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6.1 Public land acquisition

6.1.1 Who may compulsorily acquire land?

An authority may obtain title to land either by purchasing it or by formal statutory acquisition. Many authorities have the power to compulsorily acquire land for a public purpose. These include a range of ministers, government departments, public authorities, utility service providers and municipal councils. A body given the power to compulsorily acquire land is known as an ‘acquiring authority’ under the Planning and Environment Act 1987.

An acquiring authority may acquire the whole of a piece of land or several pieces of land (for example, for a school or parkland), or part of the land (for example, for a road widening). An authority may also acquire only an interest in the land (for example, an easement across a piece of land to allow for a pipeline or utility service).

‘Compulsory’ acquisition means that the land can be acquired despite the fact that the landowner may not consent to the acquisition. The power to compulsorily acquire land is therefore strictly regulated. An authority can only compulsorily acquire land if the power to do so is set out in its governing legislation, which is deemed for such purpose to be a ‘special Act’. In some cases, the special Act requires that the acquiring authority can only compulsorily acquire land with the consent of a relevant minister or the Governor in Council.

Where an authority is given the power under a special Act to compulsorily acquire land, the authority must follow the process for acquisition set out in the Land Acquisition and Compensation Act 1986 (the LAC Act). The authority must therefore either:

- acquire the land or obtain an interest in the land by compulsory process; or
- acquire the land by agreement with the landowner in accordance with the Act.

If an authority does not have the power of compulsory acquisition, the compensation provisions of the LAC Act do not apply. The transaction will be like any other private sale between a vendor and a purchaser and both parties will be free to negotiate a sale price, subject to any government audit or tendering requirements.

6.1.2 Can the Minister for Planning or a responsible authority compulsorily acquire land?

The Minister for Planning and responsible authorities are given a special power to compulsorily acquire land. This power extends to:

- any land which is required for the purposes of a planning scheme
• any land which is vacant, unoccupied or used for any purpose not conforming with the planning scheme (if the minister or the responsible authority believe it is desirable that the non-conforming use should be discontinued, or that the land should be put to appropriate use in order to achieve proper development in the area)

• any land subject to a declaration by the Governor in Council to facilitate the better use, development or planning of an area.

6.1.3 Government policy on land acquisition

All transactions involving the purchase or acquisition of land by state government agencies, authorities and representatives must take place in accordance with the Government of Victoria’s Policy and Instructions on the Purchase, Compulsory Acquisition and Sale of Land (August 2000). The Victorian Government Land Monitor (VGLM) is responsible for ensuring accountability and integrity in land transactions, and is available to provide guidance on the requirements (tel (03) 9452 5227). Alternatively, the policy can be accessed online at www.delwp.vic.gov.au.

6.1.4 How is land acquired?

The LAC Act places strict obligations on an acquiring authority in relation to the process for acquisition. This includes the timing of the service of notices, when and how offers must be made and when and how possession may be taken. Particular care needs to be taken by all parties in this regard, as failure to comply with the legislation can result in penalties against the acquiring authority or an acquisition process having to be abandoned or recommenced.

Below is a brief outline of the main procedures which apply. This outline should not be used as a substitute for the LAC Act, which should be read carefully before any acquisition procedure begins.

Land to be reserved under the planning scheme

Before the commencement of the acquisition process, the land must first be reserved under a planning scheme. Generally, this will involve a planning scheme amendment to apply a Public Acquisition Overlay to the land. There are a number of exceptions to this requirement.

The process for reserving land and the exceptions to this requirement are set out in Chapter 6.2 - Public Acquisition Overlay.

Service of Notice of Intention to Acquire

A Notice of Intention to Acquire must be served on each person with an interest in the land, except in cases where section 7 of the LAC Act specifies that a notice is not required.

In the case of a proposed acquisition of a rented house on which there is a mortgage, the authority must serve the registered owner, mortgagee and tenant with a Notice of Intention to Acquire, as persons with an interest in the land.

The notice must be in the prescribed form (Form 1) and be accompanied by a prescribed statement. This statement (Form 4) is clearly set out and is a helpful document to both acquiring authorities and those whose land may be acquired or affected by the acquisition.
The Notice of Intention to Acquire has three major functions:

- it is the first formal notification of the authority’s intention to acquire an interest in the land (after the reservation in the planning scheme, if applicable)
- it prevents carrying out of improvements on the land without consent of the authority
- it provides an opportunity for the authority to elicit information from the person served about the land and other interested parties.

A copy of the Notice of Intention to Acquire must also be served on the responsible authority under the planning scheme in which the land is situated, as well as the council (where these differ). A notice must also be lodged with the Registrar of Titles in accordance with a prescribed form under the Transfer of Land Act 1958.

The Notice of Intention to Acquire does not constitute an offer or a binding agreement. It may be amended or cancelled at any time before publication of the Notice of Acquisition. It does not bind the authority to proceed with the compulsory acquisition. At any time before the lapsing or cancellation of the Notice of Intention to Acquire, or the publication of the Notice of Acquisition, the authority may acquire an interest by agreement with the owner.

The Notice of Intention to Acquire lapses six months after the service of that notice if the authority has not acquired an interest, or an extension to the period of its operation has not been mutually agreed.

The acquiring authority can ask the council or responsible authority for certain information. For example, it may seek information on the zoning or possible use or development of the land in order to assist with the assessment of compensation.

**Publication of Notice of Acquisition**

An authority formally acquires the land by publishing a notice in the Government Gazette. Unless agreed in writing between the parties, or unless time is varied under section 106 of the LAC Act, the authority must not acquire the land until two months after service of the Notice of Intention to Acquire. Given that a Notice of Intention to Acquire expires after six months, this generally means that an acquiring authority has a period of two to six months in which to complete its acquisition following the Notice of Intention to Acquire.

The map, which forms part of the Notice of Acquisition, must be survey-accurate (unless the whole of a title is being acquired) and must describe precisely what is being acquired. The notice must be in the prescribed form.

An initial offer of compensation must be made within fourteen days of publishing a Notice of Acquisition. Therefore, the acquiring authority should ensure that it is ready to make an offer of compensation before it publishes the Notice of Acquisition.

**Effect of Notice of Acquisition**

When a Notice of Acquisition is published in the Government Gazette, the interest in the land described in the notice frees the authority of all mortgages, encumbrances, licences and charges. Public utility easement rights are preserved unless specifically acquired. This means that, from the date of publication, the acquiring authority owns the land, even if compensation has not by then been assessed or paid.
A copy of the Notice of Acquisition in the prescribed form and a statement of rights and obligations must be served within fourteen days of the date of acquisition. This applies to everyone who received the Notice of Intention to Acquire and, where there was no Notice of Intention to Acquire, on each person having an interest immediately before the date of acquisition.

A copy of the Notice of Acquisition must also be published in the prescribed form in a newspaper generally circulating in the area in which the land is situated.

**Subdivision and title arrangements for acquired land**

If part of a lot is acquired, a plan of subdivision must be submitted to the council after the land is acquired. The plan will serve to re-describe the land acquired and any remaining land, as well as to make any required alterations to easements. A special process is laid down in the *Subdivision Act 1988* for certification of these plans.

**Entry into possession**

The authority cannot take possession of land used as a principal place of residence or business until three months after the date of acquisition, except with Governor in Council’s certification or by agreement with the claimant and the consent of the minister administering the special Act. The authority may enter the land after giving seven days written notice of its intention to take possession to the person in occupation of that land.

**Compensation for acquisition**

A person whose interest in land has been divested or diminished through a Notice of Acquisition, has a right to claim for compensation. A person who makes or is entitled to make a claim for compensation is known as a claimant.

**The first offer of compensation**

The authority must make an offer of compensation to every claimant within fourteen days of the date of acquisition or within a further period approved by the minister administering the special Act or with the agreement of the claimant.

The offer is to be a fair and reasonable estimate of the compensation payable and be accompanied by a certificate of valuation used by the authority in making its offer. The authority is to have regard to a valuation of the Valuer General or registered valuer. The offer is to be accompanied by statements explaining any difference between the sum offered and the valuation and setting out the claimant’s rights and obligations.

If no offer is made to a person entitled to compensation, that person may make a claim within two years after the date of acquisition. The LAC Act sets out the procedures to be followed in these circumstances.

**Response by claimant**

A claimant is to respond with a Notice of Acceptance or a Notice of Claim, in the prescribed form, within three months of the offer being served. If the claimant fails to serve a notice on the authority, the claim becomes a disputed claim and can be referred to the Land Valuation Division of the Victorian Civil and Administrative Tribunal (VCAT) or the Supreme Court. If the amount of compensation offered is not disputed by the claimant, the amount offered is binding on the authority, unless the authority can demonstrate that information contained in the offer, and relied upon by the authority, was incorrect.
Authority’s reply to claim

The authority must reply to a Notice of Claim within three months of receiving it. This is done through a statement in writing (Form 13). The authority may admit a claim in whole or part, propose to vary a previous offer, or reject the claim and repeat its offer.

If the authority fails to reply to the Notice of Claim within three months, it is deemed to have rejected the claim and to have repeated its offer. The claim then becomes a disputed claim.

If the authority offers to increase or vary its first offer, the claimant must accept or reject the revised offer within two months of receiving it. If the authority rejects the claim by the claimant, the claim becomes a disputed claim.

Time

In certain circumstances the LAC Act allows for an extension or shortening of the periods for response and replies. It also provides that certain time limits applying to claimants do not expire until seven days after the authority has advised the person in writing of the effect of that expiration.

How is compensation assessed?

The principles for measuring the compensation payable on the acquisition of an interest in land are set out in the LAC Act. The compensation paid generally takes into account the following:

- the market value of the land acquired
- any losses attributable to severance or as a result of disturbance
- any enhancement or depreciation in value of the interest of the claimant and in other land adjoining or severed from the acquired land
- legal, valuation or other professional expenses incurred
- any special value to the claimant
- any previous payment for loss on sale compensation or other forms of financial loss compensation payments
- the use to which the property was put at the date it was compulsorily acquired
- the payment of compensation for any intangible and non-pecuniary disadvantages resulting from the acquisition, known as ‘solatium’.

The assessment of the precise amounts to be paid is made on the basis of independent valuation advice combined with a practical evaluation of other losses occasioned by the acquisition, together with fees and expenses. It is important to note that the LAC Act provides for the payment of interest on compensation agreed upon by the parties or awarded by the Court.

What happens if planning compensation has been previously paid?

If an authority is acquiring an interest in a property for which planning compensation under Part 5 of the Planning and Environment Act 1987 has already been paid, the amount of compensation for the compulsory acquisition is reduced by a ‘prescribed amount’. This amount is calculated in accordance with a formula set out in the LAC Act, which takes account of the timing and payment of the prior compensation.
Advance of compensation

When an offer of compensation of $5,000 or more is served on a claimant, the claimant may require the authority to advance an amount equal to the amount of compensation offered in respect of the claimant’s interest.

The Authority must make the advance within one month of receiving the notice requiring the advance.

Dispute

Either the acquiring authority or claimant may apply to VCAT for determination of a disputed claim, or refer a disputed claim to the Supreme Court of Victoria for determination.

6.2 Public Acquisition Overlay

6.2.1 What is reserved land?

A planning scheme may designate land as being reserved for a public purpose. Land reserved for future compulsory acquisition is identified by including the land in a Public Acquisition Overlay.

The objectives of the Public Acquisition Overlay include ‘to reserve land for a public purpose and to ensure that changes to the use and development of land do not prejudice the purpose for which the land is to be acquired’. The Public Acquisition Overlay indicates that, for the purpose of the LAC Act, any land included in the Overlay is reserved for a public purpose. This satisfies the requirement in section 5 of that Act that an authority cannot commence to acquire the land ‘unless the land has been first reserved by or under a planning instrument for a public purpose’.

This use of the term ‘reserved’ in this context is quite separate from its use in other legislation, such as the Crown Land (Reserves) Act 1978 (where provision is made for Crown land to be reserved for certain purposes, and for its management) or the Subdivision Act 1988, which refers to land being set aside as a reserve.

6.2.2 Why is land included in a Public Acquisition Overlay?

If land is to be compulsorily acquired, it must in most cases be ‘reserved’ under the planning scheme through its inclusion in a Public Acquisition Overlay before the acquisition process can commence.

Land may be included in a Public Acquisition Overlay well in advance of its proposed acquisition. There is often a period of many years between the recognition that an area will be needed for a public purpose and the actual acquisition of that land. For example, the Public Acquisition Overlay is often applied to land designated for future roads or freeways. While the relevant road authority may not wish to formally acquire the land until the final road alignment has been approved and project funding is available, the identification of the land at an early stage assists the affected landowners and others in the vicinity to make informed decisions about the use and development of their land.
Early reservation enables control of the use and development of land that will eventually be acquired, so that the acquiring authority is not faced with the need to compensate owners of buildings and works constructed on that land once the need for its acquisition has been recognised. Where land is subject to a Public Acquisition Overlay, all further use, development or subdivision of the land will generally require a planning permit. Permit applications must be referred to the acquiring authority.

Owners of land can also plan in the knowledge that the land is proposed for eventual acquisition and can, in some cases, be compensated for subsequent loss. Compensation is payable only when a loss occurs (for example, the refusal of a planning permit on the ground that the land is required for a public purpose).

6.2.3 Is a Public Acquisition Overlay always required?

There are a number of exemptions to the requirement that land to be compulsorily acquired must first be ‘reserved’ under a planning scheme through its inclusion in a Public Acquisition Overlay. These exemptions apply in the following instances:

- if the interest to be acquired is for a minor widening or deviation of a road; and
  - the total value of interests to be acquired is less than 10 per cent of the value of the unencumbered freehold interest in the allotment; and
  - less than 10 per cent of the area of an allotment is to be acquired
- if an easement is to be acquired and the acquisition of that easement does not reduce the value of the unencumbered freehold interest by more than 10 per cent
- if the Governor in Council has certified that reservation is unnecessary, undesirable or contrary to the public interest
- if the authority is not required to serve a Notice of Intention to Acquire because of section 7(1)(a) or (b) of the LAC Act – for example, an ordinary market purchase
- if a declaration is in force under section 172(2) of the Act
- If the land has been declared special project land under section 201I of the Act.

6.3 Planning compensation

6.3.1 What is planning compensation?

Apart from compensation payable as a result of the actual acquisition of land, Part 5 of the Act creates a right to interim compensation (known as ‘planning compensation’). This occurs in certain limited circumstances stemming from the proposed future use of the land for public purposes.

These circumstances arise where the owner or occupier of land has suffered financial loss as the natural, direct and reasonable consequence of:

- the land being reserved for a public purpose under a planning scheme (it has been included in a Public Acquisition Overlay)
- a proposed amendment to a planning scheme to include the land in a Public Acquisition Overlay
ACQUISITION & COMPENSATION

• a declaration by the minister that the land is proposed to be reserved for a public purpose

• the access to the land being restricted by the closure of a road by a planning scheme, or

• a refusal by the responsible authority to grant a permit to use or develop the land on the ground that the land is or will be needed for a public purpose.

The most common form of compensation arises where land is designated for future acquisition well in advance of it actually being acquired, and where affected landowners are unable to use or develop the land fully during the intervening period because of the ‘blight’ which the Public Acquisition Overlay places over the land.

A claim for compensation also arises if an owner of land has suffered financial loss as the natural, direct and reasonable consequence of:

• the amendment of a planning scheme to remove any reservation over the land (that is, to remove a Public Acquisition Overlay);

• the lapsing of an amendment which proposed to include the land in a Public Acquisition Overlay; or

• the cancellation of a declaration by the minister which had indicated that the land was proposed to be reserved for a public purpose.

The time at which the right to claim compensation arises is set out in the Act. In general terms, the right to compensation arises at the time a loss is suffered – for example, when the land is sold at a lower price than would have been expected had the land not been included in a Public Acquisition Overlay.

A person cannot claim compensation if the planning authority has already bought or compulsorily acquired the land, or a condition on a permit provides that compensation is not payable. A compensation claim may also be rejected if the financial loss is of a minor nature. Generally, a person does not have a right to claim compensation if the person was not the owner or occupier of the land at the time the right to compensation arose.

6.3.2 Compensation for financial loss

Compensation is payable if it can be shown that land has sold at a lower price than would reasonably have been expected if the land had not been affected by its inclusion, or proposed inclusion, in a Public Acquisition Overlay. With a few exceptions, to be eligible to claim ‘loss on sale’ compensation, the owner must give the planning authority 60 days notice in writing of their intention to sell the land and must have been the owner of the property at the time the Public Acquisition Overlay (or prior reservation) first came into effect.

Compensation arising from a permit refusal

The right to claim compensation for loss or damage arising from the refusal of an application for a permit is established in the following circumstances:

• when the permit is refused by either the responsible authority or VCAT on the basis that the land is required for a public purpose
• when the permit is refused on the basis that the land may be required for a public purpose, that is, it is not yet included in a Public Acquisition Overlay but there is reasonable evidence that the land will need to be acquired for public purpose in the future

• when the responsible authority:
  - fails to grant a permit within the period prescribed (for the purposes of section 79 of the Act), or
  - grants a permit subject to any condition which is not acceptable to the applicant, and
  - VCAT disallows an application for review of either the failure or condition on the ground that the land is, or may be, required for a public purpose.

**Compensation for closure of a road**

Compensation for financial loss suffered as the natural, direct and reasonable consequence of access to land being restricted by the closure of a road by a planning scheme can become payable once the relevant provision of the planning scheme comes into operation.

**Compensation for removal or amendment of a Public Acquisition Overlay**

An authority may become liable for compensation arising from an amendment of a planning scheme to remove a Public Acquisition Overlay. An authority could also be liable for compensation due to the lapsing of an amendment for a proposed overlay, or the cancellation of a Ministerial declaration indicating that the land was required for a public purpose. However, in such instances, it may be much more difficult for an affected owner to substantiate direct financial loss.

### 6.3.3 Who is responsible for the payment of compensation?

The claim for compensation is made against the planning authority where land has been reserved for a public purpose under a planning scheme; where land is shown as reserved for a public purpose in a notice of amendment; or where the Minister has made a declaration under section 113. The claim is made against the responsible authority in the case of a claim relating to a refusal by the responsible authority to grant a permit on the ground that the land is, or will be, needed for a public purpose.

However, another authority may become responsible for the compensation. Usually, this is the authority responsible for having the Public Acquisition Overlay placed over the land and which will ultimately acquire it. For example, the Roads Corporation may require the responsible authority to refuse to grant a permit in an area covered by a Public Acquisition Overlay for a future freeway. The Roads Corporation would then take responsibility for any consequential compensation.

### 6.3.4 How is planning compensation assessed?

The Act refers to section 37 and parts 10 and 11 of the LAC Act in relation to the determination of compensation. The authority has three months to respond to a claim which it can reject or admit in part.

Generally, the compensation is assessed on a ‘before and after’ basis. This means the
difference between:

- the land value at the date on which the liability to pay compensation first arose if it had not been affected; and

- the actual value of the land at the date on which the liability to pay compensation first arose.

For ‘loss on sale’ compensation, this means obtaining valuation advice at the date of the sale. The valuer should consider the worth of the property as though the Public Acquisition Overlay did not exist, as compared with its value when encumbered by the overlay. Often the encumbered value will equal the sale price actually achieved, provided that every effort was made to obtain the best price on the open market.

In addition to compensation assessed on the difference between the value of the property unencumbered and encumbered by the Public Acquisition Overlay, the authority may also be liable for the claimant’s legal, valuation and other costs reasonably incurred in establishing the claim. Further, if a residence is affected, compensation may be payable for any intangible and non-financial disadvantages (being a consolation payment similar to the payment of solatium in a compulsory acquisition matter). This amount must be no more than 10 per cent of the compensation otherwise payable.

Claims for financial loss arising from the refusal of a permit should be assessed at the date the right to compensation arises, that is the date of refusal of the permit or the date of the Tribunal’s decision – whichever is applicable. Assessments of the encumbered and unencumbered value of the property should be made as at that date. As with loss on sale compensation, additional amounts may be payable for costs incurred by the claimant and any intangible and non-financial disadvantages arising when a residence is involved.

6.3.5 What if agreement cannot be reached as to the amounts of compensation payable?

VCAT will determine claims where the amount in dispute is not more than $50,000. (The ‘amount in dispute’ is the difference between the authority’s offer and the amount claimed, rather than the overall amount of the claim). If the amount in dispute is more than $50,000, the claimant may choose either the Supreme Court or the Tribunal. If the claimant does not exercise this option within one month of being asked to do so, the authority may choose the forum.

If the Supreme Court is satisfied, on the application of either party, that a claim raises questions of unusual difficulty or of general importance, it determines a disputed claim.

The LAC Act provides that the Supreme Court or the Tribunal may award costs as it thinks proper, taking into account a comparison between the amount of compensation awarded and that offered by the authority; the conduct of the parties, the failure of the claimant to give adequate particulars of his or her claim or to provide supporting material when requested, or excessive claim or an unduly low offer.
6.3.6  Can compensation be recovered?

The Act specifies when and how the authority can recover from the owner compensation that the authority has previously paid. For example, previously paid compensation may be recovered from the current owner in the event that the overlay is removed or the proposed overlay lapses or the Attorney-General’s declaration is cancelled.

Where land over which planning compensation has been paid is subsequently acquired, the acquiring authority reduces the compensation payable on the acquisition to take into account the interim planning compensation already paid. This avoids any gap or overlap in the compensation. The formula for varying the compensation on this basis is set out in the Act.

Any compensation that is repayable becomes a charge on the land.

Compensation must be registered on the title. The authority must use Form 16 under the Planning and Environment Regulations 2015 to notify the Registrar of Titles of the amount of compensation paid.

6.4  Planning compensation checklist

To check the eligibility of a claim

☐ What person or authority is liable to pay compensation? (Planning and Environment Act 1987, s. 109.)

☐ Has the claim been made within the specified times? (Planning and Environment Act 1987, s. 107.)

☐ Has the claim been received after any of the events specified in s. 99 of the Planning and Environment Act 1987?

☐ Was the claimant the owner or occupier of the land at the time the right to claim compensation first arose? (Planning and Environment Act 1987, s. 108)

☐ Does a permit provide that no compensation is payable?

Processing a claim

☐ Is the size of the claim such that it may be rejected under s. 103 of the Planning and Environment Act 1987?

☐ Has compensation previously been paid? (Planning and Environment Act 1987, s. 102)

☐ Is there a residence and are there non-financial disadvantages which will affect the amount of compensation payable? (Planning and Environment Act 1987, s. 100)

☐ Has the compensation been determined according to the procedures under s. 37 of the Land Acquisition and Compensation Act 1986?

☐ Is the amount of compensation in accordance with the limits prescribed in s. 104 of the Planning and Environment Act 1987?

☐ Has the statement of compensation paid been lodged with the Registrar of Titles? (Planning and Environment Act 1987, s. 110)

☐ An authority which had previously paid compensation under the Planning and Environment Act 1987 may recover that payment from another authority that has subsequently compulsorily acquired the land. (Planning and Environment Act 1987, s. 110).