



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

Rating Policy

Valuation of Land (s.6.28)

November 2016

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Rating Policy – Valuation of Land (November 2016)

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Introduction

Local governments impose rates on the properties within their district to raise revenue to fund the services and facilities provided to residents and visitors.

The quantum of rates payable is determined by three factors: the method of valuation of the land, the valuation of the land and improvements, and the rate in the dollar applied to that valuation by the local government.

Land is valued according to its unimproved value for land used predominantly for rural purposes or gross rental value for land used predominantly for non-rural purposes. The Valuer-General values the land in accordance with the provisions of the *Valuation of Land Act 1978*. The local government sets a rate in the dollar which is applied to this valuation to give the rates liability for each property.

Under the *Local Government Act 1995* the Minister for Local Government is responsible for determining which method of valuation is to be used. This is based on the predominant use of land.

The purpose of providing the method of valuation is to ensure that properties are valued accurately to meet the needs of landowners, ratepayers, members of the public, rating and taxing authorities and the Government of Western Australia.

Objective

This document describes the legislative and policy foundation for determining the basis for rates. In particular, it sets out the policy that guides the Minister for Local Government's exercise of the power to determine the method of valuation of land.

The second part of this document provides guidance for local governments in requesting such a determination. A streamlined process for recent residential subdivisions is also included which allows local governments to advise the Valuer-General if they do not require unimproved valuations for newly created lots.

Legislative Provision

Local Government Act 1995

6.28. Basis of rates

- (1) The Minister is to:
- (a) determine the method of valuation of land to be used by a local government as the basis for a rate; and
 - (b) publish a notice of the determination in the *Government Gazette* .
- (2) In determining the method of valuation of land to be used by a local government the Minister is to have regard to the general principle that the basis for a rate on any land is to be:
- (a) where the land is used predominantly for rural purposes, the unimproved value of the land; and
 - (b) where the land is used predominantly for non-rural purposes, the gross rental value of the land.
- (3) The unimproved value or gross rental value, as the case requires, of rateable land in the district of a local government is to be recorded in the rate record of that local government.
- (4) Subject to subsection (5), for the purposes of this section the valuation to be used by a local government is to be the valuation in force under the *Valuation of Land Act 1978* as at 1 July in each financial year.
- (5) Where during a financial year:
- (a) an interim valuation is made under the *Valuation of Land Act 1978*; or
 - (b) a valuation comes into force under the *Valuation of Land Act 1978* as a result of the amendment of a valuation under that Act; or
 - (c) a new valuation is made under the *Valuation of Land Act 1978* in the course of completing a general valuation that has previously come into force,
- the interim valuation, amended valuation or new valuation, as the case requires, is to be used by a local government for the purposes of this section.

Policy

The Minister may determine the valuation method as either unimproved value (UV) or gross rental value (GRV) on the basis of predominant land use. As land use changes from predominantly rural to predominantly non-rural, or from predominantly non-rural to predominantly rural, a new determination is necessary.

Key Values

The Minister's determination under section 6.28(1) will be made consistently with the key values of objectivity, fairness and equity, consistency, and transparency and administrative efficiency. To that end, the Minister will not determine a change in the method of valuation on the basis of an application under this policy (**the application**) unless the Minister is satisfied of the following matters.

Objectivity

- The request for change of method of valuation of the land is based on its predominant use.
- The local government has provided evidence of the current predominant land use. This may be via an aerial image, site visit information, building information or land use declaration form from the occupier (or a combination of these). In the case of a new subdivision, a deposited plan must have been issued and approved by the Western Australian Planning Commission.
- Lot numbers are defined.
- Where the land is being used for non-rural purposes, the application is to convert the method of valuation from UV to GRV.
- Where the land is being used for rural purposes, the application is to convert the method of valuation from GRV to UV (where applicable).

- The local government has provided a clear description of the land by the following method:
 - Landgate approved plan, such as a deposited plan
 - aerial image which clearly identifies the lot numbers and plan number, or
 - a combination of both.
- The Valuer-General's Office has provided an indication of the new notional values (or the basis for otherwise estimating the value is sound).

Fairness and equity

- Unless the application is initiated by the land owner, the owner was informed in writing by the local government of:
 - the reason for seeking the change in method of valuation;
 - the likely impact on the annual rates payable for that property;

and was given at least 28 days after receiving that information to make a submission to the local government on whether the assessment of predominant use is correct.

The ratepayer's submissions, if any, and the local government's response to each ratepayer's submission (as recorded in the minutes of the council meeting at which the response was adopted) have been provided to the Minister.

Consistency

- Similar properties that are used for same purpose are treated in the same way. If not, a reason is provided.
- The local government has considered whether a split valuation is appropriate if a significant proportion of the land will continue as rural use.

Transparency and Administrative Efficiency

- The council of the local government has resolved to change the method of valuation and the resolution is recorded in council minutes (not required for subdivisions, see below).

- The council of the local government has:
 - considered each ratepayer submission (if any)
 - given consideration to phasing in changes for properties where the change in method of valuation will have a significant impact on the rates payable.

Guidance for Local Governments and Affected Ratepayers on Requesting Approval

The guidance below is directed to an application for approval under section 6.28(1) for the determination of the method of valuation of land to be used by a local government as the basis for rating.

Local governments

The policy section of this document identifies the matters on which the Minister will want to be satisfied before he or she approves an application.

Before making an application, a local government should be satisfied that:

- the basis for the application for a change in the method of valuation is the predominant land use of the properties, and
- in light of the application and its supporting material, the Minister will be able to be satisfied that making such a determination would be consistent with the key values of objectivity, fairness and equity, consistency, transparency and administrative efficiency, as detailed in the policy.

The starting point for a local government will be the matters identified under the key values of objectivity and consistency. The local government will need to ensure that all of the matters identified under those key values are addressed.

Once the local government is satisfied that it has addressed all the matters identified under the key values of objectivity and consistency, the local government will need to address the key value of fairness and equity. This includes the requirement for the local government to consult directly with affected ratepayers.

Once the local government has consulted the affected ratepayers, and received any submissions from ratepayers, the council of the local government will need to consider:

- those submissions
- the other information addressing the key values of objectivity, consistency and fairness and equity.

Even if the council has previously considered the matter, the council must consider the submissions and the other information and resolve to make the application to the Minister.

Once the council has resolved to make the application, the following should be sent to the Minister:

- the application
- a copy of the consultation that has occurred with the ratepayers
- the supporting material addressing each of the matters identified under the key values of objectivity, fairness and equity, consistency, transparency and administrative efficiency.

The Minister will then consider the application and may request more information from the local government before granting approval.

Properties that are not rateable should not be included in an application for conversion to gross rental value. The reason for this is because it overstates the revenue capacity of a local government which may impact the perceived revenue capacity when evaluated by the WA Grants Commission.

The ratepayer

The ratepayer should respond constructively during the consultation phase and assist by returning the land use declaration form to assist with determining the predominant use of land.

The ratepayer should form a view as to whether the matters set out under the key values have been correctly addressed.

If the ratepayer considers that these matters have not been correctly addressed, the ratepayer should set out why they hold this view in their submission to the local government.

In their submission, the ratepayer should address any other matter which they wish the local government and the Minister (if applicable) to consider.

In considering an application, the Minister may request information from the ratepayer before making their decision.

Abbreviated Process for Recent Residential Subdivisions

This section applies to applications to change the method of valuation for a recent residential subdivision. A recent residential subdivision is one where the Western Australian Planning Commission has approved the deposited plan in the previous six months.

To simplify the process for these subdivisions, the following steps have been introduced:

- Council endorsement of the request for a determination is taken as having occurred at the time the subdivision was approved.
- No further consultation is necessary as this is deemed to be owner initiated.
- Once the Western Australian Planning Commission has sent the approval advice to rating authorities¹, local governments must notify the Valuer-General immediately if they intend to convert the properties to gross rental value. This will prevent unimproved valuations for the individual lots being issued.
- An application with the approved Deposited Plan can then be submitted to the Minister to change the method of valuation to GRV.
- The change will take effect from the date of the Minister's approval.
- Once the application is approved, GRV valuations can be obtained from the Valuer-General.

For this process to apply, the Western Australian Planning Commission must have approved and sent the deposited plan to rating authorities, which indicates that all requirements for the subdivision have been met. It is then the responsibility of the local government to notify the Valuer-General if they do not require unimproved valuations for the new lots.

Any portion of the land which is allocated for future subdivisions will not be approved until such time as an approved deposited plan is received.

¹ Rating authorities are Landgate, WA Gas Networks, Water Corporation, Western Power, local government and Mapping and Geographical Services.

In addition, the local government must have no requirement for interim unimproved valuations for the newly created lots.

A separate application form is provided for these applications.

Application

Please send your completed application form and relevant attachments to:

Executive Director
Sector Regulation and Support
Department of Local Government and Communities
GPO Box R1250, PERTH WA 6844
Or Email: legislation@dlgc.wa.gov.au

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