

# Valuation Methodology Report Assessment

Thursday, 4 August 2022

Audit and Risk Committee

Strategic Alignment - Enabling Priorities

**Program Contact:**

Manager Finance & Procurement

Public

**Approving Officer:**

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## EXECUTIVE SUMMARY

At its meeting on 4 February 2022, the Audit and Risk Committee resolved “*that Council reassess the valuation methodology report from 2017 to include reviewing all the options available in relation to valuations for the purposes of future rate determinations.*”

The 2017 report was prepared by an external consultant, Mr John Comrie. The focus of the report was to assess Council's approach to Rates and Revenue, and identify opportunities for Council regarding its Rating Policy and other revenues, to support Council's intent to reduce reliance on rates. Some of the recommendations from the review have been undertaken in the recent Rating Policy review, a summary of these have been provide in the report in Attachment A.

Administration has undertaken an internal review of the report and outcomes are provided here for the Audit and Risk Committee to note.

The options available for valuations are determined by legislation and Council selects the most appropriate valuation method from these options. The choice of method should be determined based on an understanding of the mix and types of ratepayers within the council area. Council adopts this method via the adoption of its Rating Policy.

It is recommended that City of Adelaide retain the use of the Assessed Annual Value methodology as the most appropriate valuation method for its rating base.

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## RECOMMENDATION

### THAT THE AUDIT AND RISK COMMITTEE RECOMMENDS TO COUNCIL

#### That Council

1. Notes the review of valuation methodology and associated report undertaken in 2017 provided in Attachment A to Item 6.1 on the Agenda for the meeting of the Audit and Risk Committee held on 4 August 2022.
  2. Notes the retention of the Assessed Annual Value methodology as per Rating Policy adopted by Council.
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## IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<b>Strategic Alignment – Enabling Priorities</b> Council's Rating Policy and associated guidelines set Council's intention and adopted method of valuation.
Policy	Council's <a href="#">Rating Policy</a> identifies the use of the Assessed Annual Value method for the purposes of valuations used for rating purposes.
Consultation	Council's Rating Policy was extensively reviewed in 2021 and put out for public consultation in conjunction with the 2021/22 Annual Business Plan and Budget. Any significant changes to the Rating Policy must undertake public consultation in accordance with the <i>Local Government Act 1999 (SA)</i> .
Resource	Not as a result of this report
Risk / Legal / Legislative	Under the <i>Local Government Act 1999 (SA)</i> , Council must determine the method of valuation utilised for rating purposes. Council adopts this method via the adoption of its Rating Policy.
Opportunities	Not as a result of this report
21/22 Budget Allocation	Not as a result of this report
Proposed 22/23 Budget Allocation	Not as a result of this report
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
21/22 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. At its meeting on 4 February 2022, the Audit and Risk Committee resolved “*that Council reassess the valuation methodology report from 2017 to include reviewing all the options available in relation to valuations for the purposes of future rate determinations.*”
2. An internal review of the report has now been undertaken, with detailed analysis and recommendations provided in **Attachment A**.
3. The report that was reviewed had been prepared in 2017 by an external consultant, Mr John Comrie. The focus was on assessing Council’s approach to Rates and Revenue and identifying opportunities for Council. This report was presented to Council on 25 July 2017 – view [here](#).
4. Section 151 of the *Local Government Act 1999 (SA)* (the Act) states that the value of land for the purpose of rating is its capital value.
5. Capital value can be derived in three ways in accordance with the *Valuations Act*:
  - 5.1. Site Value (SV) – unimproved value of the property
  - 5.2. Capital Value (CV) – improved value of the property (including structures)
  - 5.3. Assessed Annual Value (AAV) – a function of capital value, calculated based on rental potential from the property.
6. Council’s Rating Policy adopts AAV as the appropriate valuation methodology for its rating base. This is due to the high rental occupation of the city and is common amongst other Australian capital cities, as cited in **Attachment A**.
7. In considering the 2017 report, the review confirmed the grounds for application of the AAV method are still as relevant and, on this basis, recommends retention of this method.
8. The report also provides further information on the decision-making elements for Council to consider in future rating decisions. It is important that these decisions are incorporated into the Rating Policy of Council and follow the public consultation requirements outlined in section 151 of the Act.

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## DATA AND SUPPORTING INFORMATION

Link 1 – Rating Policy

Link 2 - 2017 Report – Review of Rates and Revenue by Mr John Comrie

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## ATTACHMENTS

**Attachment A** – Internal Review of 2017 Rates and Revenue report

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