



CITY OF  
MONASH

*From the Office of the Mayor*

FIN20

1 September 2016

The Hon Natalie Hutchins MP  
Minister for Local Government

*via email (natalie.hutchins@parliament.vic.gov.au)*

Dear Minister

### **UNFAIRNESS OF SIGNIFICANT RATE FLUCTUATIONS AS A RESULT OF PROPERTY REVALUATIONS**

At its meeting on 30 August 2016, Monash Council considered the unfairness created by significant fluctuations in rates arising from property revaluations.

These fluctuations have a significant impact on ratepayers – particularly on pensioners and others in the community living on fixed incomes.

Following the most recent property revaluation completed on 1 January 2016, a significant number of ratepayers in Monash have experienced rate increases of more than 40-50%. Indeed, 34% of our ratepayers have received rate increases of more than 6% despite Council's rate revenue increasing by only 2.5% in accordance with the state government's rate cap.

The value of residential properties in Monash increased by an average 39% between 2014 and 2016. If a residential property increased in value above the average 39% increase, the corresponding rates to be paid by that ratepayer have increased by more than 2.5%. A rate increase much above the general increase of 2.5% is very unfair. In some instances, the increase has been more than 100%.

Council believes that the Victorian rates system needs to be reformed to ensure that such wild fluctuations in rates from year to year do not occur. Unfortunately, there is no mechanism currently available to councils to soften the impact of these increases from year to year.

Council has resolved to make representations to the government to urge it to review the arrangements governing council rates so as to reduce these significant fluctuations. In particular, we urge the government to allow councils to:

- a. limit the increase in any individual residential ratepayer's rates from one year to the next based on property valuation changes so that individual rate bills cannot increase by more than double the overall percentage increase in rates for that year (i.e. for this year in Monash, 5%); and

- b. cap the rate increase possible for any resident over 60 years of age, who has lived at their property for more than 10 years, so that they will never receive an increase above the overall percentage increase in rates (i.e. for this year in Monash, 2.5%).

Councils are powerless to soften the impacts of property valuation changes on rates from year to year and need the government to take action to address this fundamental unfairness. I attach a background paper which provides further information about this matter.

Council urges the government to take quick and decisive action on this matter.

Yours sincerely

A handwritten signature in black ink that reads "Geoff Lake". The signature is written in a cursive, slightly slanted style.

GEOFF LAKE  
Mayor

Encl.

# Rate reform

## Background Information

### ▶ Monash Rate Increase

#### **How much have rates actually gone up in Monash?**

Monash Council has increased rates by 2.5% in 2016/17 compared to the previous year 2015/16.

#### **How is the rate increase calculated?**

The rate increase for a council is determined by comparing how much a council budgets to collect in rates compared to the previous year.

Last year, Monash Council collected \$109,734,176 in rates. In this financial year (2016/17) we have budgeted to collect \$112,477,530. This is an increase of 2.5%.

#### **How can the Council claim it has only increased rates by 2.5% when my rates have gone up by significantly more?**

Unfortunately the overall rate increase does not mean a uniform rate increase of 2.5% for every property. This is because rates are apportioned between all rateable properties on the basis of the valuation of each property. So if there has been a revaluation of properties (as there has been this year and there must be every two years) then the proportion of rates paid by each property can vary. This creates arbitrary winners and losers, even though nothing else has changed in relation to service levels.

#### **How are rates apportioned between properties?**

The amount of rates paid by each property is determined by this biannual valuation of all properties. The most recent revaluation was completed on 1 January 2016.

It is the most recent valuation of all properties in the municipality which determines the amount of rates paid by each property.

### ▶ The Revaluation Process

#### **How does a revaluation work?**

Every two years, every rateable property in Monash is valued. This is done by independent valuers (commissioned by Council) and involves a combination of a desktop review of comparable sales as well as a visual inspection of a proportion of the rateable properties in the municipality.

Every property is valued based on its Capital Improved Value (CIV). The Capital Improved Value is a valuer's way of simply saying what a normal person would consider to be the market value of a property (i.e. the amount a property would be estimated to receive if it was sold in the market on 1 January 2016).

#### **How does a revaluation affect rates?**

If a property has increased in value by more than the average increase in the municipality, the rates paid by that ratepayer will increase by more than the general increase (for this year, 2.5%). Conversely, properties which have increased in value by less than the average increase will have a corresponding rate increase of less than the general increase (or even a rate decrease).

Changing property valuations can result in one property having a huge rate increase from one year to another.

#### **Does the Council get a windfall gain from these increases?**

No. It is important to note that councils receive no extra money overall as a result of changes to revaluations – this merely impacts how much different properties contribute relative to each other.

The amount above the general rate increase (in this year's case, 2.5%) which a property increases by is effectively reduced from the rates paid by other ratepayers in the municipality. This produces a constantly fluctuating situation where rates are going up and down across the municipality every two years like a yo-yo.

Indeed, following each two year revaluation cycle, winners and losers are created across each Council area. Unfortunately, this year you are one of the losers.

### So how have rates been affected this year?

The following table shows how ratepayers have been impacted across the 77,348 rateable properties in Monash:

<b>Rate Increase</b>		
<b>Percentage rate increase</b>	<b>Number of ratepayers</b>	<b>Percentage of ratepayers</b>
Greater than 100%	36	0%
Between 50% and 100%	394	1%
Between 20% and 50%	5,488	7%
Between 10% and 20%	11,044	14%
Between 6% and 10%	8,925	12%
Between 2.5% and 6%	8,386	11%
Between 0% and 2.5%	5,627	7%
<b>Total</b>	<b>39,900</b>	<b>52%</b>
<b>Rate Decrease</b>		
Ratepayers whose rates decreased	37,448	48%
<b>Totals</b>	<b>77,348</b>	<b>100%</b>

As can be seen, while 45% of ratepayers had a rate increase above the 2.5% average increase, 7% had an increase which was less than 2.5% and 48% actually received a reduction in their rates.

### What are some examples of how the revaluation has impacted?

The following two tables show the situation for two pensioners living in Glen Waverley:

<b>Glen Waverley Property - Pensioner #1</b>						
	CIV	% Variance CIV	Rates	Rates after Rebates	Increase over 2015/16	Increased Rate
2015/16	\$1,040,000		\$2,143.96	\$1,880.96		
2016/17	\$1,950,000	88%	\$2,953.28	\$2,684.98	\$804.02	43%

<b>Glen Waverley Property - Pensioner #2</b>						
	CIV	% Variance CIV	Rates	Rates after Rebates	Increase over 2015/16	Increased Rate
2015/16	\$1,090,000		\$2,247.04	\$1,984.04		
2016/17	\$2,130,000	95%	\$3,225.89	\$2,957.59	\$973.55	49%

In each case there has been an increase in the valuation (CIV) of their property of over 85% which has resulted in rate increases of 43% and 49% respectively.

Clearly, it is totally unreasonable to expect that a pensioner can manage that kind of impost on their finances. The impost on non-pensioner ratepayers is no less significant or unfair.

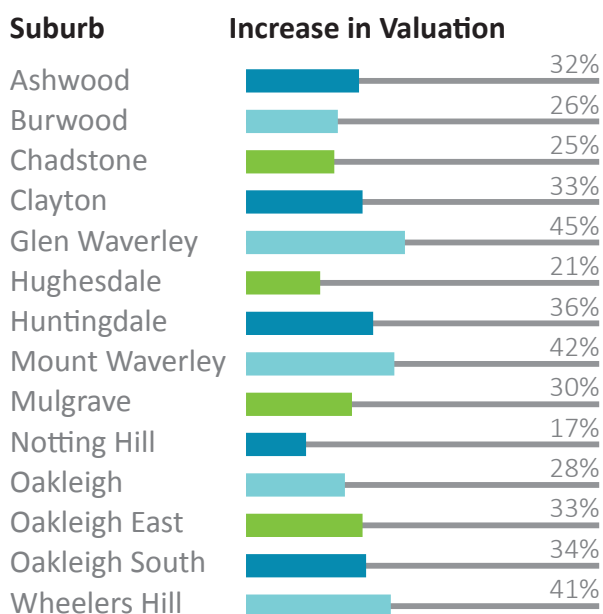
### How has the revaluation varied across the municipality?

The value of residential properties in Monash increased by an average 39% between the last revaluation in 2014 and the valuation date of the current cycle on 1 January 2016.

If a residential property increased in value above the average 39% increase, the corresponding rates to be paid by that ratepayer have increased by more than 2.5%.

## ► Revaluation Information Continued...

The chart below shows the average increase in valuation for residential properties in each Monash suburb, between 2014 and 2016.



### Why can't the Council just intervene to reduce the severity of the worst increases?

Unfortunately there is no flexibility or mechanism available to councils to soften this impact of increases from year to year arising from the revaluation. The rates system is set by the state parliament and all 79 councils must apply it uniformly.

### Is the valuation impact worse in Monash than other councils?

Yes. Monash had the highest increase in values of any council area in Victoria.

### What does the Council think about the revaluation impacts which it can't address?

We think it is extremely unfair. Monash Council works tirelessly to keep rates as low as possible and we are frustrated that because of the inflexibility of Victoria's rating system some of our residents are experiencing very significant increases to their cost of living.

## ► Council's Responsible Financial Management

### What sorts of things is the Council doing to keep rates low?

Council has managed very carefully the finances of the City of Monash over the course of this Council term to achieve the following:

- » The lowest average rates in Victoria;
- » An increase overall in rates of only 2.5% in 2016/17 – the lowest rate increase in Monash in almost 20 years;
- » The recent addition of a supplementary Council rebate for pensioners of \$50 to provide extra assistance to pensioner ratepayers with paying their Council rates;
- » The introduction of differential rates to shift more of the rate burden away from residential ratepayers and onto commercial and industrial ratepayers;
- » The elimination of all Council debt;
- » Efficiency and productivity savings which reduce the Monash Council budget footprint; and
- » A reduction in Council's workforce size to reduce our operating costs.

We have done each of these things with the careful and considered aim of minimising the impacts on Monash residents of the financial burden associated with running a local council.

These are all measures which are within the control of a financially prudent council. Unfortunately one thing which a council cannot control are fluctuations brought to individual rate bills as a result of changes in property valuations.

## ► What Can Be Done?

### **But can these rating issues actually be fixed?**

Yes. There are amendments which the State Government could make to the rating framework to allow councils to stagger rate increases due to valuation impacts over several years to soften and smooth the change.

### **So what is the solution?**

We want the State Government to change Victoria's archaic rating system to give councils the flexibility to:

- » limit the increase in any individual residential ratepayer's rates from one year to the next based on property valuation changes so that their rates cannot increase by more than double the overall percentage increase in rates for that year (i.e. for this year, 5%); and
- » cap the rate increase possible for any resident over 60 who has lived at their property for more than 10 years so they will never receive an increase above the overall percentage increase in rates (i.e. for this year, 2.5%).

In our view, no ratepayer should face brutal bill shock in the future just because a hot local property market is playing havoc with the arbitrary calculation of council rates. Moreover, no long standing resident of Monash should ever feel forced to have to move out of this area because they cannot afford their increasing rates bill.

### **But will the state parliament listen?**

Let's make them listen. If enough affected ratepayers take the time to **sign our petition** and pass on the impacts on their household budgets, the state parliament will be stupid to ignore the very significant pressures that their inaction is causing on many households in Monash (as well as similar impacts on other ratepayers in other councils).

### **What else is Monash Council going to do to make them listen?**

We are going to seek to gain attention for these issues in the media and we will write to all 78 other councils along with the peak bodies which represent councils to urge them to take up this issue as well.

### **What can ratepayers do to assist?**

Please take five minutes to sign our online petition for rate reform. If you don't have access to a computer or the Internet, please call and ask us to mail you a hard copy petition: ☎ 9518 3678.

## ► Other Information

### **What can I do to object to the valuation of my property?**

If you disagree with the assessment of your property's value, you may lodge a written objection with Council. All objections must be lodged within two months of you receiving your rates notice. To successfully argue that a valuation is too high, you will need to demonstrate by sales and rents of comparable properties, that the valuation should be lower. More information is available at [www.monash.vic.gov.au/rates-objection](http://www.monash.vic.gov.au/rates-objection) or call ☎ 9518 3678.

### **What about the other charges on my rates bill?**

As well as the council rates, the rates notice is also used to collect the State Government's Fire Services Property Levy to fund the fire services. This is a fee levied by the State Government and passed on to the Metropolitan Fire Brigade by Council.

### **I thought rate capping was being introduced this year. Why doesn't that apply here?**

It does apply. The State Government has introduced a rates cap of 2.5% which Monash Council has complied with. The cap applies to the average annual increase of rates and charges. It does not cap individual property price increases. This is why Council believes the government needs to take urgent action to fix these problems.

### **Why has it taken until now for you to do something about this mess?**

It hasn't. In the previous Council term, Monash Council made representations to the State Government that it should introduce flexibility into the rating framework to allow councils to prevent substantial fluctuations in individual rate notices from year to year. However, it is now time to win this fight which is why we have launched our petition.