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**Sent:** Friday, May 21, 2021 4:27 PM  
**To:** haveyoursay  
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**Subject:** Federated Farmers submission on draft LTP 2021  
**Attachments:** Submission on draft LTP 2021 .pdf

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Good afternoon

Please find attached FFNZ submission on the draft LTP. We note the hearing is set for Thursday 27 May and due to other commitments ask if we can be scheduled to speak to the submission between 12 to 1.30pm if possible please.

Thanking you in advance  
Hilary



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# FEDERATED FARMERS OF NEW ZEALAND

## Submission to Waitomo District Council on the draft Long Term Plan 2021-31

21 May 2021



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# SUBMISSION

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To: Waitomo District Council  
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Te Kuiti 3941.

Submission on: **Draft Long Term Plan 2021-31**

Date: 21 May 2021

Submission by: Waitomo Branch of Waikato Federated Farmers

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**We wish to be heard in support of our submission.**

## INTRODUCTION

1. The Waitomo Branch of Waikato Federated Farmers (Federated Farmers) welcomes the opportunity to comment on the Waitomo District Council Long Term Plan 2021 - 24 (LTP). We acknowledge any submissions made by individual members of Federated Farmers. This submission provides overall comment from the perspective of our farming members on the proposals in the consultation document and respective funding policies.
2. Federated Farmers is focused on the transparency of rate setting, rates equity and both the overall and relative cost of local government to agriculture. We support councils that are making progress towards achieving fairness and equity in their rating policies.
3. Federated Farmers would like to be heard in support of the submission.

## SUMMARY OF POSITION AND RECOMMENDATIONS

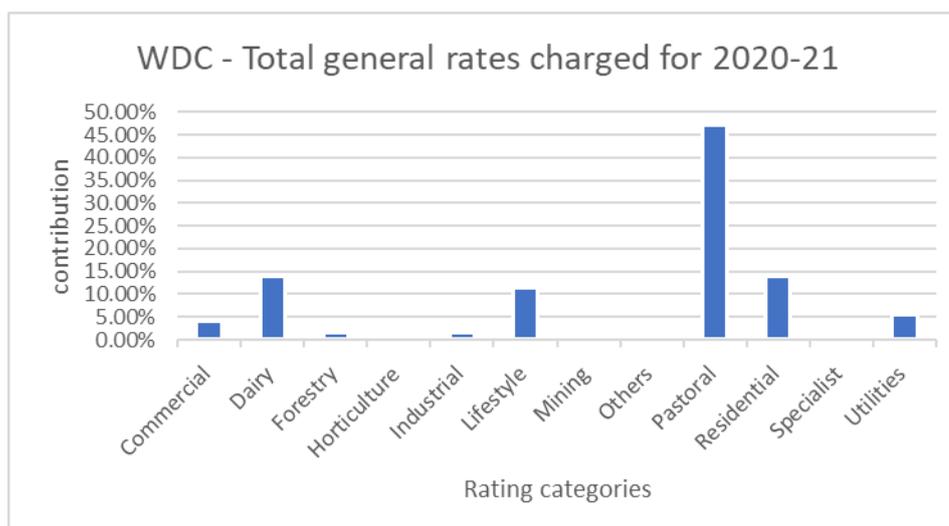
4. We commend council for the hard work over recent years to achieve some financial sustainability and reduce some of the Debt levels.
5. We support the 'steady as she goes' approach being adopted during this period of high uncertainty.
6. We commend Council on the consultation and supporting documents which were once again set at a pretty high standard.

### **Federated Farmers recommend:**

7. That WDC continues to make good use of the targeted rate approach to fund services which have a high level of direct and identifiable benefit.
8. That WDC increase the amount in the UAGC to 30% to achieve maximum use of the UAGC funding mechanism.
9. That WDC continues to consult and engage with a high level of transparency and include itemised rates examples for a wide range of property types to enable readers to compare rates and understand how rates are allocated.
10. That WDC continues to work hard to reduce reliance on rates as the main source of revenue and continues utilising subsidies and grants and user charges, and explore opportunities to increase that use where-ever possible.
11. That rates revenue will be limited to an average of 65% of total operating expenditure.
12. That Council continues to work hard to make efficiency gains and exercise spending restraint, to ensure rates increases are within the rate of inflation.
13. That Council commits to a strong application of user charges, uniform annual general charges, and alternative funding sources whenever possible to ensure that use of the variable general rate is kept as minimal as possible.
14. That a hybrid funding model is introduced to fund roading; including rating differentials applied to forestry blocks to ensure a much higher contribution towards maintenance and repairs than is currently proposed.

## GENERAL COMMENTS

15. Federated Farmers submits year in, year out on annual and long-term plans and the associated funding and financial policies because it is important. Local authority rates are a substantial component of the operating cost of any farm, and our members expect that we engage with councils on these issues.
16. This is particularly true in Waitomo as it has some of the highest rates for rural properties in the country. An 'average' rural property can pay seven times more for activities than the 'average' Te Kuiti residential property for activities that everyone benefits from equally.
17. The affordability of rates is a significant issue for farm businesses. Income from a farm business is extremely vulnerable to externalities such as weather events, exchange rates, pay outs and consumer demand and as such is highly variable from season to season. And unlike other businesses, farms have to absorb costs - there is no ability to pass costs on.
18. For a long time, the funding policies have created an outcome whereby one third of the ratepayer base (pastoral and dairy) contribute more than two thirds of the general rate take (example provided from the 2020-21 period to illustrate). Until the outcomes are different our submissions will repeat the same messages and seek the same changes.



19. It is also worth making the point that the Federated Farmers position is cognisant of Council's four wellbeing responsibilities. Our position has been formed, in part, by the response made to concerns we raised during the Productivity Commission Inquiry into Local Government funding and financing in 2019.
20. Federated Farmers appreciates that for Regional and District Councils alike the 2021 LTP is heavily directed by external factors. Increasing costs to implement Central Government regulatory changes, coupled with the ongoing impact of COVID19 are untimely challenges for Councils. We understand WDC is in a relatively difficult position to forward plan right now with the three central government review and reform processes currently underway (RMA reform, three waters reform and local government review). All of which have the potential to significantly change the form and function of a district council.
21. We can see that WDC is responding to this period of uncertainty by adopting a 'steady as she goes' approach with no major projects or significant spending priorities signalled in the draft LTP. This makes sense to us.

22. Federated Farmers extends an offer to foster a better working relationship with Council, we are keen to build on this through regular meetings between our nominated representatives and staff and create opportunities for discussion over resource management issues and the future direction of our district.

**Wellbeing and affordability**

23. We accept and understand the challenges ahead for council with regards to projected population decline and promoting Waitomo as a vibrant and attractive place to live and work. We live, work and play in the district too and so share the Mayor's enthusiasm and drive to create a better future with vibrant communities and thriving business.
24. We also feel it is our duty to remind council how vital the farming industry is to the district. Without a vibrant and thriving rural economy there is little to fill that void and as such council must be ever mindful of the impact their funding policies and good intentions can have. This is not just in terms of a farmer's ability to pay the rates but also in terms of buyer decision making factors if, and when, a farming property comes onto the market.
25. The costs of rates can also affect on-farm decisions which affect the community and district – such as the ability to employ more staff. So, while we understand Council often uses the argument that rural rates can be high because the farming community benefits from attractive towns with a range of services that will attract workers to the district, we remind Council that the alternate reality is also true, whereby excessively high rates reduce the discretionary spend a farmer has and can be the difference between employing more staff or not.
26. Farm staff will be attracted to an area if they are paid good wages and have good living conditions – two requirements that can be met when more money is left in a farmer's pocket.
27. The provisions of the Local Government Act do not empower councils to pick 'winners and losers' using a flawed assumption that the value of a property indicates the ability to pay. WDC does not need to disproportionately gather rates from one particular sector of the community in order to shelter others from costs. Low-income ratepayers can already receive assistance from the central government's Rates Rebate Scheme. The government revised this scheme to increase its accessibility by increasing the maximum income threshold, and also increased the maximum rebate amount. It is our understanding that the rates rebate scheme cost central government (ie taxpayers) approximately \$60 million dollars a year.
28. Councils do not know the income or net wealth of their ratepayers, which are the best indicators of ability to pay. All councils know is their ratepayers' assessed property values and have access, like anyone else, to social demographic statistics. This is insufficient information on which to base a compulsory "tax" with the purpose of reflecting 'ability to pay' principles. Income from a farm business is also extremely vulnerable to externalities such as weather events, exchange rates, pay outs and consumer demand and as such is highly variable from season to season. Rates are one of the most significant, fixed expenses for our farming members and unlike other businesses there is no ability to pass that cost on.
29. We understand Council's responsibilities with regards to the four wellbeings and in our view helping to build resilience within your communities goes a long way towards meeting those responsibilities. Resilience can be achieved by Council ensuring they have made appropriate investment in core infrastructure and allowing home and business owners to keep as much of their own money in their pocket as they can.

30. The final report of the Productivity Commission Inquiry into Local Government funding and financing in 2019 put it this way:

In pursuit of these wellbeing outcomes, Local Government provides essential services, including transport, water and flood protection services, social and community infrastructure services, refuse collection, local planning, regulatory services that assist with public safety, health, environmental protection, biosecurity and economic development and a range of other essential services.

31. We are encouraged to note the services and activities, in the main, relate to what we would call 'core business' with wellbeing outcomes defined within parameters that relate predominately to infrastructure services.

32. The following quote from the Minister of Local Government, Hon. Nanaia Mahuta, was used to allay concerns from a number of submitters to the inquiry, including Federated Farmers, that reintroducing the four well beings would lead to more council activities and spending:

*The focus is on better processes for communities and councils to identify their own community wellbeing priorities; and better prioritisation of, more than an expansion of, local government services.*

33. We welcomed this clarification and take it as confirmation that the wellbeings should not be used to justify an extension of services or 'nice to haves' spending beyond usual council services.

### **Transparency**

34. Transparency of rate funding sources and spending is extremely important to Federated Farmers. We commend Council on the consultation and supporting documents which were once again to a high standard and easy to use and understand.
35. That said, improvements could be made with regards to the benchmarking 'where your rates go' section with a broader range of rating categories used.

### **Recommendation:**

36. *That council continues to consult and engage with a high level of transparency and include itemised rates examples for a wide range of property types to enable readers to compare rates and understand how rates are allocated.*

### **FINANCIAL STRATEGY**

37. We are strongly supportive of the guiding principles underpinning the strategy as outlined on page 3. We are encouraged to note the methods outlined in Section 3.2 (page 9) which are designed to achieve rates affordability goals. These methods are much more aligned with Federated Farmers rates affordability philosophies and are much more appropriate than the blunt 'ability to pay' approach which seem to focus more on how the rates take is divided up amongst the different ratepayer categories than on methods to keep the rates take as low as possible.
38. We acknowledge WDC works hard to reduce reliance on rates as the main source of revenue and encourage Council to continue utilising subsidies and grants and explore opportunities to increase that use where-ever possible.

39. Federated Farmer understands that changes are being introduced to the way depreciation is funded on a number of different assets to keep the rate take as low as possible. Whilst the intent is supported, we are mindful that using accounting policies to achieve that goal hasn't always worked well for this Council in the past.
40. With regards to the changes outlined in Section 3.2.1 (page 9) we understand there may be some merit in changing the way the road network is depreciated and understand other Councils' have used a similar method. However some concern is raised with regards to Community Halls which seem to adopt a 'kicking the can down the road' response that only defers costs for another day. Federated Farmers believes Council needs to be much more transparent with the communities of interest as to what the long term outcome of this change means. From we can see the approach will essentially see Community Halls run into the ground.
41. Federated Farmers is encouraged to note in Section 3.2.2 (page 10) that rate increases for the life of the plan are limited to no more than forecast LGCI + 2% each year. However, we are concerned to also note that a rates revenue limit of 75% of total operating expenditure is being set. We understand that is a limit not a target, but it is a considerable increase from the current 56% and is considerably higher than the average which sits at around 60% (Productivity Commission's final report (2019): Local Government Funding and Financing at page 58).
42. In the last couple of LTPs Federated Farmers has supported WDC's endeavours to target debt reduction and we generally believed that the Debt Reduction Strategy proposed was appropriate for purpose.
43. We are still very supportive of debt reduction because it can provide a bit of forward insurance in a district where things are going better but there is a history of not doing particularly well on the debt front. If the forecasts don't come in and debt goes up, people with the biggest risk are high value property owners, as debt servicing could well end up coming from general rates.

**Recommendations:**

44. *That Council continues to work hard to make efficiency gains and exercise spending restraint, to ensure rates increases are within the rate of inflation.*
45. *That Council continue to utilise subsidies and grants as sources of income and explore opportunities to increase the use where-ever possible.*
46. *That rates revenue will be limited to an average of 65% of total operating expenditure.*

**REVENUE AND FINANCING POLICY**

47. Federated Farmers always supports wide-ranging use of the funding tools available under the Local Government (Rating) Act 2002. While we may not always agree with some of the rating allocations, the system is much preferred to simpler approaches. We support the use of differentials, targeted rates, uniform annual general charges and alternative funding sources. With the inherent inequities in the current rating system, it is important to use alternatives wherever possible in order to minimise the burden on individuals.
48. We will continue to ask for funding tools like uniform annual general charges to be fully utilised to help better balance inequities created by the property valued based rating system.

49. We are encouraged to note WDC is looking to make better use of fees and charges. User pays is preferred over funding sources that rely on the variable general rate.
50. Changes are proposed for the way Roothing and Footpaths are funded, however much more work needs to be done in this area. This activity accounts for well over a quarter of WDC total operating expenditure, it has been signalled as requiring increasing demand because of the impact forestry harvesting operations are going to have over the next ten years (page 4) and yet the proposed changes do nothing to introduce exacerbator pays principles into the mix or better reflect user benefit principles.
51. It is unclear from the reasoning in the consultation document or the information in the draft R&F policy why the proposed changes better reflects user benefit. A targeted rate based on capital value does nothing to offset the disparity caused by property value based rates. Federated Farmers has looked to other councils and proposes alternative options for consideration below.

**Recommendation:**

52. *That Council commits to a strong application of user charges, uniform annual general charges, and alternative funding sources whenever possible to ensure that use of the variable general rate is kept as minimal as possible.*

**Roothing**

53. We note that over the next ten years investing in and operating roads and footpaths is projected to cost more than double the requirements of all three waters infrastructure put together. We know under current models NZTA contributes around 70% towards roading costs which can be considered a lifeline to this community given how much rate revenue is required for the remaining unsubsidized portion.
54. Property value has no correlation to road usage and is an inequitable and inefficient manner of sourcing ratepayer funding for roading costs. This has been recognised, for example, in the 1997 report of the Roothing Advisory Group to the Ministry of Transport which observed that:

Rates are based on the value of property and have no relationship to road use. Property owners can therefore subsidise other road users. Rates can be an unfair means of charging for road use because there is no link between payment and consumption. For example, in forestry areas ratepayers have to meet the cost of damage to lightly built local roads caused by logging trucks.

55. The Ministry of Transport Surface Transport Costs and Charges Study also outlined the inequity of using property value based rates:

Rates are fixed charges based on property values and bear no relationship to the use of the roading network by property owners. While it can be argued that most ratepayers use public transport and/or drive cars, using rates to contribute to the costs of roads creates equity issues, particularly as the demography of New Zealand's population is changing.

56. One way to address these issues is to use tools like uniform charges and differentials. Federated Farmers is strongly in support of differentials where a general or targeted rate struck on property value is used. This is because differentials recognise that different land uses, property types or property locations have a different level of impact on, or benefit from, a particular activity, and are therefore rated differently.

57. Roughly half of a farming property's total rates bill in Waitomo district is for roading. Without differentials the significant disparity between what farming properties are projected to pay against what forestry blocks will is shown in the table below:

Example Property	Capital Value	Contribution towards District Roothing Rate
Dairy Farm	\$15,200,000	\$22,098
Drystock	\$8,951,000	\$13,013
Forestry	\$450,000	\$654

58. The disparity is created not only because forestry blocks contribute very little towards the general rate (due to the way they are valued) but also because damage to the road network is exacerbated by forestry operations. Many of the rural roads used heavily by forestry companies are narrow and lack layby areas where passing is possible, and they have blind corners and drop offs where collisions would be fatal.

### Using a hybrid approach for roading

59. Federated Farmers requests WDC adopt an alternative method of funding roads to reduce the disproportionate rates burden on farmers. The use of a hybrid approach would go a long way to flattening this discrepancy between ratepayers with high capital value and those with lower capital value and introduce exacerbator pays principles.
60. The hybrid model can consist of a targeted uniform charge as an equal amount paid by all ratepayers in the district, with the remainder applied via differentials on the general rate.
61. Using a targeted fixed charge to partially fund roading and funding the remainder with differentials on the general rate will reduce the discrepancy between what a property with high capital value will pay and a property with low capital value. The uniform charge approach recognises that roading provides a general benefit that is uniform to all ratepayers; people enjoy roads and footpaths irrespective of the size of their property.
62. Federated Farmers considers the 'local share' of these roading costs is more of a general 'benefit' (ie, non-use driven) nature, which provides benefit to all ratepayers. While we consider that the rates funded proportion of the benefit of local roads will accrue to some limited extent to those with larger properties, the current funding approach does not represent a fair reflection of this relative benefit.
63. With regards to the forecasted impacts of forestry harvesting on the road network we believe the industry should contribute more to the roading and other infrastructural requirements that benefit their industry. Federated Farmers supports council's recognition of this impact but is disappointed no funding strategy has been applied to address the issue. Introducing differentials onto forestry block rating units will mean the sector contributes more towards the damage that is done. Forestry differentials are used by a number of other Councils to offset the disparity created by property value based rating.
64. Federated Farmers is strongly in support of differentials where a general rate struck on property value is used. This is because differentials recognise that different land uses, property types or property locations have a different level of impact on, or benefit from, a particular activity, and are therefore rated differently.

65. We consider the approach being taken by Gisborne District Council, in particular, as being a useful example for WDC to draw on. The level of charge or cents in the dollar of capital value be differentiated according to council's assessment of benefits.

**Recommendation:**

66. *That a hybrid funding model is introduced to fund roading; consisting of a district-wide targeted uniform charge and meaningful differentials applied to the remaining capital value portion, including differentials applied to forestry rating units to increase the contribution towards roading costs.*

**RATING FUNDING IMPACT STATEMENT**

67. Waitomo's current rating mix does not make full use of the Uniform Annual General Charge (UAGC) allocation and thus over relies on the variable general rate contribution. The Rating Funding Impact Statement (page 2) advises that the UAGC portion will be 24.3% for the 21-22 period and average 23.9% for the remaining 9 years of the LTP.

68. UAGC's are a fair way for Council's to rate for services that provide an equal or indistinguishable amount of benefit across ratepayer groups. Especially when compared to a general rate calculated by capital value which results in groups such as farmers paying significantly more for an activity which they are unlikely to use more than any other group in a community.

69. Overall Federated Farmers commends Council's use of targeted rates as a funding mechanism for a range of activities. Funding these services on a user-pays basis means that there is a direct link between benefits and funding sources.

70. The great strength of targeted rates, whatever their basis, is the fact that they are transparent by appearing as a separate line item on the rates demand and being reported separately from activities funded by the all-purpose general rate. This makes it easier to compare the cost of the service to a farm as compared to an urban business or residential property.

**Recommendation:**

71. *That the Council continues to make good use of the targeted rate approach to fund services which have a high level of direct and identifiable benefit.*

72. *That Council increase the amount in the UAGC to 30% to achieve maximum use of the UAGC funding mechanism.*

73. *That the Annual and Long-Term Plans continue to include detailed information on the UAGC.*

**The Waitomo Branch of Waikato Federated Farmers urges Waitomo District Council to seriously consider the recommendations in this submission as in our view they identify how the financing polices can be improved for the benefit of rural ratepayers and the rural community by enhancing existing principles of fairness and equity.**

Federated Farmers is a not-for-profit primary sector policy and advocacy organisation that represents the majority of farming businesses in New Zealand. Federated Farmers has a long and proud history of representing the interests of New Zealand's farmers.

The Federation aims to add value to its members' farming businesses. Our key strategic outcomes include the need for New Zealand to provide an economic and social environment within which:

- Our members may operate their business in a fair and flexible commercial environment;
- Our members' families and their staff have access to services essential to the needs of the rural community; and
- Our members adopt responsible management and environmental practices.

This submission is representative of member views and reflect the fact that local government rating and spending policies impact on our member's daily lives as farmers and members of local communities.

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