



# **Inequities in Rural Rating**

**A Comparison of the Rates on Businesses in Rural  
and Regional Victoria**

MARCH 2015

## Foreword

The Victorian Farmers Federation is Australia's largest state farmer organisation, and the only recognised, consistent voice on issues affecting rural Victoria.

The VFF consists of an elected Board of Directors, a member representative Policy Council to set policy and eight commodity groups representing dairy, grains, livestock, horticulture, chicken meat, pigs, flowers and egg industries.

Farmers are elected by their peers to direct each of the commodity groups and are supported by Melbourne-based staff.

Each VFF member is represented locally by one of the 230 VFF branches across the state and through their commodity representatives at local, district, state and national levels. The VFF also represents farmers' views at many industry and government forums.

A handwritten signature in black ink, appearing to read 'PJS', written in a cursive style.

Peter Tuohey  
President

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## Executive Summary

As farm businesses have become increasingly aggregated the rating burden faced by individual farmers has been compounded. By using data on farm business numbers from the Australian Bureau of Statistics and information in local council budgets the VFF was able to determine the average rates paid by farm businesses in most councils. We have then compared this to the rates paid by other commercial ratepayers.

In the 2014/2015 financial year farms will, on average throughout councils applying both a farm and commercial differential rate, pay 2.5 times as much in rates as other commercial businesses. This equates to an average of \$4,008 more.

In April 2013 the Ministerial Guidelines for Differential Rating were released with the aim of promoting good practice and greater consistency in the application of differential rating in Victoria. This report provides evidence many councils are still failing to "*ensure the equitable imposition of rates and charges*" as directed by section 3C(2)(f) of the Local Government Act.

Differential rates were introduced as a tool for councils to address equity issues arising from the land valuation method of determining rates. The data compiled in this report suggests that many councils continue to apply inequitable differential rates. This results in an unbalanced rate distribution. Victorian farmers are paying a disproportionate amount of rates in comparison to both the number of agricultural businesses and the economic output of the agricultural industry.

Differential rates were introduced to address equity issues arising from levying municipal rates on the basis of capital improved value. This report demonstrates that the Local Government Act and the Ministerial Guidelines for Differential Rating are failing to ensure the equitable imposition of rates. These instruments need to be reconsidered by the State Government to ensure the effective usage of differential rating on farm land in Victoria. In fact some farm land in Victoria is still classed under a general rate, rated the same as all commercial and residential land.

The VFF firmly believes a differential rate should be applied to all Victorian farm land. In addition differential rates should be determined utilising farm business numbers with consideration given to the economic output of the agricultural industry in the local government area. The following recommendations are intended to ensure the equitable imposition of rates as prescribed by the Local Government Act.

## Recommendations

- 1. The Local Government Act be amended to **require** the application of differential rates on farming land.*
- 2. Local Government be required to collect information on the number of farm businesses and consider this information in the imposition of differential rates.*
- 3. The Local Government Act be amended to require councils to disclose the rates payed per business in addition to per assessment.*
- 4. The Legislative Assembly of Victoria conduct an Inquiry into the fairness and equity of the local government rating system in rural and regional areas to find a more equitable way to apply rates to farmland.*

## Introduction

The Victorian Farmers Federation has long advocated for change to the municipal rating system. The foundation of the rating system in Victoria is the principal that property value is a good measure of capacity to pay. There are fundamental problems with this principle when applied to farm land, including:

- Farming generally utilises a large amount of 'unimproved' land, and as a result municipal rates are a tax on a means of production.
- The value of farm land does not necessarily reflect the income potential of the land - agricultural land is not always valued on the basis of productivity. For example peri-urban land may be valued according to future development potential, while coastal land may be valued for aesthetic reasons rather than productive.

As farm businesses have become increasingly aggregated the rating burden faced by individual farm businesses has been compounded. Council budgets do not generally reflect the true cost of rates imposed on farm businesses. Councils only report on the average farm assessment, but most farm businesses receive more than one rates assessment.

This report delivers analysis of the rate burden faced by farm businesses, and compares this to the commercial rate levied on other businesses in regional and rural Victoria. The data has been compiled through the analysis of Australian Bureau of Statistics data on agricultural businesses<sup>1</sup>, REMPLAN data, and 2014/2015 council budget publications.

Where councils do not levy different rates on commercial land and farm land it is not possible to compare the two ratepayer categories. As a result there are some gaps in the analysis.

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<sup>1</sup> Australian Bureau of Statistics - Agricultural Commodities, Australia, 2010-11.

## **The Current Rating System**

The current rating system employed by local governments in Victoria is resulting in an inequitable distribution of rates. The system, based on land valuations, unfairly places a burden on farming businesses. This system presumes that the higher the land valuation the greater capacity the owner has to pay. VFF analysis shows Victoria's farmers pay over 44 per cent of the business rates in regional Victoria, but the value of farm gate production is only around 5 per cent of regional economic output.

The Local Government Act provides differential rates as a tool local government can utilise to re-balance the rating system. This report demonstrates that local councils are failing to properly utilise differential rates to re-balance the rating system, leaving farming businesses to shoulder an inequitable portion of the rural rate burden.

## **Farm Assessments vs Farm Businesses**

VFF analysis has confirmed that farms often pay more in rates than other commercial businesses. One contributing factor to this is the discrepancy between the number of agricultural businesses and the number of farm assessments per local government area. In recent history Victorian farms have been growing in size, often taking up multiple titles and receiving multiple rate assessment notices (see Table 1). Therefore local government data regarding the average cost of a farm assessment misrepresents the reality of the situation. That is; agricultural businesses pay more than their fair share.

The fact that farmers receive multiple rate notices is already recognised by Victorian councils offering the Single Farm Enterprise Exemption. Despite this awareness councils have invariably failed to use this knowledge to apply equitable differential rates. Further, the Municipal Association of Victoria (MAV) this year acknowledged in its 2014 rates package that a single farm enterprise including several assessments could "*skew the data*" used in their publication.

**Table 1: Number of Agricultural Businesses compared to Farm Assessments by Council Area (Source: ABS, 2014/2015 Council Budgets)**

| Shire                            | Number of Agricultural Businesses <sup>2</sup> | Farm Assessments | Average Assessments Per Business |
|----------------------------------|--|------------------|----------------------------------|
| Alpine Shire Council             | 370  | 1,067            | 2.9                              |
| Ararat Rural City Council        | 471  | 1,742            | 3.7                              |
| Ballarat City Council            | 220  | 772              | 3.5                              |
| Bass Coast Shire Council         | 421  | 1,028            | 2.4                              |
| Baw Baw Shire Council            | 1147   | 3,061            | 2.7                              |
| Benalla Rural City Council       | 484  | 1,306            | 2.7                              |
| Buloke Shire Council             | 559  | 2,854            | 5.1                              |
| Campaspe Shire Council           | 1269   | 3,729            | 2.9                              |
| Cardinia Shire Council           | 761  | 928              | 1.2                              |
| Central Goldfields Shire Council | 199  | 1,011            | 5.1                              |
| City of Whittlesea               | 84   | 197              | 2.3                              |
| Colac- Otway Shire Council       | 692  | 2,772            | 4.0                              |
| Corangamite Shire Council        | 1147   | 2,980            | 2.6                              |
| East Gippsland Shire Council     | 882  | 2,738            | 3.1                              |
| Gannawarra Shire Council         | 585  | 1,183            | 2.8                              |
| <i>Farm Dryland</i>              |  | 443              |                                  |
| Glenelg Shire Council            | 846  | 2,943            | 3.5                              |
| Golden Plains Shire Council      | 465  | 1,285            | 2.9                              |
| <i>Growth Area</i>               |  | 83               |                                  |
| Greater Bendigo City Council     | 470  | 1,217            | 2.6                              |
| Greater Geelong City Council     | 338  | 1,075            | 3.2                              |
| Greater Shepparton City Council  | 1058   |                  |                                  |
| Hepburn Shire Council            | 320  | 1,052            | 3.3                              |
| Hindmarsh Shire Council          | 433  | 2,022            | 4.7                              |
| Horsham Rural City Council       | 512  | 2,245            | 4.4                              |
| Hume City Council                | 99   |                  |                                  |
| Indigo Shire Council             | 537  | 1,388            | 4.1                              |
| <i>Category 2</i>                |  | 813              | 0.0                              |
| La Trobe City Council            | 350  | 1,320            | 3.8                              |
| Loddon Shire Council             | 744  | 3,800            | 5.1                              |
| Macedon Ranges Shire Council     | 487  | 1,072            | 2.2                              |
| Mansfield Shire Council          | 278  | 822              | 3.0                              |
| Mildura Rural City Council       | 1304   | 3,466            | 2.7                              |
| Mitchell Shire Council           | 368  | 429              | 3.0                              |
| <i>Rural Agricultural Land</i>   |  | 660              |                                  |

<sup>2</sup> Agricultural business numbers compiled from 'Australian Bureau of Statistics - Agricultural Commodities, Australia, 2010-11'.



| <b>Shire</b>                     | <b>Number of Agricultural Businesses</b> | <b>Farm Assessments</b> | <b>Average Assessments Per Business</b> |
|----------------------------------|--|-------------------------|---|
| Moira Shire Council              | 1072                                     | 2,342                   | 2.2                                     |
| Moorabool Shire Council          | 412                                      | 1,507                   | 3.7                                     |
| Mornington Peninsula Shire       | 544                                      | 1,176                   | 2.2                                     |
| Moyne Shire Council              | 1218                                     |                         |   |
| Mount Alexander Shire Council    | 244                                      | 469                     | 1.9                                     |
| Murrindindi Shire Council        | 581                                      | 1,316                   | 5.2                                     |
| <i>Rural 2</i>                   |  | 1,727                   |   |
| Nillumbik Shire Council          | 115                                      | 211                     | 1.8                                     |
| Northern Grampians Shire Council | 451                                      | 2,311                   | 5.1                                     |
| Pyrenees Shire Council           | 732                                      | 1,770                   | 2.4                                     |
| Shire of Yarra Ranges            | 744                                      | 1,912                   | 2.6                                     |
| South Gippsland Shire Council    | 1402                                     | 3,365                   | 2.4                                     |
| Southern Grampians Shire Council | 878                                      |                         |   |
| Strathbogie Shire Council        | 669                                      | 2,195                   | 3.3                                     |
| Surf Coast Shire Council         | 418                                      | 944                     | 2.3                                     |
| Swan Hill Rural City Council     | 753                                      | 1,199                   | 1.6                                     |
| Towong Shire Council             | 497                                      | 1,529                   | 3.1                                     |
| Wangaratta Rural City Shire      | 841                                      | 735                     | 3.5                                     |
| <i>Rural 2</i>                   |  | 2,213                   |   |
| Warrnambool City Council         | 58                                       | 159                     | 2.7                                     |
| Wellington Shire Council         | 1273                                     | 3,720                   | 2.9                                     |
| West Wimmera Shire Council       | 558                                      | 2,848                   | 5.1                                     |
| Wodonga City Council             | 108                                      | 294                     | 2.7                                     |
| Wyndham City Council             | 137                                      | 381                     | 2.8                                     |
| Yarriambiack Shire Council       | 564                                      | 3,039                   | 5.4                                     |

## Farm vs Commercial Rate Inequality

Table 2 demonstrates the significant disparity between rates paid by farm businesses compared to other commercial ratepayers. This is not immediately apparent when looking at the average farm rate assessment. For example, in Benalla based on the average farm rate assessment it appears commercial rate payers will pay \$1,779 more than a farm. However, there are only 484 agricultural businesses compared to 1,306 assessments and therefore farm businesses will actually pay \$1,830 more than other commercial businesses. On average across Victoria, in councils applying both a farm and commercial rate, farming businesses will pay on average 2.5 times more than other commercial rate payers. This equates to \$4,008 more than other commercial businesses.

**Table 2: Comparison of Farm and Commercial Rate Assessments by Council (Source: ABS, 2014/2015 Council Budgets)**

| Shire                            | Average Farm Assessment | Average Commercial Assessment | Average Rates per Farm Business |
|----------------------------------|-------------------------|-------------------------------|---------------------------------|
| Alpine Shire Council             | \$1,855                 | \$2,581                       | \$5,349                         |
| Ararat Rural City Council        | \$2,852                 | \$3,197                       | \$10,548                        |
| Ballarat City Council            | \$1,974                 | \$7,666                       | \$6,927                         |
| Bass Coast Shire Council         | \$3,437                 | \$2,378                       | \$8,393                         |
| Baw Baw Shire Council            | \$2,971                 | \$2,679                       | \$7,929                         |
| Benalla Rural City Council       | \$2,125                 | \$3,904                       | \$5,734                         |
| Buloke Shire Council             | \$2,313                 | \$1,302                       | \$11,809                        |
| Campaspe Shire Council           | \$1,719                 | \$2,663                       | \$5,050                         |
| Cardinia Shire Council           | \$2,637                 | \$3,745                       | \$3,215                         |
| Central Goldfields Shire Council | \$1,299                 | \$3,384                       | \$6,599                         |
| City of Whittlesea               | \$5,387                 |                               | \$12,633                        |
| Colac- Otway Shire Council       | \$1,929                 | \$3,033                       | \$7,726                         |
| Corangamite Shire Council        | \$2,968                 |                               | \$7,710                         |
| East Gippsland Shire Council     | \$1,507                 | \$1,995                       | \$4,678                         |
| Gannawarra Shire Council         | \$1,993                 | \$1,495                       | \$3,843                         |
| Glenelg Shire Council            | \$2,261                 | \$1,925                       | \$7,867                         |
| Golden Plains Shire Council      | \$2,360                 | \$1,112                       | \$6,598                         |
| Greater Bendigo City Council     | \$1,880                 | \$4,994                       | \$4,869                         |
| Greater Geelong City Council     | \$2,362                 | \$4,080                       | \$7,512                         |
| Greater Shepparton City Council  | Data Unavailable        |                               |                                 |
| Hepburn Shire Council            | \$1,515                 | \$2,650                       | \$4,981                         |
| Hindmarsh Shire Council          | \$2,021                 | \$735                         | \$9,435                         |
| Horsham Rural City Council       | \$2,107                 |                               | \$9,237                         |
| Hume City Council                | Data Unavailable        |                               |                                 |
| Indigo Shire Council             | \$1,356                 | \$1,940                       | \$3,864                         |
| La Trobe City Council            | \$2,231                 |                               | \$8,412                         |

| <b>Shire</b>                     | <b>Average Farm Assessment</b> | <b>Average Commercial Assessment</b> | <b>Average Rates per Farm Business</b> |
|----------------------------------|--------------------------------|--------------------------------------|--|
| Loddon Shire Council             | \$1,310                        |                                      | \$6,690                                |
| Macedon Ranges Shire Council     | \$1,918                        | \$1,770                              | \$4,223                                |
| Mansfield Shire Council          | \$1,732                        | \$1,842                              | \$5,120                                |
| Mildura Rural City Council       | \$2,175                        | \$4,760                              | \$5,781                                |
| Mitchell Shire Council           | \$2,167                        |                                      | \$3,605                                |
| Moira Shire Council              | \$1,875                        | \$1,807                              | \$4,096                                |
| Moorabool Shire Council          | \$2,070                        | \$2,996                              | \$7,572                                |
| Mornington Peninsula Shire       | \$1,596                        |                                      | \$3,450                                |
| Moyne Shire Council              | Data Unavailable               |                                      |  |
| Mount Alexander Shire Council    | \$1,903                        | \$2,995                              | \$3,657                                |
| Murrindindi Shire Council        | \$1,826                        | \$1,193                              | \$5,189                                |
| Nillumbik Shire Council          | \$3,147                        | \$2,428                              | \$5,774                                |
| Northern Grampians Shire Council | \$1,636                        | \$2,072                              | \$8,381                                |
| Pyrenees Shire Council           | \$2,007                        | \$1,163                              | \$7,464                                |
| Shire of Yarra Ranges            | \$2,615                        | \$3,507                              | \$6,720                                |
| South Gippsland Shire Council    | \$2,746                        | \$1,740                              | \$6,590                                |
| Southern Grampians Shire Council | Data Unavailable               |                                      |  |
| Strathbogie Shire Council        | \$2,636                        | \$2,132                              | \$8,648                                |
| Surf Coast Shire Council         | \$1,837                        | \$2,964                              | \$4,149                                |
| Swan Hill Rural City Council     | \$2,636                        | \$3,345                              | \$4,198                                |
| Towong Shire Council             | \$1,878                        | \$542                                | \$5,777                                |
| Wangaratta Rural City Shire      | \$1,681                        | \$3,116                              | \$3,430                                |
| Warrnambool City Council         | \$2,283                        | \$4,408                              | \$6,259                                |
| Wellington Shire Council         | \$2,412                        |                                      | \$7,048                                |
| West Wimmera Shire Council       | \$1,779                        | \$294                                | \$9,080                                |
| Wodonga City Council             | \$2,989                        | \$4,874                              | \$8,136                                |
| Wyndham City Council             | \$3,861                        | \$4,855                              | \$10,738                               |
| Yarriambiack Shire Council       | \$2,276                        | \$787                                | \$12,265                               |
| <b>Rural Council Average</b>     | <b>\$2,197</b>                 | <b>\$2,692</b>                       | <b>\$6,699</b>                         |

## Operation of Differential Rates

Table 3 demonstrates the operation of differentials and the impact they have on the rate burden distribution. This table shows that some regional councils such as Bendigo, Mildura and Swan Hill have effectively used differential rates to equitably distribute the rate burden. Councils that have failed to do this include Bass Coast, Benella, Glenelg, and West Wimmera. It should also be noted that councils such as West Wimmera and Yarriambiack face greater restrictions in their ability to re-balance the rate burden due to a heavy reliance on farm rates due to a small number of commercial businesses (see Table 4 below).

**Table 3: Farm vs Commercial rates comparison including differentials (Source: ABS, 2014/2015 Council Budgets)**

| Shire                            | Commercial Differential | Farm Differential | Average Commercial Assessment | Average Rates per Farm Business |
|----------------------------------|-------------------------|-------------------|-------------------------------|---------------------------------|
| Alpine Shire Council             | 143%                    | 71%               | \$2,581                       | \$5,349                         |
| Ararat Rural City Council        | 162%                    | 60%               | \$3,197                       | \$10,548                        |
| Ballarat City Council            | 252%                    | 70%               | \$7,666                       | \$6,927                         |
| Bass Coast Shire Council         | 100%                    | 100%              | \$2,378                       | \$8,393                         |
| Baw Baw Shire Council            | 130%                    | 90%               | \$2,679                       | \$7,929                         |
| Benalla Rural City Council       | 135%                    | 75%               | \$3,904                       | \$5,734                         |
| Buloke Shire Council             | 100%                    | 98%               | \$1,302                       | \$11,809                        |
| Campaspe Shire Council           | 116%                    | 90%               | \$2,663                       | \$5,050                         |
| Cardinia Shire Council           | 145%                    | 75%               | \$3,745                       | \$3,215                         |
| Central Goldfields Shire Council | 160%                    | 80%               | \$3,384                       | \$6,599                         |
| City of Whittlesea               | 100%                    | 85%               |                               | \$12,633                        |
| Colac- Otway Shire Council       | 165%                    | 79%               | \$3,033                       | \$7,726                         |
| Corangamite Shire Council        | 100%                    | 94%               |                               | \$7,710                         |
| East Gippsland Shire Council     | 145%                    | 90%               | \$1,995                       | \$4,678                         |
| Gannawarra Shire Council         | 107%                    | 99%               | \$1,495                       | \$3,843                         |
| <i>Farm Dryland</i>              |                         | 79%               |                               |                                 |
| Glenelg Shire Council            | 120%                    | 100%              | \$1,925                       | \$7,867                         |
| Golden Plains Shire Council      | 100%                    | 90%               | \$1,112                       | \$6,598                         |
| <i>Growth Area</i>               | 100%                    | 91%               |                               |                                 |
| Greater Bendigo City Council     | 100%                    | 85%               | \$4,994                       | \$4,869                         |
| Greater Geelong City Council     | 209%                    | 100%              | \$4,080                       | \$7,512                         |
| Greater Shepparton City Council  |                         |                   |                               |                                 |
| Hepburn Shire Council            | 116%                    | 68%               | \$2,650                       | \$4,981                         |
| Hindmarsh Shire Council          | 90%                     | 90%               | \$735                         | \$9,435                         |
| Horsham Rural City Council       | 100%                    | 80%               |                               | \$9,237                         |
| Hume City Council                | 100%                    | 100%              |                               |                                 |

| Shire                                     | Commercial Differential | Farm Differential | Average Commercial Assessment | Average Rates per Farm Business |
|---|-------------------------|-------------------|-------------------------------|---------------------------------|
| Indigo Shire Council                      | 135%                    | 75%               | \$1,940                       | \$3,864                         |
| <i>Category 2</i>                         |                         | 75%               |                               |                                 |
| La Trobe City Council                     | 100%                    | 75%               |                               | \$8,412                         |
| Loddon Shire Council                      | 100%                    | 89%               |                               | \$6,690                         |
| Macedon Ranges Shire Council              | 120%                    | 80%               | \$1,770                       | \$4,223                         |
| Mansfield Shire Council                   | 143%                    | 71%               | \$1,842                       | \$5,120                         |
| Mildura Rural City Council                | 120%                    | 95%               | \$4,760                       | \$5,781                         |
| Mitchell Shire Council                    | 100%                    | 80%               |                               | \$3,605                         |
| <i>Rural Agricultural Land 40ha-100ha</i> |                         | 90%               |                               |                                 |
| Moira Shire Council                       | 140%                    | 100%              | \$1,807                       | \$4,096                         |
| Moorabool Shire Council                   | 160%                    | 78%               | \$2,996                       | \$7,572                         |
| Mornington Peninsula Shire                | 100%                    | 37%               |                               | \$3,450                         |
| Moyne Shire Council                       | 100%                    | 100%              |                               |                                 |
| Mount Alexander Shire Council             | 130%                    | 100%              | \$2,995                       | \$3,657                         |
| Murrindindi Shire Council                 | 100%                    | 75%               | \$1,193                       | \$5,189                         |
| <i>Rural 2</i>                            |                         | 100%              |                               |                                 |
| Nillumbik Shire Council                   | 116%                    | 85%               | \$2,428                       | \$5,774                         |
| Northern Grampians Shire Council          | 100%                    | 65%               | \$2,072                       | \$8,381                         |
| Pyrenees Shire Council                    | 100%                    | 81%               | \$1,163                       | \$7,464                         |
| Shire of Yarra Ranges                     | 150%                    | 70%               | \$3,507                       | \$6,720                         |
| South Gippsland Shire Council             | 103%                    | 80%               | \$1,740                       | \$6,590                         |
| Southern Grampians Shire Council          | 100%                    | 80%               |                               |                                 |
| Strathbogie Shire Council                 | 120%                    | 85%               | \$2,132                       | \$8,648                         |
| Surf Coast Shire Council                  | 190%                    | 75%               | \$2,964                       | \$4,149                         |
| Swan Hill Rural City Council              | 130%                    | 90%               | \$3,345                       | \$4,198                         |
| Towong Shire Council                      | 95%                     | 90%               | \$542                         | \$5,777                         |
| Wangaratta Rural City Shire               | 135%                    | 74%               | \$3,116                       | \$3,430                         |
| <i>Rural 2</i>                            |                         | 70%               |                               |                                 |
| Warrnambool City Council                  | 168%                    | 56%               | \$4,408                       | \$6,259                         |
| Wellington Shire Council                  | 100%                    | 80%               |                               | \$7,048                         |
| West Wimmera Shire Council                | 100%                    | 100%              | \$294                         | \$9,080                         |
| Wodonga City Council                      | 140%                    | 75%               | \$4,874                       | \$8,136                         |
| Wyndham City Council                      | 150%                    | 80%               | \$4,855                       | \$10,738                        |
| Yarriambiack Shire Council                | 100%                    | 77%               | \$787                         | \$12,265                        |
| <b>Rural Council Average</b>              | <b>124%</b>             | <b>82%</b>        | <b>\$2,692</b>                | <b>\$6,699</b>                  |

## Reliance on Farm Businesses for Rate Revenue

Table 4 demonstrates the reliance of councils on rate revenue from farms, both as a proportion of commercial rate revenue and as a proportion of total rate revenue. In addition the table includes the difference between the average rates paid by farm businesses in each shire to the average commercial assessment.

The inequity between farming and other commercial businesses is predominant in councils reliant on farm rates for greater than 10% of their rates revenue. There are several notable exceptions to this – where farm businesses provide less than 10 per cent of rate revenue, but still face significant inequity. These councils include Bass Coast, Greater Geelong, Nillumbik, Yarra Ranges, Wodonga, and Wyndham.

However, in general those councils with a high reliance on farm rates tend to have a greater discrepancy between the rates paid by farms compared to other commercial ratepayers. Appendix 1 demonstrates this pattern geographically.

**Table 4: Different between average farm business rates and average commercial assessment compared to the proportion rate revenue from farm rates**

| Shire                            | Proportion of Commercial Rate Revenue | Proportion of Total Council Rate Revenue | Difference – Ave Farm Business vs Average Commercial Assessment |
|----------------------------------|---------------------------------------|--|---|
| Alpine Shire Council             | 49%                                   | 16%                                      | \$2,768   |
| Ararat Rural City Council        | 80%                                   | 41%                                      | \$7,351   |
| Ballarat City Council            | 6%                                    | 2%                                       | -\$739  |
| Bass Coast Shire Council         | 59%                                   | 9%                                       | \$6,016   |
| Baw Baw Shire Council            | 71%                                   | 23%                                      | \$5,250   |
| Benalla Rural City Council       | 61%                                   | 25%                                      | \$1,830   |
| Buloke Shire Council             | 92%                                   | 69%                                      | \$10,507  |
| Campaspe Shire Council           | 60%                                   | 23%                                      | \$2,387   |
| Cardinia Shire Council           | 35%                                   | 4%                                       | -\$530  |
| Central Goldfields Shire Council | 57%                                   | 16%                                      | \$3,215   |
| City of Whittlesea               |                                       | 1%                                       |   |
| Colac- Otway Shire Council       | 74%                                   | 25%                                      | \$4,692   |
| Corangamite Shire Council        |                                       | 56%                                      |   |
| East Gippsland Shire Council     | 51%                                   | 12%                                      | \$2,683   |
| Gannawarra Shire Council         | 75%                                   | 26%                                      | \$2,347   |
| Glenelg Shire Council            | 77%                                   | 37%                                      | \$5,942   |
| Golden Plains Shire Council      | 99%                                   | 17%                                      | \$5,486   |
| <i>Growth Area</i>               | 46%                                   |  |   |
| Greater Bendigo City Council     | 12%                                   | 3%                                       | -\$125  |

| Shire                              | Proportion of Commercial Rate Revenue | Proportion of Total Council Rate Revenue | Difference – Ave Farm Business vs Average Commercial Assessment |
|------------------------------------|---------------------------------------|--|---|
| Greater Geelong City Council       | 8%                                    | 1%                                       | \$3,432   |
| Greater Shepparton City Council    | Data Unavailable                      |  |   |
| Hepburn Shire Council              | 44%                                   | 11%                                      | \$2,331   |
| Hindmarsh Shire Council            | 94%                                   | 70%                                      | \$8,701   |
| Horsham Rural City Council         |                                       | 28%                                      |   |
| Hume City Council                  | Data Unavailable                      |  |   |
| Indigo Shire Council               | 75%                                   | 23%                                      | \$1,923   |
| La Trobe City Council              |                                       | 7%                                       |   |
| Loddon Shire Council               |                                       | 70%                                      |   |
| Macedon Ranges Shire Council       | 53%                                   | 7%                                       | \$2,453   |
| Mansfield Shire Council            | 71%                                   | 20%                                      | \$3,278   |
| Mildura Rural City Council         | 45%                                   | 16%                                      | \$1,020   |
| Mitchell Shire Council             |                                       | 6%                                       |   |
| Moira Shire Council                | 62%                                   | 22%                                      | \$2,290   |
| Moorabool Shire Council            | 67%                                   | 13%                                      | \$4,576   |
| Mornington Peninsula Shire         |                                       | 2%                                       |   |
| Moyne Shire Council                | Data Unavailable                      |  |   |
| Mount Alexander Shire Council      | 41%                                   | 6%                                       | \$662   |
| Murrindindi Shire Council          | 84%                                   | 26%                                      | \$3,996   |
| Nillumbik Shire Council            | 22%                                   | 1%                                       | \$3,346   |
| Northern Grampians Shire Council   | 76%                                   | 32%                                      | \$6,310   |
| Pyrenees Shire Council             | 95%                                   | 51%                                      | \$6,301   |
| Shire of Yarra Ranges              | 30%                                   | 5%                                       | \$3,213   |
| South Gippsland Shire Council      | 83%                                   | 31%                                      | \$4,850   |
| Southern Grampians Shire Council   | Data Unavailable                      |  |   |
| Strathbogie Shire Council          | 91%                                   | 46%                                      | \$6,516   |
| Surf Coast Shire Council           | 39%                                   | 5%                                       | \$1,185   |
| Swan Hill Rural City Council       | 66%                                   | 15%                                      | \$853   |
| Towong Shire Council               | 96%                                   | 58%                                      | \$5,236   |
| Wangaratta Rural City Shire        | 47%                                   | 13%                                      | \$314   |
| Warrnambool City Council           | 6%                                    | 2%                                       | \$1,850   |
| Wellington Shire Council           |                                       | 20%                                      |   |
| West Wimmera Shire Council         | 99%                                   | 90%                                      | \$8,786   |
| Wodonga City Council               | 12%                                   | 3%                                       | \$3,262   |
| Wyndham City Council               | 5%                                    | 1%                                       | \$5,884   |
| Yarriambiack Shire Council         | 95%                                   | 74%                                      | \$11,478  |
| <b>Rural Council State Average</b> | <b>49%</b>                            | <b>24%</b>                               | <b>\$4,008</b>  |

## Local Government Area Economic Output

Economic output figures from the ABS further demonstrates the failure of the land valuation method to equitably distribute the rate burden. It also demonstrates the need for councils to take into account additional factors and statistics in determining differential rates.

The high value of farming land in comparison the economic output from the land means that farmers are paying a disproportionate amount of rates. Farmers are being taxed up to 4 cents per dollar of output for council rates. Table 4 illustrates the discrepancy between agricultural businesses and other commercial businesses in dollars of economic output per dollar of rates paid. This further demonstrates the inappropriateness of capital improved value of agricultural land as a measure of capacity to pay.

**Table 5: ABS Economic Output Figures per \$ of rates payed (Source: REMPLAN, ABS, 2014/2015 Council Budgets)**

| Shire           | Agricultural Output | Other Commercial Output | Agricultural Output per \$ of rates | Other Commercial Output per \$ of Rates |
|-----------------|---------------------|-------------------------|-------------------------------------|---|
| Ararat          | \$132,000,000       | \$1,047,524,000         | \$27                                | \$839                                   |
| Indigo          | \$106,632,000       | \$1,522,826,000         | \$51                                | \$2,162                                 |
| South Gippsland | \$360,858,000       | \$2,308,783,000         | \$39                                | \$1,182                                 |
| Moorabool       | \$131,541,000       | \$1,310,871,000         | \$42                                | \$854                                   |

## Ministerial Guidelines for Differential Rating

The Ministerial Guidelines released in 2013 stated the Minister for Local Government would use their statutory powers to prohibit a differential rate if it was considered to be inconsistent with the guidelines. The guidelines also suggested the Minister would have close regard to the proposed differential rates of Councils in the 28 day draft budget consultation period.

The data in Table 2 suggests the Local Government Act has not been appropriately followed. The imposition of inequitable rates in many cases suggests the Minister has failed to implement the differential rating guidelines. Further action is required to ensure that differential rates are implemented effectively and councils are held accountable for their operation.



## Reforms

The Ministerial Guidelines recognise that differential rates are a tool for councils to use to address equity issues resulting from the property valuation method. Government recognises the fact that the land valuation method unfairly prejudices farmers. Some councils have effectively utilised differential rates, fairly distributing the rate burden. Many councils, particularly those with a high number of farmers, do not use differential rates to an effective end. Differential rates are not a tool to reduce inequity they are a tool to address inequity.

The VFF is aware of the financial stress many rural and regional local governments are currently experiencing. The proposed reforms will in no way increase this financial stress. The aim of these reforms is to encourage councils to effectively utilise differential rates to re-balance the rate burden. In order to do this local government needs to consider more information in determining differential rates.

Agricultural business numbers should be collected and utilised by council. Many councils already have a mechanism to gather this information through the operation of the Single Farm Enterprise Exemption. In addition councils should consider the economic output of farming and commercial industries. Differential rates were introduced to address the discrepancy between land valuations and actual output, therefore it would be logical to use both figures to determine the differential.

## Recommendations

- 1. The Local Government Act be amended to **require** the application of differential rates on farming land.*
- 2. Local Government be required to collect information on the number of farm businesses and consider this information in the imposition of differential rates.*
- 3. The Local Government Act be amended to require council to disclose the rates payed per business in addition to per assessment.*
- 4. The Legislative Assembly of Victoria conduct an Inquiry into the fairness and equity of the local government rating system in rural and regional areas to find a more equitable way to apply rates to farmland.*

# Appendix1: Map of Average Commercial Assessment vs Farm Business Rates in Victoria

