

3.2 CENTRALISED ANNUAL VALUATIONS FOR VICTORIA

Responsible Director: Danny Wain

RECOMMENDATION

That Council notes the report and the application for a Ministerial exemption from section 186 of the Act to enable the deed of novation to be signed.

INTRODUCTION

To brief Council on the changes to the process of land valuations for rating and taxation purposes.

BACKGROUND

The State Taxation Acts Further Amendment Act 2017 (The Act) was passed by Parliament and received Royal assent in December 2017. One of the significant legislative reforms of the Act was to centralise land valuations for rating and taxation purposes with the Valuer-General of Victoria (VGV) from the 2019 revaluation year onwards. An annual revaluation will be introduced for Land Tax, Fire Services Levy and Council rate setting. There is no change to the underlying valuation principles or methodology.

The Government made a commitment that Councils will not be financially worse off as a consequence of the move to annual valuations and the centralisation of the valuation function within the VGV.

DISCUSSION

Monash decided to “opt in” to the VGV centralisation from 1 July 2018. The State will be paying the full cost of revaluations each year (rather than a 50/50 split with Councils). The impact on Council is approximately a \$150K saving in valuation contractor costs. Council still retains the ability to sell the valuation data to various third parties.

Thirty Councils with ongoing general valuation contracts have been sent deeds of novation. Contracts are being varied for the existing contractor to provide valuation services for the 2019 and 2020 revaluation and set costs for these services. If requested by councils, deeds of novation have been drafted to provide retention of services for ancillary valuations.

Monash is one of the thirty councils mentioned above and has been sent a deed of novation by the VGV to novate our current contract (with Westlink Consulting) to transition to the new valuation process. We currently have a contract until 31 December 2018, with a two year option. We requested

that the deed of novation be drafted to enable Council to retain the ancillary valuation services.

The deed of novation attempts to split the contract into two parts; the annual valuation and ancillary Services. Council is required to retain the Ancillary Services under the new legislation. Council's position (supported by legal advice) confirms that we cannot partially novate a contract. Based on our enquiries the VGV have amended the deed of novation and whilst some new clauses have been added to allow Council to request ancillary services directly from our Contractor and for them to invoice Council directly for these services, our legal advice again supports the view that this will imply a contract and may put Council at risk of breaching the legislative requirements under Section 186 of the *Local Government Act 1989*. This would trigger a tender process (even though we still have a current contract with options) for the ancillary services and could potentially place Council in a financially worse off position.

We recommend seeking a ministerial exemption from Section 186 and if successful then sign the deed of novation with the VGV. An application for ministerial exemption must satisfy two requirements;

1. The proposed contract falls within the scope of Section 186(1). Our position is that if we novated the contract to the VGV and continued to transact directly with Westlink for ancillary services there would be an implied contract. The annual spend is approximately \$300K and above Council's procurement policy threshold; and
2. Council must satisfy the Minister that a public tender is not viable prior to entering into the contract. Councils will need to demonstrate;
 - There is no competitive market for the proposed goods, services or works; and/or
 - Engaging the provider will result in best value for money to the Council; and/or
 - The Council is restricted to contracting with only that provider.

We consider that engaging the provider may not result in the best value for money to the Council. A tender process may expose Council to an increased pricing structure and also generate disruption to current service levels if the incumbent was not successful or did not put in a tender application.

Council still has a current contract with Westlink to perform the ancillary component and they continue to provide those services during the transitional period. Even though the deed of novation is not signed, Westlink will continue working on the 2019 Annual Revaluation in good faith.

During this transition period there will be inevitable inefficiencies from moving the valuation function to the State Government. Serious concerns

remain regarding the timing and completion of the Annual Valuation which could impact on the timely generation of the rates notice and also in the future completion of supplementary valuations which form a crucial component of Councils budget (2018/19 \$1.1M). To date there has been no level of service agreement between Council and the VGV's office presented for Council's consideration.

On a positive note the move to annual valuations should minimise some of the significant valuation movements that we have seen with the biennial valuation cycle and subsequent impact of the rates payable changes in each year for ratepayers.

SOCIAL IMPLICATIONS

There are no social implications to the report

HUMAN RIGHTS CONSIDERATIONS

There are no direct or indirect human rights implications associated with this report.

CONSULTATION

There was no consultation required for this report

FINANCIAL IMPLICATIONS

The State Government has made an overall commitment that councils will not be financially worse off as a consequence of the move to annual valuations and the centralisation of the valuation function with the VGV.

We estimate a \$150K saving in valuation contractor expenditure as a result of the changes.

CONCLUSION

That Council notes the report and the application for a ministerial exemption from section 186 of The Act to enable the deed of novation to be signed.