholders may be disadvantaged by the rating system, as there is a minimum rate for shire rates regardless of the GRV. GRV for Peaceful Bay would be very low, because of the points already mentioned, so shouldn't we be paying less rates than others who actually own the land? In other words, in my opinion, the value of the minimum rates for Peaceful Bay should be less than the minimum rates for a lot in Denmark townsite. Thank you for your time in addressing these points.

	On a separate note, would it be possible for you to provide me with information as to financial figures/ annual budget? 1. Annual Income received from Peaceful Bay 2. Itemised Annual Expenditure on Peaceful Bay 3. Reserve fund put aside for future services for Peaceful Bay eg utilities/sewerage/water etc I really appreciate your time and help and I am looking forward to the discussion on Monday.
10. Re: Recommendation Paper - Rating Review 2020	The Denmark Chamber of Commerce supports reducing the number of rate categories from fourteen to four. The Chamber agrees with the Council to form a simpler system that meet the objectives of providing a more transparent, fair and efficient system for rate payers and agrees that Council's Recommendation Paper is in line with those objectives.
11. Shire Rate Review – Response	The review and simplification of Shire rating categories is a welcome sign of change. Denmark property owners expect to pay rates and expect to understand the basis for rate calculations. Your policy is based on excellent legal and management advice. Shire staff have forged a workable document for Council. As it stands it gives a good technical argument for rate structure changes. Importantly, this is an opportunity for the Shire to ensure ratepayers understand their annual compulsory rate payment. I'm sure considerable funds have been used to obtain good professional technical advice. Funds need to be allocated to create an easy to read explanation of changes for the average ratepayer. Not a technical planning, legal or accounting explanation but an easy to read summary. Don't rely on others to put their slant on these proposals make it direct from the Shire. With good marketing, Ratepayer's will back your proposal. For example, residential and commercial properties are grouped under GRV General. They are rated using the same technical process so both property types are in the same category. To the average ratepayer the two property types are like chalk and cheese; one is the family home and the other a commercial investment. The average ratepayer is not a qualified town planners or rating specialist they want a system that makes sense without technical obfuscation. While it is not required on technical grounds, a separate category for commercial property makes sense. My feedback is: • Keep it simple and understandable. • Have a single page summary of the changes in plain language. • If the reader wants more detail they can read the technical documents. • Include 'Commercial Property' as a separate category; not because the Shire has to but it will help ratepayers understand the changes. • Explain measures taken by the Shire to identify and regulate 'Airbnb' properties from registered holiday accommodation. • Explain the UV category and how some properties might require split rating. It is easy to say that ratepayers don't read Shire documents and treat it as inevitable. Beyond the Shire's bubble are families, businesses and community groups paying annual rates without understanding how they are levied. Bringing the average ratepayer into the discussion can only strengthen the Shire's community standing. My response is on one page, can you summarise the rate changes in one page? Thank you for your attention.
12. Submission to Denmark Shire Council Review of Shire of Denmark Rating Structure	Background We are long-time residents and owner/occupier of [redacted] located at [redacted] Our property of 34 acres houses a modest home built in the early 1980's alongside two small cottages. It is a rural zoned property currently paying rates category GRV. We support Council's initiative to reduce a cumbersome rating system and streamline this to a more understandable and manageable one. However, we fully support the views of Councillor Steve Jones that more time to allow investigation and financial modelling is needed and we urge the Council to consider all feedback in making their determinations. The following are our observations. Key Issues The key issues we wish to discuss largely relate to Point 3} Clearly define the characteristics of each differential rate so there is no ambiguity and clearly articulate the objects and reasons for each differential rating category. Issue 1 The table supplied called "Objects and Reasons for Differential General Rates" sets out the 3 new GRV descriptors and one UV descriptor. Number 2 being Holiday Use. The characteristics proposed for Holiday Use being "All properties valued on a Gross Rental Value GRV basis which have planning approval to operate as short-term holiday accommodation." We applaud that the Shire intends to capture all operators offering short term accommodation as there is certainly inequity in this area at present. We do question if the wording is sufficient. It is evident that not everyone considers themselves as a "tourism" operator i.e. their facilities were not purpose built and there has been no need to apply to the Shire for approval. Absentee owners, landowners converting existing buildings into accommodation, Granny flats, Sheds on farms, homes offering guest rooms etc. all contribute to the ever-growing "short-stay" accommodation list. Real estate agents often promote the value of investing in a home with the incentive that it can be used as a holiday let; even visitor centres in the past have managed private holiday homes. The definition needs to be as concise as possible in that GRV Holiday Use WILL be applied to all properties found to be operating short stay accommodation and that it is a requirement that these are registered with the Shire. The characteristics presented in Point 3 also do not represent other tourism providers and commercial operations. If the Objects state "that a higher rate is to raise additional revenue to fund the level of service provided to these properties and the costs that result from the seasonal influx of visitors..." and the Reasons "to assist in meeting additional costs associated with providing tourism related infrastructure and services", where then are all the other tourism providers represented on the new table, such as cafes, restaurants, tourism experience ventures, wineries etc.? And by definition, if the Shire believes that visitors are a cost burden and have an impact on the environment and infrastructure, how are all other events that draw high visitation to the region to be treated, or is the burden of a tax on rates to service visitors, fall only on the shoulders of the short -st ay accommodation provider to subsidise the rest? Issue 2

	Point 4 Review the basis of valuation of property with mixed use. As we understand it, phase two of the rating review will deal with reviewing the predominant use of land and split/spot valuation. The discussion paper states that split valuation "is only to be considered as an option where the predominant use of a property cannot be determined objectively and fairly or where appropriate to do so for reasons of rating fairness". It is the use of the word "predominant use" that we do not understand. From the information provided can we assume that where a property may be running a prosperous (or not) agricultural pursuit (predominant use) and also offer accommodation/tourism pursuit as an aside, that property would be exempt from split valuations and pay only the UV rate? Even though their enterprise hosts visitors and should in the words of the Shire's own definition "assist in meeting additional costs associated with providing tourism related infrastructure and services." Issue 3 Comparing like with like. Capacity to pay is a reality. During Zoom sessions the philosophy of comparing like with like to produce a fair rating system based on Gross Rental Value has been discussed. We ask the Council to also consider the following regarding the short-stay property owner when addressing this. • Limited to the number of days property can be rented. • There are often large gaps between rentals driven by peaks and troughs i.e. holiday seasons. • Required to meet stringent guidelines relating to OH&S and fire mitigation. • Insurance costs are high to meet insurance obligations i.e. public liability and infrastructure. • Overheads - the costs of running the business still have to be paid even if the enterprise cannot trade and generate income. For example, Covid 19, low holiday season, Illness, time off, downturn in tourism generally. • Operating costs - that support the normal operations to deliver services still have to be paid even if the enterprise cannot trade and generate income. (Note, some costs, not all, may be able to be delayed and or cancelled in the short term) • Utility costs such as gas, electricity and waste removal are all carried by the owner. • Owners pay commission on income generated through booking platforms. These vary from 5-15% on average. Contrary to some belief that accommodation providers have consistently high occupancy and charging expensive premiums - statistics show otherwise. The Australian Accommodation Monitor Summary 2018-2019 reflects realistically that the Average Occupancy Rate in Regional WA is 57.6%. In the Southwest (which also covers the Margaret River and Esperance regions) it is 57.7% https:/ / www .tr a.gov.au These accommodation statistics are pre-Covid. An onerous burden by way of a tax on rates on the tourism provider may prove to be a disincentive to continue operating for some and also discourage people from future investment in the sector. Diverse offerings of accommodation are an important aspect of attracting visitors. Issue 4 The value of tourism. We feel disheartened that Council with its proposed tourism tax on rates, seems to view "Tourism" as a cost only, without acknowledging the numerous benefits tourism brings to the whole community. The economic benefit is well documented and there would be few people in Denmark who do not have a family member, friend or acquaintance that is employed directly or indirectly as a result of tourism. Tourism Research Australia found that as at September 2019, 34% of the domestic tourist market visit friends and relatives. Accommodation, meals and transport are often covered by their hosts. htt ps:/ / www.tr a.gov.au/ All enjoy the same benefits and services akin to other visitors to the region. Shouldn't all rate payer's "assist in meeting additional costs associated with providing tourism related infrastructure and services", as we all benefit from the services provided? The next comprehensive accommodation and tourism statistics report to be released by Tourism Research Australia for the March quarter 2020, will be a significant one. Available in July 2020 it will be able to give a better picture of the affects the pandemic is having on the tourism industry. It may be months, even longer, before we start to see any kind of recovery for the tourism sect or. Issue 5 Timing . If the objective of the Council is to introduce a rating system based on fairness and equity consistency, transparency and administrative efficiency, we submit that the identification of the short stay accommodation providers who are currently unknown to the Shire, and the proposed transition of UV Rural Base Additional Use (Categories 1-4) ratepayers, form an important facet of the overall review. Given that the Government is placing a moratorium on the increase of rates for the coming year, why then is the Council wishing to introduce Model #1 now when there is time for a more inclusive review over the next 12 months? " Following on from the bushfires over the Australian summer, the COV/D-19 pandemic is set to have a widespread and long-lasting impact on tourism. In this challenging environment, TRA's (Tourism Research Australia) role as a reliable and trusted source of information is now more important than ever. Over the coming months, we will continue to deliver our international and national visitor surveys along with other resources, which will be critical in measuring the extent of the downturn and tracking the industry's eventual recovery." http s: / / www .tra.gov.au/ We look forward to Council's response and deliberations. Thank you.

13. Re: Shire of Denmark Rating Review 2020

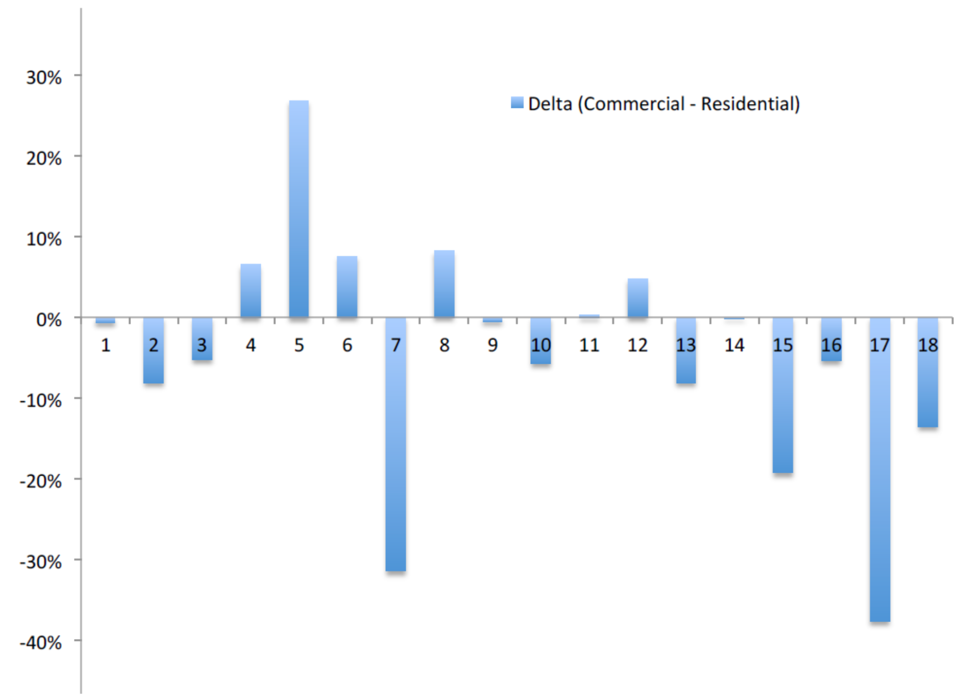
Thank you for the opportunity to comment on the proposed changes to the Shire's rating system and your readiness to engage the community in a proactive way.

Although the proposed reduction in the number of rating categories is commendable, the Stage 1 Recommended Rating Model has some features which I find surprising.

The first of these is the proposal to lock the existing categories 1 and 2 into a single group 'GRV General'… in effect becoming entirely dependent on the Landgate valuations and relinquishing a lever which in principle allows Council to inject fine tuning. Given that rural GRV valuations are carried out only every three to five years there is inevitably inertia built in the process. In the case of residential valuations this natural time scale may be appropriate, but as Covid-19 has demonstrated, commercial enterprises are subject to shocks that might benefit from more rapid response.

Notwithstanding any interim adjustments that Landgate may have provided to Council during 2020, the public domain information shows high volatility in the set of LGAs to which Denmark belongs. This set contains 18 (onshore) LGAs for which Landgate has listed as subject to the most recent changes to valuations (2018).

Local Government Authority	*Residential*	*Commercial*	*Industrial*	*Farming*	*Vacant Land*
Boddington	-18.32%	-19.03%	-19.56%	-10.88%	-53.30%
Brookton	20.67%	12.54%	-7.50%	-19.66%	-33.59%
Broomehill/Tambellup	4.66%	-0.61%	1.26%	0.00%	-35.40%
Broome	-6.96%	-0.41%	13.47%	-32.38%	-29.01%
Capel	-13.01%	13.84%	-6.58%	-2.18%	5.20%
Carnarvon	-12.28%	-4.69%	20.58%	6.25%	-32.00%
Chapman Valley	-19.78%	-51.18%	-17.28%	0.01%	-36.49%
Collie	-11.85%	-3.64%	-8.00%	0.00%	-21.35%
Cranbrook	6.10%	5.57%	24.05%	-20.53%	-23.19%
Denmark	**16.23%**	**10.51%**	**- 1.26%**	**0.00%**	**- 11.59%**
Esperance	-0.34%	-0.05%	-4.55%	0.00%	-7.94%
Mandurah	-12.67%	-7.90%	-8.84%	-3.13%	-8.70%
Merredin	2.61%	-5.52%	-1.29%	-2 59%	-15.30%
Narrogin	-1.85%	-2.00%	-12.09%	0.00%	3.99%
Pingelly	16.17%	-3.06%	-14.87%	16.98%	-40.56%
Plantagenet	6.46%	1.11%	7.10%	2.96%	-9.95%
West Arthur	25.25%	-12.44%	45.01%	5.21%	-22.41%
Woodanilling	4.56%	-9.00%	0.00%	-42.17%	-30.33%



In the present context it is the relative changes between the Residential and Commercial valuations that matters. The diagram alongside reveals a significant volatility in the Commercial v Residential differences amongst LGAs. Given the diversity of the localities represented here this is hardly surprising … but it does raise the question of the completeness of the inputs to the Landgate valuation process. Can we be sure, for example, that the special features of a sea-change community such as ours, so dependent on seasonal tourism are adequately addressed?

Council will almost certainly have a much deeper insight into this question than I, and may be confident that it has nothing to add in this regard … but once it has merged the Commercial and Residential categories it will be too late to make changes. For this reason I feel it would be wise to retain independent Business and Commercial categories. It might turn out that setting the same rate parameters for both works fine in a particular year, but having the power to set different values in special cases without introducing a new category could be useful.

The second point I would like to raise concerns Special Case – GRV Holiday Use (Tourism). I support the general thrust of the arguments put forward in the Discussion Paper … but I'm not sure that Airbnb's should be treated in the same way as 'chalets and the like' if the latter have been purpose-built with commercial intent as hosted tourist accommodation for tourists. In fact, I think there would be merit in treating hosted and un-hosted accommodation as different.

Finally, I can see no explanation in the Discussion Paper in support of fixing the same Minimum Payment figure ($1097) for all the GRV categories. Once again, this seems an unnecessary constraint on Council's ability to fine tune rates in pursuit of fairness and equity.

14. Ratings Review	Thankyou for the recent Ratings Review presentation at the Peaceful Bay Progress Committee meeting 1st June from the Shire of Denmark Acting CEO David Schober. As a leaseholder and rate payer at the Peaceful bay community I support the process that the Shire of Denmark (SOD) is undertaking to simplify the ratings system from fourteen to four levels and I hope that the simplification results in administrative savings for the SOD. I support the proposal for the area of Peaceful Bay to transition from GRV Residential Developed to GRV General and have the following feedback for consideration. Currently leaseholders pay annual rates and lease fees and I understand the difference between the two. But while the lease fees are paid annually for the value of the land, it is well known that prices paid for a leasehold house at Peaceful Bay are far higher than the house value. Sale prices represent the value of the house, land and location. Therefore in consideration that many leaseholders are paying ~$1400 rates and ~1700 lease fees this equates to a ~$3000 per annum for the approximately 230 ratepayers in the area. In light of this I would support the Shire of Denmark ensuring that the Peaceful Bay locality continues to be placed on the lowest GRV rating as fair compensation for additional lease fees which have for many years been distributed across the entirety of the SOD. I apologise that this feedback has been provided outside of the required close off date Wed 3rd June and hope that the SOD will include this as part of the community feedback.

Shire of Denmark Rating Review 2020

Recommendation Paper

General information

Shire rates in WA are broken into two main categories as determined by the State Government Statutory Authority, Landgate. These are **UV (Unimproved Value)** and **GRV (Gross Rental Value)** categories. Within these categories the Valuer General determines values on individual properties.

UV applies essentially to farmland or privately-owned uncultivated land. This land is rated on the basis of its unimproved value. No improvements (e.g. houses, sheds, orchards, vineyards etc.) are taken into account when determining what this land is worth (its value).

GRV applies to all land which is used predominantly for non-rural uses and can include housing, commerce, shops, factories etc. This land is valued on the basis of what the Valuer General believes it could rent for. Accordingly, a vacant piece of residential land gets a low value, whereas a block with a house on its gets a higher value and a block with a group of apartments receives a higher value again. Commercial properties are valued in the same way, so a supermarket would pay more rent (and hence have a higher valuation) than a small corner shop.

As UV valuations are based on what a parcel of land would be worth if sold and GRV valuations are based on a yearly rental value, the values for properties in these different classes are very different and Councils apply a different 'rate in the dollar' to rate them.

For example, a house with a rental value of $15,000 (would earn $15,000 a year if rented out) may be rated at ten cents in the dollar ($15,000 x $0.10) which means it would pay $1,500 in rates each year. A piece of farm land valued at $400,000 may be rated at 0.005 cents in the dollar and would pay ($400,000 x $0.005) $2,000 in rates each year.

Minimum Rates

Councils also set minimum rates. This is the lowest amount anyone will pay in rates for their property regardless of its value. For example, a vacant residential block may receive a GRV from the Valuer General of $3,000 because there is no house there to rent. This would equate to a rates bill of $300 based on ten cents in the dollar. However, Council may set a minimum rate for residential properties of $1,000 which would result in the property owners paying $1,000 in rates each year despite the low valuation. Minimum payments are introduced by Councils to ensure that anyone who can 'afford' to own land in a Shire, contributes a reasonable amount to the cost of infrastructure and services that are made available to the community each year.

Sub-classes

Within either GRV or UV rating classes, Councils can choose to create sub-classes of properties and proportion them at different rates in the dollar. For example, in many Shires commercial properties such as shops and industrial area properties pay a higher rate in the dollar than residential properties (e.g. (twelve cents in the dollar compared to ten).

In some Shires where there is substantial non-farm activity (e.g. chalets or wineries) on UV properties, sub-classes of UV properties are created to capture these uses and these properties are rated at a higher rate in the dollar than the general UV class.

Stage 1 – Submissions close Wednesday, 3 June 2020

The first stage of the review looks at reducing the number of rating categories in the Shire of Denmark from fourteen to four.

With the advice of accountants and lawyers specialising in Local Government, the Shire of Denmark has reviewed the current rating system in relation to the Local Government Act and in particular the requirement that the Shire's rating system is consistent with the following objectives:

- Objectivity;
- Fairness and Equity;
- Consistency;
- Transparency; and
- Administrative efficiency.

A number of recommendations were provided to Council to improve the Shire's rating system, including the following:

- Aligning the rating structure to the fundamental principles of rating;
- Simplifying the differential rating categories by reducing the number of differential rates;
- Clearly defining the characteristics of each differential rate so there is no ambiguity;
- Clearly articulating the objects and reasons for each differential rating category;
- Observing and pursuing a rating structure that meets legislative compliance without the need for ministerial approval;
- Reviewing the basis of valuation of properties with a mixed use.

Further information regarding the reviews undertaken so far is provided in the Council Item from the Minutes of the Ordinary Meeting of April 2020.

Recommended Rating Model

Council has come to the conclusion that a simpler system would better meet the objectives of the Local Government Act and in particular would provide better transparency and fairness for ratepayers as well as substantially aid administrative efficiency.

The following table and subsequent explanations set out Councils proposal. Please note that categories and rates in the dollar are not set and are still subject to change based on revaluations and / or feedback.

Existing Category	Existing Rate in the dollar	Existing Minimum Payment		Recommended Category	Indicative Rate in the dollar	Indicative Minimum Payment
GRV						
Residential Developed	9.6428	$1,097				
Business/Commercial Developed	10.3483	$1,220	→	GRV General	9.6428	$ 1,097
Lifestyle Developed	9.6735	$1,125				
Rural Developed	10.3791	$1,125				

Existing Category	Existing Rate in the dollar	Existing Minimum Payment		Recommended Category	Indicative Rate in the dollar	Indicative Minimum Payment
GRV						
Holiday Use Developed	10.7881	$1,208	→	GRV Holiday Use (Tourism)	10.7881	$ 1,097
GRV						
Residential Vacant	19.2243	$997	→	GRV Vacant	17.9000	$ 1,097
Business/Commercial Vacant	14.6228	$950				
Rural Vacant	14.6228	$1,109				
Lifestyle Vacant	18.2017	$1,020				
UV						
UV Base	0.4857	$1,343	→	UV	0.4857	$1,343
UV Additional Use 1	0.5343	$1,477				
UV Additional Use 2	0.5829	$1,611				
UV Additional Use 3	0.6315	$1,745				
UV Additional Use 4	0.6800	$1,879				

The Shire's existing model (left side) sets different rates in the dollar for numerous categories, whereas the recommended model (right side) considers that (apart from two special cases) the valuation undertaken by the Valuer General should be the primary means of differentiating how much is paid in rates, rather than a subjective assessment of Council.

The recommended model is based on the premise that if the Valuer General determines Property X is worth more than Property Y, then Property X will pay more in rates regardless of whether the property is residential or commercial. The argument that a shop or other commercial premise should pay more (or less) in rates when it has the same rental value as a house does not seem equitable. Should market conditions cause a change in rents for either houses or commercial premises (up or down), relative values of rates will follow once the Valuer General revalues properties.

Special Case 1 – GRV Vacant land

The recommendation proposes that vacant land is one of two special cases that justify a higher rate in the dollar being charged. In the case of vacant land, Council wishes to discourage people from buying land and simply holding it (land-banking) for the purposes of future capital gains. Council wishes to see development occur on vacant land as soon as reasonably possible. This is for a number of reasons, including the desire to stimulate the local economy through development and ensure there is adequate housing supply for Denmark residents.

As a disincentive to land-bank, rates in the dollar are set much higher for vacant land, be it residential or commercial. It should be noted that because of the extremely low valuations often given to vacant residential land, the minimum rate will often apply to this land even with the higher rate in the dollar. It is generally only larger parcels of land which will have a higher rates burden associated with this proposal. Higher rates in the dollar for vacant land is a feature of both the current and proposed rates model. In the proposed model, the rate in the dollar is standardised.

Special Case 2 – GRV Holiday Use (Tourism)

The recommendation also proposes that small-scale tourist accommodation receive a higher rate in the dollar. The increased rate is designed to be applied to all small-scale tourist accommodation such as Airbnb's, chalets and the like. It is not intended to capture caravan parks, motels or other commercial-scale accommodation providers which have their rental values assessed on a commercial basis. This recommendation is based on the following three principals:

1. The way these properties are valued. The Valuer General values these properties as if they are normal residential dwellings with associated permanent yearly rental values, however as short-term rentals these properties have the potential to, and often do, earn substantially higher rental returns per year as holiday accommodation.
2. The higher rate in the dollar is to recoup some of the extra costs related to tourism, such as maintenance on BBQs, toilets and extra collection of public rubbish bins as well as the money which Council provides to support marketing and the tourism sector.
3. Housing availability and affordability. A substantial portion of the rental market services tourism and short-term accommodation, which puts pressure on the long-term rental market for residents within the Shire.

Stage 2 – Commences 2020/21

The second stage of the review will consider split and spot rating, where UV properties are used for multiple purposes (previously categorised as Additional Use).

UV

UV Base	0.4857	$1,343
UV Additional Use 1	0.5343	$1,477
UV Additional Use 2	0.5829	$1,611
UV Additional Use 3	0.6315	$1,745
UV Additional Use 4	0.6800	$1,879

→

UV	0.4857	$1,343

The current rating model has a UV class for farm land and then four Additional Use categories, giving a total of five UV sub-categories. Each of these Additional Use categories add 10% on to the rate in the dollar of base UV. This means that UV Additional Use category 1 is 10% higher than the base rate, Additional Use category 2 is 20% higher than the base rate and so on. These Additional Use categories are designed to capture activities on rural land which are non-rural (such as chalets, wineries, breweries, restaurants etc.). Depending on the number of additional uses occurring on a property (e.g. multiple chalets or chalets and wineries) the property is placed in a progressively higher Additional Use category. This system is designed to capture additional rating value from activities which, if they occurred in town, would be rated more highly under the GRV system, but because UV properties are assessed for value based on their unimproved value (i.e. ignoring any improvements such as houses or restaurants) these additional developments and activities would not be rateable at all without the Additional Use categories.

However, there are some inefficiencies and inequities in this additional-use system. For example, if 3 holiday chalets place a property in Additional Use category 2 then the property owners pay 20% higher rates than if they had no chalets. However, this method ignores the size and value of the whole property. One land-owner may have 3 chalets on 100 acres and therefore pay 20% more rates than would be normal for a 100-acre property, whereas another landowner may have 3 chalets on 500 acres and so is paying 20% more on a substantially higher rates bill. That is to say they both have 3 chalets but one of them pays much more for the chalets than the other. The other inequity, as mentioned above, is that in either case just given, the rates payable on three chalets are much lower than if someone had three small holiday homes in town.

Split Rating

Split rating is a process whereby when a property is predominantly used for agriculture (and is therefore rated by its unimproved value) but has an area of the property which has a non-agricultural use, such as chalets, a winery or a restaurant, the Shire can identify that area of non-agricultural use and plot it on a map using the Shire's GIS (Geographic Information System). It can then submit this area to the Valuer General to be rated for its predominant use (e.g. Holiday Use Tourism) even though the area remains part of the farming property. In this way, the Shire can rate holiday accommodation (for example) the same, wherever it occurs in the Shire.

Spot Rating

Occasionally in the middle of a UV area there may be a small piece of land which has something other than farming as its predominant use. Historically this land has often still been rated as UV because it was not picked up in earlier mapping. For example, a small service station or shop with an attached house may be located at a rural intersection which has never been moved from UV to GRV. Spot rating is simply the process of the Shire identifying such properties and changing the rating of the whole property from UV to GRV. As the name suggests, they become a 'spot' of different rating in a landscape that is otherwise all the same.

Rationale for the change to Split / Spot Rating

When the Shire's current system was implemented technology was less advanced. If the Shire had wished to identify areas on rural properties for split rating, it would have required a surveyor to physically go out and create plans which would then be submitted for approval. This was a potentially a laborious and expensive process. The Valuer General now accepts GIS files which identify such areas of land for the purposes of valuation. These files can be created efficiently using existing information. This means that creating split-rating areas is now cost effective, with Landgate fees between $200 and $400 (approx.) per property. The Shire considers this a reasonable cost considering the current inequities in the UV additional use category system.

More Information

To find out more about property valuations in Western Australia please visit www0.landgate.wa.gov.au/property-reports/property-valuations.