Cr Gavin Gamble
Mayor
Golden Plains Shire Council
PO Box 111
BANNOCKBURN VIC 3331

By email: enquiries@gplains.vic.gov.au

15 December 2021

Dear Mayor Gamble,

RE: Submission to Golden Plains Shire Council Rating Strategy Consultation 2021

The Victorian Farmers Federation (VFF) welcomes the opportunity to put forward this submission to the Golden Plains Shire Council as part of its review into its rating strategy.

As part of its rating strategy review, Council has proposed three options to the community including an option to retain its existing rating strategy; an option that would see a reduction in the municipal charge and no change to the farm differential rate categories; and a more extreme option that would see a cut in the farm differential rate categories and a reduced municipal charge.

The VFF does not support any option to alter the farm differential rate categories or to reduce the municipal charge. Council has not justified the need whatsoever to adjust the farm differential rate categories and any move to do so would be manifestly unfair given that farmers already pay high levels of rates. Any downward adjustment to the municipal charge would also disproportionately punish farm businesses relative to the small benefit received by other ratepayers.

It is important to recognise that farmers pay rates over multiple assessments. The VFF therefore estimates in 2021/22, the average farm business in Golden Plains Shire is paying over $11,000 in general rates. This is exorbitantly higher than the average residential and business rates combined ($2,781).

The main driver of economic activity in Golden Plains Shire is the agricultural sector; employing 26% of the Shire's workforce and worth $159 million in economic output or 20% of the Shire's economy. 30%, of land in Golden Plains Shire is used primarily for cropping, with 242 of the Shire's agricultural enterprises (approximately 50%), involved in predominantly the production of barley, wheat and canola.

Any move to reduce the farm rate differential and municipal charge will represent significant rates shock for the local agricultural community and will hurt business growth and productivity which are ultimately needed to help create local jobs, and to help protect farm businesses into the future.

The VFF is committed to ensuring a fairer and more equitable rating strategy for all rural and regional ratepayers and we look forward to discussing Council's rating plans into the future. Should you wish to discuss these issues further, please contact VFF Stakeholder Policy and Advocacy Advisor Charles Everist on 0400 199 522 or email – ceverist@vff.org.au . The VFF also welcomes the opportunity to present to Council at its meeting on 21 December.

Yours sincerely,

Emma Germano
President

Understanding equity issues with the rating system

The VFF believes there are five major inequities associated with the local government rating system:

- Farmers in general pay more in rates than residents in urban areas and other businesses.
- Rating structures rarely account for the ability to pay and farmers' ability to pay rates fluctuates to a far greater degree than wage and salary earners.
- Farmers in general use few of the services they pay for through rates that are provided in urban areas.
- Land is a farmers' working capital and is taxed disproportionately compared with the working capital owned by other people and businesses.
- Victoria's rating system produces vast inequalities between metropolitan and regional ratepayers which compounds pressures faced by farm ratepayers.

The current model of using land valuations for striking rates places undue financial stress on farming businesses as the value attributed to farmland does not reflect farm businesses' revenue generation nor capacity to pay. As a wealth tax, the rating system fails because it only taxes one form of wealth being real property, and no other forms of wealth such as savings or shares. This has a disproportionate impact on farm businesses, as they require large amounts of land in order to produce an income.

What's more, farmers' incomes fluctuate because they are more exposed to factors beyond their control including seasonal variability such as rainfall, natural disasters and changes in international commodity markets. These factors have little impact on land values, but have a significant impact on famers' incomes and ability to pay. Businesses in other industries are also far less exposed to the impact of these factors.

The burden of rates on individual businesses is difficult to quantify given that every farm business is different. However the VFF estimates that council rates represent anywhere between 2 to 15 per cent of a farm businesses cost of production, with these figures inflating with bad seasonal conditions. A smaller livestock property would typically be at the higher end of this scale, with a larger operation at the lower end because of its ability to absorb costs due to its scale. Inequitable farm rates therefore have an even more disproportionate impact on smaller farm businesses, which are lucky to provide their owners with an average income. On the other hand, whilst larger operations may be able to absorb some of the inordinate cost of rates, they do this at the detriment of investing in the business, thereby losing the opportunity to create local jobs and economic activity.

Farm rates are also inequitable due to the relative lack of access that farmers have to many of the services for which they pay for. This goes against the benefit principle of taxation. Whilst government may point to rates as being solely a 'wealth tax', and therefore being disassociated from the level of service received, the benefit principle is clearly stated in the *Local Government Better Practice Guide: Revenue and Rating Strategy 2014* as do the *Ministerial Guidelines for Differential Rating* establish the need for rates to be offset in recognition of inequitable access to services.

Mechanisms designed to address the inequity of rates at the local level such as the use of differential rating and the municipal charge help to generate a substantial benefit to the whole local community as funds not used to pay rates are reinvested into farm businesses, helping to make those businesses more sustainable, creating more local economic activity, and helping to create more local jobs in the agricultural and agricultural services sectors. When farmers reinvest in their business, they rely on local trades and contractors, local machinery sales and local staff to employ on-farm. This helps the agricultural sector to directly employ a significant proportion of region's workforce.

It is important that Council acknowledges the inequities faced by farmers because of the rating system that has been imposed by state government policy. Whilst there is little Council can do to directly change that policy, it nevertheless can use tools at its disposal to promote a more equitable local rating strategy through the differential rate.

Differential rating

The VFF strongly supports the use of differential rating to help equalise the rating burden between sectors. In saying this, it is important to recognise that differential rates are not discounted rates. Differential rates are made available under the *Local Government Act* (s161) and recognise the different rating dynamics that apply to different classes of rateable properties and different groups of ratepayers.

The objective of differential rating under the *Local Government Act* and the Ministerial Guidelines (2013) is 'to ensure the equitable imposition of rates and charges' – whilst endeavoring to 'achieve the best outcomes for the local community having regard to the long-term cumulative effects of decisions'.

Differential rates are a useful tool to address equity issues that may arise from the setting of Council rates derived from property valuations. Circumstances whereby common types and classes of land use consistently demonstrate significant relative rate disparities, including access to services arising from the use of a uniform rate, may be addressed by use of the differential rate powers. What's more, under the Ministerial Guidelines a Council must give consideration to reducing the rate burden through use of a reduced differential rate to farmland and a Council should be able to provide evidence of having regard to modelling or consideration of the impact of its rating decision on those rated differentially and the consequential impact on the municipality.

In setting a differential rate for farmland, the VFF encourages Council to consider how differential rates can be used to maintain more equitable and fair rate rises for all rating sectors, not just for farmers. As differential rates were introduced as a tool for councils to address equity issues arising from the land valuation method of determining rates, the fundamental principle should be that as the value of farmland increases, the differential rate is adjusted to reduce the rate in the dollar so that the rate burden paid by all rating sectors remains stable.

Golden Plains Shire Council has largely been able to achieve this aim by actively adjusting the rate in the dollar to compensate for valuation shifts and asymmetries. Since 2016, average farm rates in Golden Plains have never increased by more than 2.5%.

As part of its rating strategy, the VFF encourages Council to take into account the impact of property valuation asymmetries across rating sectors when determining the level of rates and charges to be collected, and in determining its differential rate levels. Council should acknowledge the need to retain flexibility in its differential rating categories to assist with maintaining the rating burden across rating sectors.

The VFF encourages Council to look at strategies employed recently in Ararat Rural City Council's and Mansfield Shire's budgets, which maintain the burden across rating sectors in order to avoid 'rates shock' caused by the asymmetry in valuation increases.

Councils proposed Rating Strategies

The VFF does not support any change to Council's rating strategy as we believe council has failed to make a case as to why farm rates should be increased disproportionately higher than the benefit that will be received by other individual ratepayers.

The VFF strongly opposes Option 2. Council has not justified the need whatsoever to adjust the farm differential rate categories and any move to do so would be manifestly unfair given that farmers already pay high levels of rates than other ratepayers.

Based on the figures presented in the proposal, this option would see the average farm rate assessment increasing by 5.5% or $156. In contrast, residential ratepayers will receive a 2.3% or $40 rate cut. Whilst this does not breach the rules relating to the State Government's Fair Go Rate Cap, it does go against the spirit of rate capping. It would also lock farmers into paying higher rates and a higher share of the rate burden.

The full effect of lowering the municipal charge will be positively felt by only a very small percentage of the community including a total of 16 residential households, 53 businesses and 56 vacant landowners. In contrast, a substantial rate impost will be placed on the vast majority of farm businesses.

Based on an analysis of Council's 2021/22 Budget figures, the VFF estimates the move to reduce the farm differential rate would lead to a $700 increase to the rates of an average farm business in the shire. Given the potential for valuation asymmetries over the next three years due to high demand for farmland, the potential increase for individual farm businesses is likely to be well in excess of $700. This option will force the rating burden further onto the agricultural sector, making farm rates more inequitable than what they already are.

Council's proposed options will result in farm businesses having less funds to be able to invest in their business to make them more resilient to a changing climate, destabilised markets and supply chains, and to grow their businesses which results in more employment opportunities. Golden Plains Shire Council has implemented a stable rating policy of the last five years and any move to adjust this policy will undermine any confidence the farming community may have in the Council. The VFF strongly urges Council to maintain its existing rating structures.