Re: Victorian Government Rate Capping Policy

Dear Sir

Regarding the Victorian Government Rate Capping policy I would like to add to your knowledge on whether the policy has been a success, failure or something the government did not anticipate.

The rate cap policy has many details attached to its implementation. The calculation of the Gross Total Residential Rate consists of two values, one the general rate (the tax rate) and the property value. The property value can be based on the Site value, CIV or NAV. The most common value used is the CIV value. Prior to the last state election the government promised to cap rates at 2.5%. Using the legal test of "a reasonable person" the announcement would be expect to apply to the increase in the amount of money a rate payer would have to pay for their council rates. In my case I expected a 2.5% rise.

But my rates have increased a massive 12.8%. The rise was due to a 43.8% increase in the CIV used for the Gross Rate calculation (see attached calculation and rate notices). It became clear to me the promised rate cap only applied to the general tax rate component not the CIV valuation as mentioned on the Victorian Government's Website (delwp.vic.gov.au/fairgorates)

Quote:
"In some cases, ratepayers will find that their rates bills have increased by more than 2.5% from the previous year. There are a few reasons this may happen. One is the change in the value of their property in relation to the value of other properties in the municipality." - end quote

This statement provides a massive loophole in the policy which councils can and have used to increase their rate tax income well above the 2.5% used in government statements. My 12.8% rate tax rise in the following actual example shows how badly the rate cap policy has failed.

Council's Monopoly Tax Right

The right to raise taxes can only be given by the crown, and councils have been given this monopoly right. As such it essential that councils comply with the provisions of the Local Government Act 1989. The local government act sets out what councils are responsible for, the main expenditure is for infrastructure mainly water, sewerage, roads and rubbish collection. The following example shows how one council is using a loophole in the Local Government Act and using the monopoly tax provisions to obtain excessive council revenue and thus allow it to indulge in excessive expenditure.

Whitehorse Council – Total Rate Increases are Excessive.

Council Rate Information – Misleading or False?

The Whitehorse council has been reported of having a reputation for finding loopholes (or Wormholes) in the Local Government Act (see page 20 Victorian Government’s first capping report December 2015).

If ratepayer information from the Whitehorse Council was reviewed by the ACCC it would be found misleading and deceptive. The rate capping advice (see attached council rate notice advice) provided is technically correct, but misleading in that it provides 2.5% rate cap figure but fails to mention the average rate rise for 2016/2017 to be paid by rate payers will be substantially higher. The statement that rates to be paid will be less than 2.5% if the property value is less than the average property value is false. It is false because the general rate of 0.1680699 cents in the dollar applies to the CIV value of all residential properties, whether above or below the average value. Rates would only rise 2.5% on a property where the CIV value has grown by 0% - impossible when the average rise is 32.6%.

Further the rate notice states that “Whitehorse property values increased by an average of 31.3% with average residential 32.6%” But that was for two years and is grossly misleading because if fails to mention CIV property revaluations run on a two year cycle. No doubt the statement was designed to change a rate payer expectations and soften them up for a high rate increase – which has occurred.

Excessive CIV Values

In the case of the Whitehorse Council it is clear that they are using the monopoly tax power of the local government act to reap excessive revenue. Over the 2 year CIV rating period the CIV value of my average residential property has increased 43.8% or 14.6% per year. The average Whitehorse CIV rose 32.6% or 16.3% per year. At the same time the average price of a Melbourne property rose 17.6% or 8.8% per year (ABS cat # 64160).

It is clear that the CIV values used by the council are excessive, but the council benefits from the increased tax revenue. The large revenue gain allows large increases in expenditure and this reinforces the spending culture of the Whitehorse bureaucrats in charge of the council's money.

Council Rate Increases and Expenditure – 7% pa is too high when Inflation is below 2%

The attached graph shows that the average rate increase of the Whitehorse council is 7.0% pa from 2009 to 2014 (data from Appendix 3 of the Environment and Planning Committee December 2015 report). This is after the 2008 financial crisis, where expenditure should have slowed inline with rate payer's incomes. The strong revenue growth shows a council isolated from the market place and using a monopoly tax to maintain excessive expenditure.

PTO
Summary – The Rate Cap Policy has failed the Ratepayer and the State Government.

Under section 185A of the Local government act 1989 the minister has the power to set the maximum general rates, quite different from the calculated tax rate on property values used to calculate the net rates paid. A "reasonable person" would assume that the minister would use this section of the act to set the net rates paid close the level of inflation. There can be no doubt there will be a major voter backlash at the next state election, led by pensioners, and other low income ratepayers.

The government needs to quickly change the existing rate cap policy so that it meets the ratepayers and voters expectation of a total rate increase of close to 2.5%.

Rates are a substantial amount of money and constitute the second highest tax on ratepayers after income tax; voters are sensitive to tax increases. The government faces a dangerous political situation by allowing councils to increase rates well above voter’s expectations.

In the case of the Whitehorse council an Administrator should be appointed as it is clear the council is using loopholes in the Local Government Act 1989 to raise excessive taxes. On the expenditure side, the council’s massive expenditure on health and social services is duplicating the responsibilities of the federal Department of Health and the federal Department of Human Services. Rate payers have already paid for these services in their income tax, thus the council is double taxing rate payers.

Respectfully

Gary Gaskin

23/8/2016

CC Minister for Local Government

The Hon. Natalie Hutchins MP

Level 27
1 Signal Street
Melbourne
Victoria 3000
My Tax Increase – Expected 2.5% tax Increase, hit with 12.8%

Whitehorse Council Rates – Actual (see attach rate notices)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential rate 2015/16</td>
<td>$1374.40</td>
</tr>
<tr>
<td>Receive Rate Notice 2016/2017</td>
<td>$1550.25</td>
</tr>
</tbody>
</table>

Rate Increase for year 12.8%

CIV Values use in rate calculation for property

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Improved value 2015/16</td>
<td>$685,000</td>
</tr>
<tr>
<td>Capital Improved value 2016/17</td>
<td>$985,000</td>
</tr>
</tbody>
</table>

Increase (2 year valuation period) 43.8%

CIV Increase per year 21.9%

Whitehorse Property Price Increases (see council notice)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whitehorse Average CIV increase 31.3% or 15.6% per year</td>
<td>15.6%</td>
</tr>
</tbody>
</table>

Melbourne Property Price Increases (ABS Cat 64160)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price increase 2014/15</td>
<td>7.8%</td>
</tr>
<tr>
<td>Price increase 2015/16</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

Average per year 8.8%

Excessive council CIV increase 6.8%

Calculations by:
G.Gaskin
MBA (Melb) BCom Mech Eng
Business Economics & Investment.

PART 8A—MINISTER MAY LIMIT INCOME FROM RATES AND CHARGES

185A Definition
In this Part—
general income means the amount declared by a Council under section 158 to be the amount which the Council intends to raise by general rates, municipal charges, service rates and service charges. 185B

Minister may give directions concerning rates and charges (1) The Minister may, by Order published in the Government Gazette, direct a Council specified in the Order that the Council's general income in respect of a financial year— (a) is not to exceed the Council's general income in respect of a specified previous financial year; or (b) is not to exceed a specified percentage of the Council's general income in respect of a specified previous financial year. (2) The Minister may specify a percentage of more than, or less than, 100% under subsection (1)(b).
Whitehorse Council Rate Tax Revenue
(Average increase in Tax Revenue 7.0% per year)

- Municipal and General Rates
- Series
- Trend growth of Mun & General Rates
- Trend growth of Rates at CPI rate

Actual council rates growing at 7.0% pa and 5.5% in real terms

Excessive rate taxes paid by rate payers

Council rates if increasing at CPI rate of 2.3% pa

\[ y = 59158e^{0.0697x} \]
\[ R^2 = 0.9919 \]
Growth 7.0% pa

\[ y = 62066e^{0.0249x} \]
\[ R^2 = 0.9862 \]
Growth 2.3% pa

Expenditure data from the Environment Environment and Planning Committee Report December 2015

Copyright BEi Business Economics Investment
Rate Capping

Council has complied with the Victorian Government's rates cap of 2.5%. The cap applies to the average annual increase of rates and charges.

The rates and charges for your property may have increased or decreased by a different percentage amount for the following reasons:

1. The valuation of your property relative to the valuation of other properties in the municipal district;
2. The application of any differential rate by Council;
3. The inclusion of other rates and charges not covered by the Victorian Government's rates cap (e.g. State Government Fire Services Property Levy).

Revaluation Information

In accordance with legislation, Council revalued every property within the municipality as at January 2016, and your 2016/2017 rates are based on these valuations.

Revaluations redistribute the amount of rates paid by individual properties. If your property value increased more in value relative to the average property value movement, your rates will increase by more than 2.5%, while if your property value increased by less than the average property value movement, your rates will increase by less than 2.5%. The average increase of rates is 2.5%.

Whitehorse property values increased by an average of 31.3%, with average residential 32.6%, commercial 20.5% and industrial 16.9%. Houses have generally increased more than flats/units.

Impaired Customers

Whitehorse City Council is NRS friendly. If you are deaf or have a hearing or speech impairment, call Council through the National Relay Service on 133 677 then quote 9262 6333.

Your Rates at Work

The chart illustrates the breakdown of rates across different services and departments.

TIS Language Assistance

For language assistance call the Translating and Interpreting Service on 131 450 and ask to be connected to Whitehorse City Council on 9262 6333.

要语言协助的话拨打131 450笔译和口译服务处，要求转接到白马市政府(03) 9262 6333。

Πα γλωσσική βοήθεια τηλεφωνήστε στην Υπηρεσία Διερμηνείων Μεταφραστών στον αριθμό 131 450 και ζητήστε να σας συνδέσουν με το Δήμο Whitehorse στο (03) 9262 6333.

Per averire assistenza nel comunicare in una lingua diversa dall’inglese chiamate il Servizio traduttori e interpreti al numero 131 450 e chiedete di essere connesso al Comune di Whitehorse al numero (03) 9262 6333.

Muốn được giúp đỡ ngôn ngữ, xin gọi điện thoại cho Dịch vụ Thông ngôn và Phản dịch số 131 450 để được nói chuyện với Hỗ trợ Thành phố Whitehorse số (03) 9262 6333.

Sollten Sie sprachliche Hilfe benötigen, so wenden Sie sich bitte unter der Nummer 131 450 an den Dolmetscherdienst und bitten Sie darum, unter (03) 9262 6333 mit der Stadtverwaltung von Whitehorse verbunden zu werden.

Print and Braille accounts call 9262 6292.
Valuation and Rate Notice
Rates, Charges and Levies for period 1 July 2016 to 30 June 2017
Whitehorse City Council ABN: 39 549 568 822
Tax Invoice issued: 4 August 2016
GST NOT APPLICABLE

028-3131 (4267)
Mr G J Gaskin and Mrs J M Gaskin

Assessment Number: [redacted]

Property Description: [redacted]

WARD: Morack
LAND USE CLASSIFICATION: Residential
AUSTRALIAN VALUATION PROPERTY CLASSIFICATION CODE (AVPCC): 110
VALUATIONS AS AT 1 JANUARY 2016
OPERATIVE DATE: 1 July 2016
Site Value: $840,000
Capital Improved Value (CIV): $985,000
Net Annual Value: $49,250

Details of Rates, Charges and Levies
General Rate 0.168069 cents in $ on $985,000 CIV $1,655.45
Pension Rebate - Rates -$218.30
Fire Services Property Levy Fixed Charge $105.00
Pension Rebate - FSPL -$50.00
FSPL Variable Rate 0.0059 cents in $ on $985,000 CIV $58.10

Payments and changes received after 29 July 2016 may not be included on this notice.

Total amount due $1,550.25

Payment options (see back page for details):

2016/2017
Whitehorse City Council
379-377 Whitehorse Road
Nunawading 3131
Telephone: 9262 6333
Fax: 9262 6490
NRS: 133 677 then quote 9262 6333
(Service for deaf, hearing or speech impaired people)
TIS: 131 450
(Telephone Interpreter Service. Call and ask to be connected to Whitehorse City Council)
Email
customerservice@whitehorse.vic.gov.au
Website
www.whitehorse.vic.gov.au

1 OVERDUE:
$0.00

PLUS:
2 Payment in full due by:
15 February 2017
$1,550.25

OR
PLUS:
3 1st Instalment must be received by:
30 September 2016
$389.25

Instalment Notices will be issued for:
2nd Instalment - Due by 30 November 2016 $387.00
3rd Instalment - Due by 28 February 2017 $387.00
4th Instalment - Due by 31 May 2017 $387.00
Rates Instalment Notice

Rates, Charges and Levies for period 1 July 2015 to 30 June 2016
Whitehorse City Council ABN: 39 549 568 822
Tax Invoice issued: 2 May 2016
GST NOT APPLICABLE

028-3131 (1009)
Mr G J Gaskin and Mrs J M Gaskin

Assessment Number: [redacted]

Property Description

WARD: Morack
LAND USE CLASSIFICATION: Residential
AUSTRALIAN VALUATION PROPERTY
CLASSIFICATION CODE (AVPCC): 110
VALUATIONS AS AT 1 JANUARY 2014
OPERATIVE DATE: 1 July 2014
Site Value: $540,000
Capital Improved Value (CIV): $685,000
Net Annual Value: $34,250

Details of Rates, Charges and Levies

Fourth Instalment $345.40

Payments made after 28 April may not be included on this Notice

Total amount due $345.40

PAYMENT DUE: $345.40 by 31 May 2016
RATEPAYER NAME: Mr G J Gaskin and Mrs J M Gaskin
PROPERTY ADDRESS: [redacted]
ASSESSMENT NUMBER: [redacted]

For CREDIT of CITY OF WHITEHORSE

Trancode User code Customer reference number
[redacted] [redacted] [redacted]

COPY

Due Date 30/05/16
Amount due $345.40

<0000034540> <067482> <000000000191841>