

## **Submission to the Wellington Shire**

### **Proposed 2013/14 Budget**

#### **Introduction**

Farmers are very concerned with the rating strategy within the 2013/14 proposed budget and subsequent rate burden on farms.

The farmers in the Shire wish to work with Council to develop a strategy which is fair to all residents and allow the farmers to conduct viable businesses; however the current rating system is not fair to farmers. The capital based system is flawed with regard to farm land.

#### **The Current Situation**

The capital base rating system is not appropriate for farm land. Unlike residential land value assessments, it does not capture accurately the capacity to pay nor benefit received. Land, labour and capital are the factors of production. Land is the farmer's major income producing asset. Land, however, in the non-farm sector, is where the enterprise and income producing assets are located. The income producing assets of the non-farm sector are not subjected to an annual ad valorem tax; whereas, the major income producing asset of the farm sector (land) is so subjected to this tax. This imposes a distorting burden on agriculture.

Farmers pay a much higher rate burden than the general community and yet farmers requirement for council services are less than the requirement of the general community. Property based rating disadvantages farmers relative to other groups in the community, since land is the farmers' primary income producing asset whereas land is merely the site on which non-farm businesses' assets operate. Farmers should not be expected to pay more than their fair share for general community services.

Farming is, by its nature, a land-based activity, and farm businesses have a very large proportion of their total assets invested in land. This is rare in non-farm businesses. In addition, farms are generally located outside the main population centres, and farmers do not have equal access to the services provided by Councils. Consequently, farmers pay a disproportionate share of the costs of local government.

## **The 2013/14 budget**

In the budget for 2013/14, the average residential assessment was \$1134, while the average Farm assessment was \$2273.50. This shows farmers, on average are paying 2 times that of the residential assessment.

This is clearly unfair and VFF members request that the burden of municipal rates be shared more equally among all residents.

The 6% rise in rates this year makes the average rate rise in the shire to 7% annually in the past five years. This is clearly unsustainable. The farm community is concerned that the rate rises are a result of what appears to be consistent increases in staff related costs. Staff costs make up 31% of the budget and there are serious questions on the full value that farmers are receiving for their rates.

The VFF suggests that local government adopt a municipal charge as close to the 20% threshold as possible and also implement farm differential rates that mean farm rates parallel that of residential counterparts.

Currently in Victoria, the farm rate differential varies from 100% (no differential), to a 50% differential. While there are very different factors that affect fair and equitable rating systems<sup>1</sup> across the State, the rating system in this shire is not treating farmers fairly.

The Ministerial Guidelines on the use of differentials states was gazetted on April 26 and stated the following with regard to farm differentials:

*The differential rate category terminology must unambiguously correspond with clearly identified uses, geographic location, planning scheme zoning of the land and types of buildings situated on it. The types and classes of land must be described:*

- *clearly and consistently so as to avoid any community uncertainty with regards to application; and*
- *in a manner that is consistent with the fulfilment of the stated council objectives.*
- *For the purposes of reading these guidelines the following differential rates hierarchy has been adopted to:*
  - *those that are appropriate;*
  - *those that require careful consideration; and*
  - *those that are not appropriate.*

*Types and classes of land categories and their combination that are considered **appropriate** for differential rates include the following:*

- *general land;*

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<sup>1</sup> As required by the Objective of Council section of the Local Government Act

- residential land;
- farm land;

### **VFF Proposal**

The Victorian Farmers Federation propose the following changes from the 2011/12 budget to be incorporated into the 2012/13 budget for the Wellington Shire.

1. We suggest that the Shire conduct a step wise change of the farm rate differential from the current level of 80% to 50% over the next three years.

The farm rate should be directed to only *bona fide* commercial farmers. The differential rate is designed to recognise that land is the income producing asset of a business and the value of land often does not reflect the capacity to pay for farmers. We feel the best way to identify *bona fide* farmers is to request proof of current VFF membership information as the VFF is the professional organisation for farmers.

2. The addition of a municipal charge starting at \$50, to be evaluated in following years.

### **Rating Classes**

It is important to note that there are many approaches to rating land and we suggest the council consider applying different rating classes to address specific complexities within the Shire, For example, if there are rating complications with the beach blocks at the 90 mile beach they should be dealt with in isolation and quarantined. The unique nature of these blocks should not hold back the development of a fairer system for a farmers, who currently contribute 23% of all rating revenue to the shire.

### **Conclusion**

Wellington Shire farmers would like to work with the Shire to develop a rating system that is fair for all residents. We feel the current rating system does not deliver fairness to farmers and we have outlined a process that will deliver a fairer system.

Farmers provide a valuable and important role in the community and economy for the Shire. Our proposal to alter the rating system will support farm business and recognise that farms are wealth producing business for the community AND provide important land care activities.

We look forward to hear from the council and are willing to meet to discuss the next Shire budget at any time.