



Government of **Western Australia**
Department of **Local Government and Communities**

Local Government Operational Guidelines

Number 02 – March 2012

Changing Methods of Valuation of Land

1. Introduction

For most local governments, rates are the principal source of revenue. With limited alternatives, local governments need to optimise this source to generate revenue for their operations.

A key to optimising the rating system is to ensure that the appropriate method of valuation of land is used as the basis for rates. Urban land that is rated on its unimproved value (UV) would normally attract a lesser rate assessment than it would if rated on its gross rental value (GRV). Generally, this is also the case if rural land is rated on its GRV rather than its UV.

Applying the appropriate method of valuation to each property will also minimise complaints from ratepayers of inconsistent and inequitable treatment.

1.1 Purpose of Guidelines

The purpose of these guidelines is to facilitate changes to the method of valuation of land by:

- setting out a process to identify and make changes to methods of valuation;
- encouraging local governments to introduce appropriate systems to identify and record land use changes that may affect the predominant use of land;
- specifying and documenting factors that should be considered when determining the predominant use of land as publicly accessible policies;
- proposing when and how local governments should consult with affected ratepayers in the process of changing methods of valuation; and
- specifying the information needs of

the Department of Local Government and Communities and the Minister for Local Government.

1.2 Development of Guidelines

The guidelines are a continuation of work undertaken by a Government committee appointed in November 2000 to consider problems arising from mixed uses on rural land which were, for the most part, faced by local governments in the south west of the State and on the fringe of the metropolitan area. The Local Government (Non Urban) Valuation Review Committee (the committee), completed its report in April 2001 after consulting with 33 local governments.

The guidelines borrow from the research and findings of the committee and take into account:

- observations made by Departmental officers;
- difficulties raised by local government officers; and
- complaints received from ratepayers about unfair treatment.

1.3 Legislation

Under section 6.28 of the *Local Government Act 1995* (the Act), the Minister for Local Government is responsible for determining the method of valuation of land to be used by a local government as the basis for a rate.

In determining the method of valuation, the Minister is to have regard to the general principle that the basis for a rate on any land is to be:

- where the land is used predominantly for rural purposes, the UV of the land; and
- where the land is used predominantly for nonrural purposes, the GRV of the land.

1.4 Role of Local Government

Each local government has a role in ensuring that the rating principles of the Act are correctly applied to rateable land within their district such that rural land is rated on its UV and non-rural land is rated on its GRV.

To this end, local governments should have systems and procedures in place to:

- identify and record any changes in land use;
- review the predominant use of land affected by significant land use changes; and
- ensure timely applications for the Minister's approval.

These systems and procedures are discussed in the following guidelines.

1.5 Principles to Observe

In implementing suitable systems and procedures, local governments should observe the principles of:

- objectivity;
- fairness and equity;
- consistency;
- transparency; and
- administrative efficiency.

The prospects for a satisfactory outcome will be significantly improved if these principles are correctly applied.

Objectivity

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

Fairness and equity

Rating principles should be applied fairly and equitably. Each property should make a fair contribution to rates based on a method of valuation that appropriately reflects predominant use.

Consistency

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

Transparency

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

Administrative efficiency

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

2. Overview of the Process for Changing the Method of Valuation

There are several steps in the process of changing the method of valuation of land for rating purposes. Each step is important in achieving a successful outcome.

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

2.1 Step 1 – Identifying Land Use Changes that may Affect Predominant Use

New developments and changes to land use can alter the predominant use of land and thereby the method of valuation that is used to rate it. It is important that local governments are able to readily identify and record within their rating systems significant changes to the use of land.

Means of identifying and recording changes in land use

There are several ways to identify and record changes to land use for rating purposes. They include, but are not limited, to the following –

- (a) Development and other statutory approvals;
- (b) Property inspections; and
- (c) Land use surveys.

(a) Development and other statutory approvals

Statutory approvals are the easiest way to identify changes to land use since the necessary information is already in the possession of the local government.

Planning, building and health approvals are especially effective.

Establishing a link between the planning, building and health approval systems and the rating system will enable a local government to readily identify approved changes to land use that may affect the predominant use of land. The approval of a subdivision, zoning or building application or a change in land use should trigger a review process that concludes with an assessment of the need for a valuation or rating change.

Local governments that have not linked these systems should consider doing so.

(b) Property inspections

Property inspections provide another means of keeping track of land use changes. Persons carrying out inspections should possess information about approved developments on the inspected properties so that they can report any unauthorised change in land uses. These reports should be used to update the rate record.

(c) Land use surveys

A land use survey can be a very important means of updating land use for rating purposes (valuation changes and differential rates) particularly in areas that have been subject to significant growth and development. A survey has the added benefit of enabling a local government to monitor compliance with town planning

schemes, building approvals and other legislation.

In local governments that have experienced significant growth or diversification in land uses and have been unable to keep track of land use changes across their district, a land use survey offers the opportunity to bring record systems up-to-date. Internal systems can then be used to maintain the accuracy of the local government's records.

Local governments should consider conducting a land use survey of their district (or part of it e.g. the area outside townsites) as the starting point for maintaining an accurate rate record.

2.2 Step 2 – Reviewing Predominant Use

Reviewing predominant use of land by individual lot or other means

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".

Example 1:

A modern winery has over 90% of the land covered by vines for grape production. However, the remaining land has significant "non-rural" development including, restaurant, tearooms, sales office, onsite manufacturing/processing, chalets/accommodation and tourist attractions. These developments are clustered together on a separate part of the property. In this scenario, it may be difficult to make an objective assessment of predominant use and the option of split valuations may provide a fair and reasonable solution.

Example 2:

A large wheat/sheep farm contains a transport depot, mechanical workshop, small processing plant and sales outlet all located together on the property. In the interests of rating fairness the local government may consider applying GRVs to the non-rural uses leaving the working farm on UV.

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.

Example:

In a predominantly rural area valued on UV, there are a number of non-rural uses including service stations, road houses, tourist accommodation and small commercial or industrial operations. The local government has the option of applying GRVs to each of these properties or leaving them on UV.

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.

(c) By subdivision

This may be a suitable option where:

- the majority of lots within a subdivision are used for a purpose that is not consistent with the purpose for which the subdivision is valued; or
- land within an approved subdivision can only be used for a purpose that is not consistent with the purpose for which the land is valued.

Example 1:

Houses have recently been built on three two hectare lots within a 10 lot special rural subdivision currently valued on UV. Four of the lots already have houses on them. The local government could decide to review the predominant use of each of the seven lots with houses on them on the basis of their residential development or review the predominant use of all of the land within the subdivision on the basis that the subdivision is now predominantly non-rural.

Example 2:

A residential subdivision is approved on the fringes of the metropolitan area on land valued on UV. The local planning scheme does not permit the land to be used for rural purposes. The local government could decide to change the method of valuation of the approved subdivision to GRV on the basis that the development has changed the predominant use to non-rural.

While it can be more administratively efficient than other options, care should be taken to ensure that it is used fairly and consistently.

(d) By townsite or land outside the townsite

A number of local governments have adopted a very simple approach to defining land for valuation purposes. "Land" is either land within a townsite in which case it is predominantly non-rural and rated on its GRV or it is land outside a townsite and is predominantly rural and rated on its UV.

This option is suitable for local governments with few rural uses within townsites and few non-rural uses outside townsites. However, it is less suited to situations where land uses are more complex and varied and where in the interests of equity and consistency, another approach is desirable.

In areas where this option is currently being used and there are significant changes to land uses, local governments must decide whether to remain with this option or use spot valuations.

(e) By whole district

Whole districts are the largest unit of land for which a local government will determine predominant use. It is an option used by highly urbanised metropolitan and regional local governments. It is unlikely to be an option for local governments that are not in this situation.

Checking the district for like property

When a local government identifies the need to review the predominant use of land of a particular type, in the interests of equity, it should check its district to identify

properties of a similar type that should also be reviewed. Typically a local government would only do this when a property in a rural setting was developed or used for a non-rural purpose.

Example 1:

A council has approved a service station on a major highway outside a townsite. The property is rated on its UV and the predominant use needs to be reviewed.

However, there are two other service stations on major highways in the district rated on UV. The predominant use of each of these properties should be simultaneously reviewed to ensure fairness and consistency.

Example 2:

A fringe metropolitan local government is advised that the Western Australia Planning Commission has approved a new special rural subdivision with lots of between one and two hectares that cannot be used for rural pursuits under its planning scheme. The land is currently valued on its UV and the officer identifies a need to review the predominant use. However, there are several other subdivisions on UV rated land with similar sized lots and restrictions. For equity reasons, they should be reviewed together.

When predominant use should be reviewed

Local governments can begin to review the predominant use of land when it is apparent that the use of land has changed or is about to change. However, an application to change the method of valuation should not be made until a change in the predominant use of the land has actually occurred or substantially commenced.

Reviews of predominant use can be prompted by any of the following.

(a) Building and development approvals

The issuing of planning, building and other development approvals give a clear indication of what improvements are occurring or are likely to occur on the land. A review of predominant use can begin at this stage but an application to change the method of valuation should be left until development has substantially commenced.

Example:

A building licence is issued for the construction of six chalets on land in a rural area. The local government begins the review as soon as the licence is issued but waits until the floor and walls of the chalets have been completed before making application to change the method of valuation from UV to GRV. By this stage it is clear that a change from a rural to a non-rural use is inevitable.

(b) Town planning scheme amendments

Town planning scheme amendments can restrict the type of development that is permitted on land. Some planning

schemes for example, impose significant restrictions on the clearing of land and the use of livestock and other activities usually associated with the rural use of land. This can effectively restrict the use of affected land to a non-rural purpose eg residential, commercial etc.

A review of land affected by such restrictions can begin when the planning scheme amendment is approved but an application to change the method of valuation should be left until the land has been subdivided or substantially developed.

Example:

A planning scheme imposes clearing restrictions on two vacant rural lots, each of five hectares. An area of one hectare is left on each lot for development. The local government begins the review when the scheme amendment is approved but waits until the owners obtain building licences and construct houses to plate height before applying to change the method of valuation from UV to GRV.

(c) Subdivision of land

The subdivision of land into smaller lots often leads to a change in the predominant use of the land. For example, the subdivision of a broad acre farm into small rural/residential lots may signal a change to a non-rural use. A review of the predominant use of land affected by a subdivision application can begin when the application receives conditional approval. However, an application to change the method of valuation of the land should not be made until the WA Planning Commission has endorsed the surveyed plan of subdivision.

In the case of farmland that has been subdivided into smaller rural/residential lots, local governments should carry out an inspection of the subdivided land to ensure it is no longer used for farming purposes before making application for approval. There are instances where subdivided land has continued to be used for rural purposes after the subdivision is approved.

Example 1:

A large track of land on the outskirts of Perth is cleared and subdivided into residential blocks. Road and drainage works are carried out and real estate agents appointed to pre-sell the land on a stage by stage basis prior to the issue of titles. The local government applies to change the method of valuation of the new lots to GRV as the predominant use of the land is no longer rural.

Example 2:

Part of a farm is subdivided into rural/residential lots. The land has been rezoned to special rural zone. However, the land is still used for farming purposes and, while this remains the case, an application should not be made to change the method of valuation from UV to GRV.

Predominant use – factors to be considered

Assessing the predominant use of land is fundamental to determining the method of valuation to be used for rating purposes. The Act does not define the term "predominant". Consequently, an assessment has to be made on a case by case basis as a question of "fact and degree" as to whether or not the use of a

particular property should be categorised as predominantly rural or non-rural.

Local governments should take all relevant factors into consideration, including the following:

(a) Activity conducted on the land

Many activities may be associated with the use of a property. The nature, scale and extent of each activity should be taken into account in any assessment of predominant use.

Example:

A house is situated on a two hectare property. On the property, there is a vegetable patch and some fruit trees. The occupier also keeps live stock, including a cow, two sheep, two horses and several chickens and ducks. There is no doubt some rural activities are undertaken on the property. However, these activities are undertaken on a small scale. The produce is mainly for personal consumption. Although from time to time the occupier may sell some produce at a roadside stall, the occupier is not deriving his/her livelihood from "working the land". The predominant use can be said to be residential.

(b) Development on the land

The nature, scale and extent of the development of a property can give an indication of the nature, scale and intensity of associated uses. They can also affect the capacity for a property to be used for other purposes.

Example 1:

More than half of a small rural property is occupied by chalets and associated developments. The rest of the lot is used occasionally to graze sheep and cattle. Given the scale of the chalet development it would be difficult to determine that the predominant use is rural.

Example 2:

A large rural property is used for growing wheat and grazing sheep and next to the farmhouse is two chalets for holiday accommodation (eg farm stays). It would be difficult to assess the property as having a predominant non-rural use when the majority of the land is being used for primary production.

Note. In Example 2 even though the main income may be derived from rental of holiday accommodation, it would be difficult to sustain an argument that the predominant use is non-rural when only a very small portion is used for holiday accommodation. A split valuation may offer a better alternative.

(c) Income

Where a property is used for two or more different purposes, the income generated from each use can be a guide to assessing the predominant use of the land.

Example:

A portion of a property is being used for an agricultural purpose and the remainder is being used for holiday accommodation. The income generated from the holiday accommodation is significantly more than that from the agricultural pursuit. The predominant use could arguably be said to be non-rural.

Note 1.

Care should be taken to ensure the "rural" component of the income is not abnormally affected, at the time of assessment by drought, short term market fluctuations or transitional phases from one type of rural activity to another. For example, the progressive down-sizing of a sheep flock prior to converting the property to beef production.

Note 2.

Local governments have no legislative power to require information on income generated by various activities undertaken on land. It can request this information but there is no obligation on an owner/occupier to provide such information. Local governments also need to be mindful of the sensitivity of supplying such information and ensure the management and publication of such information protects an individual's privacy and/or commercial confidentiality.

(d) Town planning scheme restrictions

A town planning scheme can effectively restrict the use of land to a rural or non-rural purpose and should be considered in assessing predominant use.

Example:

Some town planning schemes prohibit the keeping of live stock on certain small rural holdings. In addition, severe limitations may be placed on clearing of the land so that only a building envelope for a house may be cleared. It is arguable that these restrictions effectively determine that the land cannot be used for rural purposes.

Note.

Where rural land is re-zoned for nonrural purposes but continues to be used for rural purposes it should retain its rural (UV) valuation.

Vacant land

As vacant land is generally not used for any purpose, it is arguable what the predominant use of such land might be. In determining the "predominant use" of vacant land consideration should be given to the predominant use of the surrounding land and any planning/development restrictions that apply to the vacant land in question.

Example:

A vacant two hectare property is situated in a special rural zone. The surrounding properties are of a similar size and zoning and most of them are developed for residential purposes with people living on them. Most of the residents of these properties keep some animals and grow produce mainly for personal consumption. However, due to the small scale of the "rural activities" the predominant use is residential. As the majority of

the surrounding properties are used predominantly for non-rural purposes, the vacant land could be deemed to be predominantly non-rural.

Rating of mining, petroleum and resource interests

As of 1 July 2012, local governments will be able to apply gross rental valuations to mining, petroleum and resource interests. This policy will be trialled for three years, ending on 30 June 2015.

Gross Rental Valuations can apply to land defined as a relevant interest under section 6.29(1) of the *Local Government Act 1995*, such as a mining tenement held under the *Mining Act 1978*, or a permit, drilling reservation, leave or licence held under the *Petroleum and Geothermal Energy Resources Act 1967*, or any other type of mining, petroleum or resource interest used for the extraction, processing or refining of minerals or petroleum as defined under the above legislation.

However, gross rental valuations will only apply to the above in respect of particular improvements such as accommodation, recreation and administration facilities, associated buildings and maintenance workshops that are expected to be situated permanently (a minimum of 12 months).

It should be noted that nothing in this policy affects existing gross rental valuation arrangements between a proponent and a local government, or from a proponent and a local government reaching an agreement to include any other type of improvements for gross rental valuation.

2.3 Step 3 – Consulting Affected Parties

Valuer General (VG)

Prior to making any significant changes to valuation systems, local governments should liaise with the VG to obtain an indication of the notional values and likely costs associated with supplying additional valuations. The notional values will assist local governments to model the effects of the changes for the local government and ratepayers alike. This will assist decision making.

It should be noted that there is no requirement for the VG to supply these additional values, therefore a charge on a fee for service basis applies. Where there is no Water Corporation requirement for a GRV, additional values supplied would be charged at the full prescribed rate. No valuation subsidy is available.

Where a local government wishes to undertake analysis of the likely impacts resulting from a change to the method of valuation, it may be more cost effective to request the VG to supply values for a random or a representative sample of the affected properties.

Consulting Ratepayers

Community participation in the decisions and affairs of the local government is a key principle of the Act. In keeping with this principle, affected property owners should be informed of proposed changes to the method of valuing their properties and provided with an opportunity to comment especially where the changes are expected to significantly alter the rates payable.

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

It should be noted that where the need to change the method of valuation is being driven by frontal development (e.g. large scale subdivisions in metropolitan fringe local governments) a modified consultation process may be more appropriate.

(a) When to consult and inform

Each local government should decide on the extent of consultation required in each situation. The following examples highlight some of the scenarios, which should prompt a local government to inform and/or consult ratepayers about proposed changes –

- the local government believes there is inequity in the rating of some properties within the district and is considering changing the method of valuing them to address this inequity;
- there may be some doubt about the predominant use of the land;
- the proposed changes are likely to have a significant impact on ratepayers; or
- information is required to make an assessment of the appropriate valuation system to be used.

This consultation should take place prior to Council's final decision to seek approval for the proposed changes.

(b) Methods

Many options exist for consulting or informing the community or special interest groups therein. For example:

- letters to each affected landowner;
- advertisements in local news papers/news letters;
- public meetings/workshops; and/or
- use of the Internet.

2.4 Suggested Information to be Provided to Property Owners

- a) General advice to the district (via advertisement) of Council's decision to undertake the review and the rationale for the review. (Could be based on the discussion paper presented to Council.)
- b) Advice to the affected property owners of a land use study. (Should include rationale for the review and details of the review process.)
- c) Advice to the affected property owners on the outcome of the land use study as it relates to their property, the likely impact that any change in valuation method will have on their property, the details of how to lodge an objection to the determined land use and appeal procedures.
- d) The outcome of any objections or appeals.

2.5 Step 4 – Changing the Method of Valuation

Making recommendation to council

Changes to the method of valuing land may have significant impacts on ratepayers and a local government's rate revenue.

Accordingly, the council should consider any proposal for change before it is presented to the Minister for a decision.

The officer's report to the council should include the following information –

- details of the property(s) involved, including size and current uses;
- details of improvements on the land;
- current system of valuation used and the proposed change;
- indication of the likely impact that the change would have on the rate assessment of the affected property(s);
- details of consultation undertaken with affected ratepayers and their views;
- a statement indicating whether similar properties in the district are valued on the same system;
- whether consideration should be given to phasing in the effects of the valuation change; and
- the date when the proposed change should take effect.

Where valuation changes are proposed on a "by lot" basis, it may be appropriate to present the above information in a table format showing details for each lot with a map for information purposes.

If changes are proposed affecting a larger area with many properties it is recommended that a map identifying the properties concerned is provided to council.

Note.

The above information forms the basis of the information required for an application to the Minister.

Making a submission to the Minister

Applications should be made to the Department of Local Government and Communities. They can be made at any time during a financial year. The Act does not place any limitation on when a new valuation can apply.

For administrative purposes, it may be simpler for new valuations to be made effective from 1 July each financial year. To ensure this occurs, it is important that the Department receives applications no later than April in any year. This will allow sufficient time to obtain the Minister's approval, obtain technical descriptions from Landgate and advertise the changes in the Government Gazette prior to the new financial year. However this would depend on whether the VG can provide the new valuations.

(a) Content of submission

The Department's role is to assess applications and prepare a report for the Minister's consideration.

Applications must include the following information:

Assessment of predominant use

The local government's assessment of the predominant use of the property (ie an explanation of the factors that were considered when determining the predominant use). The officer's report to council together with an extract from the Council minutes of the item and Council's resolution should be included in the submission.

Description of the land

The description of the affected land must be accurate and clear. If details are provided in a table form, information should include certificate of title details, lot or location numbers, location names and street names.

Plans of individual lots or certificates of titles may also be provided. Where the land involves a subdivision, a copy of the approved subdivisional plan should be provided showing the lots involved. Other cadastral plans may also be provided showing relevant properties. If a plan is used to depict the land the land area must be clearly marked and the markings must follow cadastral boundaries or GPS readings.

Impact on rate assessment

Proposals for change should include information on the likely impact on the rate assessments of the affected land. This may require valuations for the properties to be obtained from the VG (based on the proposed valuation method). However, if the VG is not prepared to provide valuations, indicative comparisons could be made with similar land. If the impact is substantial it may be appropriate to include evidence that the landowner has been advised of the proposed changes.

Like land to be included

Information is to be included confirming that council has considered whether there are other similar properties in the district that should also have their system of valuation changed. This is to ensure that the local government has treated similar properties in the district consistently, equitably and with fairness. If other properties have already had their system

of valuation changed, this fact should also be disclosed to show that the property(s) currently under consideration are being brought into line with the others.

Effective date

It is possible for changes to take effect from the commencement of a particular financial year or during the financial year. Local governments should specify the date that they would like the Minister to approve as the date from which the change is to take effect (i.e. an effective date of the Minister's approval, or date of gazettal). The effective date cannot be retrospective because approvals cannot be granted retrospectively.

Rating of mining, petroleum and resource interests submission content

The following detailed information is required to be submitted with an application:

Description of the land

A full description and plan of the improvements to be rated on gross rental value are required, as well as any maps and diagrams of the land, where possible, to help identify any improvements.

Impact on rate assessment

An estimated gross rental valuation from the VG for the subject site, at the local government's expense, should also be included in the submission so that a comparison can be made to the site's existing rates.

Consultation with affected parties

Local governments are required to consult with the proponents of such facilities to achieve a common understanding, and ideally, reach an agreement on the improvements that are subject to the proposal.

Submissions will require evidence that the proponent has been informed of the estimated gross rental valuation, as well as any copies of objections or comments the proponent has submitted in response.

Determining the application

The Minister will determine the method of valuing the land in accordance with the provisions of section 6.28.

Action following the Minister's decision

Following the Minister's approval, the Department may need to obtain technical descriptions of the land from Landgate so that it may be included in a notice published in the Government Gazette. The effective date of the change is either the date of publication of the notice or such other date as may be determined by the Minister and specified in the notice.

The Department will write to the local government and the VG enclosing a copy of the notice. This signifies that the action has been completed.

3. Implementation Options

3.1 Phasing in of Valuations

Section 6.31 of the Act provides that valuations can be phased in, in accordance with Schedule 6.1. In particular, clause 2 of Schedule 6.1 deals with phasing in of valuations where a determination is made by the Minister under section 6.28 of the Act to change the method of valuing land from UV to GRV.

It is recommended that officers inform their council about the option to phase in valuations pursuant to Schedule 6.1 when submitting proposals for council approval.

Where changes are made which result in significant increases in rate assessments on properties, local governments are urged to consider phasing in the valuations.

3.2 Differential Rating

Changes to the method of valuing land can result in increases or decreases in rate assessments. For example, the conversion of small rural holdings to GRV could lead to a significant increase or decrease in the rate assessment (depending on the geographic location and property values) and consequently an increase or reduction in revenue for the local government. Differential rating can be used to modify the impact of the change.

3.3 Concessions

Section 6.47 of the Act enables a council to grant a concession on rates. There is no limit on the amount of the concession. For example, it can be 1% to 100% of the total rates assessed on a property. Granting concessions can offset sharp increases or decreases in rate assessments following a change to the method of valuation.

To grant a concession, a schedule showing the full details of the property, the person(s) and the amount of the concession must be submitted for the council's approval each financial year.

4. Differential Rating

4.1 Recommendations of the Local Government (Non Urban) Valuation Review Committee

The Local Government (Non Urban) Valuation Review Committee in its report recommended the use of a tiered approach to UV-based rating using the differential rating provisions of the Act. The proposal recognises that there is considerable variation in scale, nature and intensity of commercial use on some rural properties. It recommended that properties be categorised into groups according to the level and scale of non-rural activity. A progressively higher rate in the dollar could then be applied (for example, up to 5 times higher) depending on the level of non-rural activity.

The Committee recommended the following possible rating groups.

- Non-rural (GRV) – For example, include service large scale mining activity with significant infrastructure and high density caravan parks.
- Rural (UV) – For example, broad acre farms, vineyards, poultry farms, piggeries, farms with small scale ancillary development.
- Associated Rural (UV times 2) – For example, low density holiday chalets on rural properties, small scale retail outlet for goods produced on-site – for example, cellar door sales associated with small scale wine production or a craft shop selling goods produced on-site, etc.
- Associated Rural (UV 5 times) – for example, small hotel or resort style accommodation, wine production, other rural related activities such as a small restaurant associated with the agricultural activity on the property.

Local governments are free to consider an approach of this kind to address perceived rating anomalies or inequities within their districts. Before doing so however, local governments should satisfy themselves (and if necessary, the Minister) that the method of valuation of the land they intend to rate is the correct method in terms of the Act. Differential rating should not be used as a substitute for properly applying the principles of section 6.28.

5. Conclusion

Local governments have an obligation to ensure that rateable land in their district is valued on the appropriate method for rating purposes. As the use of land can change from time to time, it is important for local governments to have a system in place to detect land use changes so that it can modify the valuation method accordingly. Having this information up to date will avoid criticism from ratepayers about the equities of their rating policies.

These guidelines are also available on the Department's website at www.dlgc.wa.gov.au



About the Guideline series

This document and others in the series are intended as a guide to good practice and should not be taken as a compliance requirement. The content is based on Department officer knowledge, understanding, observation of, and appropriate consultation on contemporary good practice in local government. Guidelines may also involve the Department's views on the intent and interpretation of relevant legislation.

All guidelines are subject to review, amendment and re-publishing as required. Therefore, comments on any aspect of the guideline are welcome. Advice of methods of improvement in the area of the guideline topic that can be reported to other local governments will be especially beneficial.

For more information about this and other guidelines, contact the Local Government Regulation and Support Branch at:

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