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Subject: Federated Farmers submission to Waitomo DC draft LTP 2018
Attachments: Federated Farmers submission to Waitomo DC draft LTP 2018 final.pdf

Please find attached Federated Farmers submission to the Waitomo DC draft LTP 2018-2028

We wish to be heard.

Regards
Paul

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Submission No. 108



FEDERATED FARMERS OF NEW ZEALAND

Submission to Waitomo District Council on the draft
Long Term Plan 2018/2028

4 May 2018



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SUBMISSION

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To: Waitomo District Council
PO Box 404
Te Kuiti 3941.

Submission on: **Draft Long Term Plan 2018-28**

Date: 04 May 2018

Submission by: Waitomo Branch of Waikato Federated Farmers

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We wish to be heard in support of our submission.

1. INTRODUCTION

Waitomo Branch of Waikato Federated Farmers (WFF) appreciates the opportunity to comment on the Waitomo District Council Draft Long Term Plan 2018-28 (draft LTP). We would like the opportunity to speak to Council about our submission. We acknowledge any other submissions from individual members of Federated Farmers.

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 submit to Annual Plans and Long Term Plans throughout New Zealand and make constructive proposals every year to almost every council. We also submit on central government policies that affect local government revenue and spending, with the aim of ensuring that local government have the appropriate tools to carry out their functions.

We base our arguments on the considerable cost of rates to farm businesses, in terms of the value and relative accessibility of farmers to ratepayer funded services, the rates levels on farms compared to other residents and businesses, and the failure of property value to reflect the incomes of farmers and their relative ability to pay. This is of particular relevance to and guides our submission on the draft LTP this year.

2. SUMMARY of WFF POSITION AND RECOMMENDATIONS

- We commend council for the hard work over recent years to achieve some financial sustainability and reduce some of the Debt levels.
- We oppose increased use of the General rate to fund services which are of equal benefit across the district.
- We commend Council that the consultation and supporting documents were generally once again to a high standard, and easy to use and understand.

Federated Farmers recommend :

- That a hybrid funding model is introduced to fund roading; consisting of a district-wide targeted uniform charge covering at least 20% of the existing roading rate take with the rest based on a capital value rate.
- That council introduce a substantial differential for rural properties to offset the unfairly high proportion of general rates paid by rural properties.
- 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.
- That Council increase the amount in the UAGC to 30% to achieve maximum use of the UAGC funding mechanism .

Federated Farmers urges Waitomo District Council (WDC) 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 by enhancing existing principles of fairness and equity.

3. GENERAL COMMENT

Rates are one of the most significant, fixed expenses for our members' farming businesses. This is particularly true in Waitomo as it has some of the highest rates for rural properties in the country. An 'average' rural property in Waitomo will pay some 5 to 8 times the amount of rates that residential ratepayers do and yet do not derive any special or particular benefit. 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. 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.

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 and Chief Executive's enthusiasm and drive to create a better future with vibrant communities and thriving business.

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. It is our understanding that rates are very much a part of the discussion when farms are being considered in the Waitomo district and when buying a farm, rates often have to be factored into the purchasing budget equation because they are significant. The percentage of rates to Rateable value is also higher here than the neighbouring Otorohanga and Ruapehu districts and that could be the difference between a sale here or one over there – all other things being equal.

The costs of rates can also effect on farm decisions which affect the community and district – such as the ability to employ more staff. So while we understand Council is using 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. Council's position in our view is can be self-defeating. Farm staff will be attracted to an area if they are paid good wages and have good living conditions – two requirements that can be meet when more money is left in a farmers pocket.

Recommendation:

- **That council's increased focus on community services and economic development is funded using fair and equitable funding streams. This should mean increased use of the UAGC mechanism until it reaches the 30% legislated cap and targeted rating where those who benefit most pay most.**

3.1 Transparency

Transparency of rate funding sources and spending is extremely important to Federated Farmers. We commend Council that the consultation and supporting documents were generally once again to a high standard and easy to use and understand. The good use of rating examples with a breakdown of each line item of rates is welcomed and supported.

We do think that Council should use a 'dollars per year' amount to show the cost of proposals rather than 'cents per week'. This would eliminate rounding errors and provide more meaningful data to ratepayers.

Recommendations:

- **That council continues to consult and engage with a high level of transparency and include example rates for a wide range of properties which enables readers to compare rates and understand how rates are allocated.**

- That council use a 'dollars per year' amount to show the cost of proposals rather than 'cents per week'.

SPECIFIC FEEDBACK ON CONSULTATION PROPOSALS AND SERVICES

4. ROADS AND FOOTPATHS

Federated Farmers advise the discrepancy between rural rating contributions and other ratepayer contributions to roading is compounded by the fact that rates are not the only possible funding source. Central Government receives significant road user charges and fuel tax revenue from those who actually use the road, based on the extent to which that road use creates a need for expenditure. Central Government then allocates this to territorial authorities to fund a significant proportion of roading costs. Farmers, and heavy vehicles that service farms, are already contributing to this funding pool in relation to their level of use.

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 Roading 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."

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."

Federated Farmers consistently encourages Councils to use a broad range of tools to create more equitable outcomes by adopting rating tools which align the funding of council activities with those who receive the direct benefit of that expenditure

A significant proportion of a rural ratepayer's total rates bill in Waitomo is for the road and footpath rate. Rural ratepayers pay significantly more than other types of properties in the district as shown below:

Example Property	Capital Value	Contribution towards District Roading Rate
Rural property	\$3,070,000	\$6,423
Commercial property	\$275,000	\$575
Residential property	\$350,000	\$732

Using a hybrid approach for roading

Federated Farmers requests Waitomo District Council to 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.

The hybrid model will consist of a targeted uniform charge as an equal amount paid by all ratepayers in the district, with the remainder applied via the general rate.

Using a targeted fixed charge to partially fund roading and funding the remainder with the general rate will reduce the discrepancy between what a property with high capital value will pay and a property with low land 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.

Contributions to the District's roading expenditure are derived from both the NZTA's road usage based revenue, and through Council's rating system. The user-pays approach of the NZTA's funding streams mean that road usage driven costs are theoretically largely recovered. Those who use the road more are asked to cover these costs through road user charges and fuel taxes. These revenue streams are then reallocated back to the Council via the Funding Assistance Rate FAR.

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.

Waimakariri example

As an example, Waimakariri District Council funds roading by a hybrid model collecting 80% by capital value rate and 20% by a targeted uniform charge.

In its last Long Term Plan, the Waimakariri District Council says:

"Individuals benefit as each has an equal opportunity to use the network and, to an extent, many within the community make similar use of the network. Hence, the Council considers that 20% of the rates requirement should be recovered by way of a fixed amount per rating unit in the District, which reflects the equal opportunity to use the asset. The Waimakariri District Council considers that the balance of the rate requirement (80%) should be recovered by a rate in the dollar based on the capital value of a property. The Council considers that capital value better reflects the supporting infrastructure; and the impact that access has on the value of a property."

In Federated Farmers view this same reasoning should be able to be applied to the Waitomo district.

Recommendation:

- **That a hybrid funding model is introduced to fund roading; consisting of a district-wide targeted uniform charge covering at least 20% of the existing roading and footpath rate take with the rest based on a capital value rate.**

5. INTRODUCE A RURAL DIFFERENTIAL FOR THE GENERAL RATE

Federated Farmers concern with the over reliance on the general rate for Council's rating income is heightened by the fact that the general rate is charged on a capital value basis, without a differential applied.

Without a differential, there is no recognition that different property types benefit from council services in differing amounts. Also, there is no recognition that properties with higher values do not benefit more from council services than properties with lower values. Differentials are widely used around New Zealand to offset the impact of valuation based rating,

As there is no differential, farms will pay significantly more than other properties for activities such as libraries, museums, heritage, toilets and housing. Farms clearly do not receive a benefit which is proportional to the general rates they pay for these activities and therefore a differential should be applied.

Where Council is concerned that the effects of introducing differentials would be regressive and impact upon lower capital value properties, Federated Farmers submits that the rates remissions scheme, alongside the broader central government welfare system, remain the most robust and efficient methods of income redistribution, with the ability to target each concern on a case by case basis in a way that is not possible using the blunt property value basis afforded by rates. Council is not in a position to assess who is most able to afford its rates. Central government via tax and welfare policies retains all responsibility for income redistribution; this is not a role for councils.

Recommendation:

- **That council introduce a substantial differential, which is lower than urban, for rural properties to offset the unfairly high proportion of general rates paid by rural properties.**

6. UNIFORM ANNUAL GENERAL CHARGE

Waitomo's current rating mix does not make full use of the Uniform Annual General Charge (UAGC) allocation and thus over relies on the general rate contribution. The UAGC is at only 23% of the possible cap of 30%.

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.

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. Waitomo District Council 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.

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.

Recommendations:

- **That Council increase the amount in the UAGC to 30% to achieve maximum use of the UAGC funding mechanism .**
- **That the Annual and Long Term Plans continue to include detailed information on the UAGC.**

7. TARGETED RATES

Overall Federated Farmers applauds the Council's extensive 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.

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:

- **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.**

8. DEBT

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.

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.

With this in mind we urge the council to be careful in planning to increase debt as the predictions in paying it back might not be sound and lead to the same historical issues.

Recommendation:

- **That council do not extend themselves with debt and are very conservative with the estimations of ability to repay debt.**

COMMENT ON KEY PROJECTS PLANNED FOR NEXT 10 YEARS

9. SHAPING OUR COMMUNITY

Federated Farmers believes that, while there might be a reasonable need to spend money on the proposed 'SHAPING OUR COMMUNITY' project, more of the funding from rates should principally be via a uniform rate or UAGC. This would be one of the ways the UAGC could be increased.

Federated Farmers Requests:

- **If council proceed with funding the 'SHAPING OUR COMMUNITY' project that an increased share of the funding is sourced from a uniform charge or UAGC.**
Or
- **That council introduce a substantial differential for rural properties to offset the high proportion of general rates paid by rural properties towards projects such as this one.**

10. NORTH KING COUNTRY INDOOR SPORT AND RECREATION CENTRE

Federated Farmers believes that if there is a reasonable need to help fund the North King Country Indoor Sport and Recreation Centre project, more of the funding from rates should principally be via a uniform rate or UAGC. This would be one of the ways the UAGC could be increased. Also the Council could help fund the project a different way, such as by way of an interest free loan rather than a grant.

Federated Farmers Requests:

- **If council proceed with funding the proposed North King Country Indoor Sport and Recreation Centre project that an increased share of the funding is sourced from a uniform charge or UAGC.**
- **If council proceed with funding the proposed North King Country Indoor Sport and Recreation Centre project that it should be done via an interest free loan or similar rather than a straight grant.**

Or
- **That council introduce a substantial differential for rural properties to offset the high proportion of general rates paid by rural properties towards projects such as this one.**

11. ECONOMIC DEVELOPMENT ACTIVITY

Federated Farmers supports WDC joining the Waikato Regional Economic Development Agency (WREDA) and the South Waikato economic initiative as long as the principle focus of these initiatives is not tourism development and promotion. The initiatives should focus on the general framework around economic devotement rather than promoting or picking winners from one particular sector or industry.

The LTP consultation example indicates these initiatives will cost a rural household 38 times what it will cost a residential household. This is presumed to be a rounding error as a result of the 'cents per

week' example but regardless it highlights the much higher amount for this activity that rural households will pay.

Federated Farmers Requests:

- **If council proceed with the funding for Economic Development activity that an increased share of the funding is sourced from a uniform charge or UAGC.**

Or

- **That council introduce a substantial differential for rural properties to offset the unfairly high proportion of general rates paid by rural properties towards projects such as this one.**

12. PUBLIC TOILETS AT MOKAU AND WAITOMO VILLAGE

The principle reason that upgrades to the public toilets at Mokau and Waitomo village are needed is due to tourist pressure, the benefit is to promote tourist activity by providing good public amenities and so the main beneficiaries are tourism business. Rural households will receive relatively little of this benefit.

It is therefore reasonable that a major percentage of the rates needed for this proposal should come from tourism and associated business. This is in addition to any external funding from the Tourism Infrastructure Fund (TIF) to cover 50% of the cost of these facilities.

Federated Farmers Requests:

- **If council only proceed with the funding for upgrading the public toilets at Mokau and Waitomo village if the upgrades are mostly funded via a targeted rate on tourism and associated businesses.**

13. FUNDING SYSTEM FOR WATER AND SEWERAGE SERVICES

Federated Farmers is opposed to increasing the uniform targeted charges on water and sewage to 10% of costs of providing the service funded by all properties in the district. This replacement rate would double the existing fixed targeted charges and there is no justification for this. It just means that rural households who are not connected to the services will even more heavily subsidise those that are connected.

Federated Farmers Requests:

- **That if council combine the existing targeted fixed rates into one district benefit rate that it stays at the same amount as the rates it replaces (\$46).**

The Waitomo Branch of Waikato Federated Farmers thanks the Waitomo District Council for considering our submission to the Draft Long Term Plan 2015-25.

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.
