



# FACT SHEET

## Campaspe Shire Council Local Government Rates March 2022



The VFF is concerned that councils across the state are failing to actively use their differential rating powers to offset the impact of high farm valuations. In response, we are analysing the budgets of all councils to better understand the driving factors behind unfair rate increases for farmers. We are also modelling council rate changes to show how fairer local rating strategies can work.

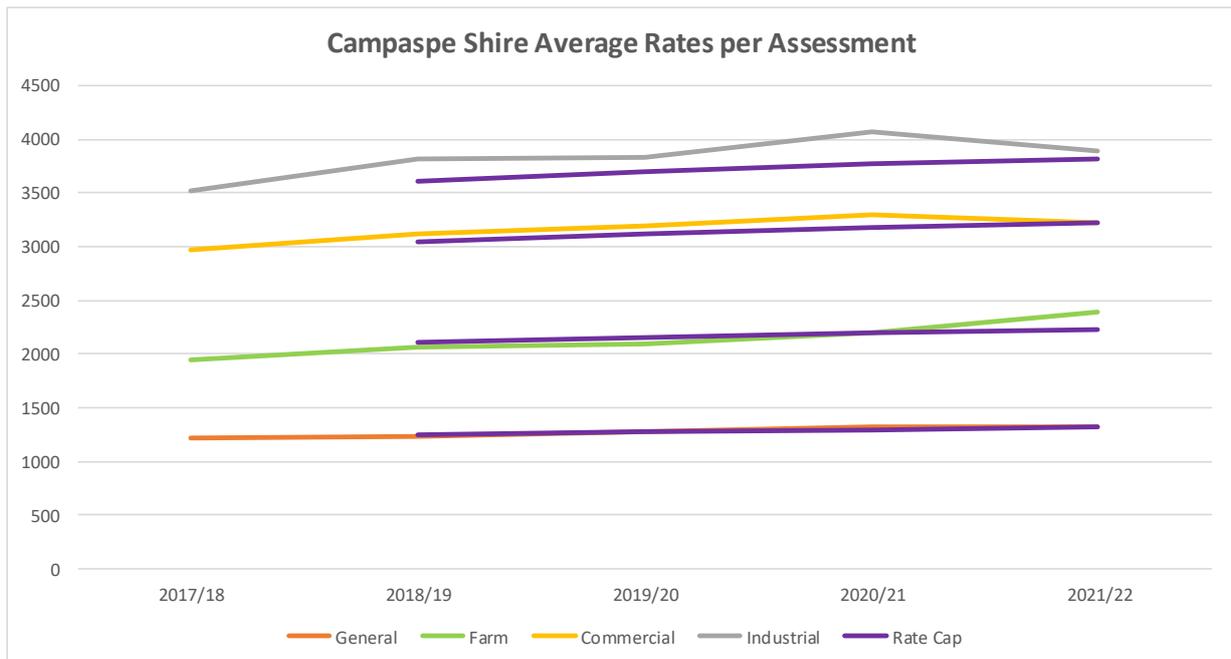
### Background

Despite the Victorian Government's Fair Go Rate Cap policy, farm rates in the Campaspe Shire increased by an average 8.74% in 2021/22. In contrast, general residential rates only increased by 0.14%.

This imbalance was the result of strong demand for farmland, with average farm value increases of 15.66% compared to average residential value increases of 6.5%. The resulting valuation asymmetry leads to the farm sector being forced to take on an increased share of the rate burden. This is a situation that is happening across Victoria.

Whilst the Victorian Government's rate cap rules do not require council's to cap the rates for each differential category, the VFF believes there is nothing preventing councils from doing this. In fact, the differential rate system was created to allow councils to actively adjust their rates on an annual basis to respond to circumstances affecting different types of land.

The graph below shows Council's rate movements since 2017/18. The VFF is concerned that farm rates will continue to rise above the rate cap level unless Council takes action to address the underlying issues.



## Setting fairer rates for Campaspe Shire

The VFF Policy Team has re-modelled Campaspe Shire's 2021/22 Budget to help guide Council's future rating decisions.

The model shows that Council could have applied the 1.5% rate cap to average rates for each differential category of land (general, farm, commercial, industrial) by adjusting differential rates, commensurate with the change in land values. In order to achieve this Council would have had to lower its farm differential rate from 90% to 82%, whilst the Commercial differential would increase from 116% to 121% and the Industrial rate increasing from 116% to 118%.

In addition, Council would have also needed to increase its \$200 municipal charge by a modest \$2.89.

These changes would have allowed Council to capture \$39,464,528 in rating revenue—the maximum that was allowable under the Fair Go Rate Cap system for the year 2021/22.

Rather than setting differential rates at a fixed percent over the long term, the VFF believes the differential should be adjusted on an annual basis to compensate for the valuation asymmetries if and when they occur.

The VFF also believes Council should annually index its municipal charge. Failure to increase the municipal charge each year, places greater reliance on the variable component of the rating strategy. This leads to greater rate increases for higher valued properties such as farms.

	General		Farm		Commercial		Industrial	
	c/\$CIV	Differential	c/\$CIV	Differential	c/\$CIV	Differential	c/\$CIV	Differential
<b>2021/22 Budget</b>	0.003975	100%	0.0035775	90%	0.0046109	116%	0.0046109	116%
<b>Remodelled Budget</b>	0.004029133	100%	0.003339503	82%	0.004780219	121%	0.004905638	118%
	<b>Average General Rate</b>		<b>Average Farm Rate</b>		<b>Average Commercial Rate</b>		<b>Average Industrial Rate</b>	
		<b>Increase</b>		<b>Increase</b>		<b>Increase</b>		<b>Increase</b>
<b>2021/22 Budget</b>	1320	0.14%	\$2,390	8.74%	\$3,291	-2.08%	\$4,073	-4.62%
<b>Remodelled Budget</b>	1338	1.50%	\$2,231	1.50%	\$3,340	1.50%	\$4,134	1.50%
	<b>Municipal Charge</b>	<b>Total Rates</b>						
<b>2021/22 Budget</b>	\$200	\$39,464,528						
<b>Remodelled Budget</b>	\$202.89	\$39,464,528						

## Future steps

The VFF will be closely watching all council budgets released in Autumn 2022 including Campaspe Shire Councils to monitor how fair their rating strategies are.

We are actively encouraging Campaspe Shire Council to consider this analysis to ensure that if farmland values remain strong, Council will be able to ensure farmers are not forced to shoulder an increased rate burden in 2022/23.

### Victorian Farmers Federation

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