

# SUBMISSION

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

Submission on: **Draft Long Term Plan 2015-25**

Date: 28 April 2015

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 2015-25 (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 share the Mayor and Chief Executive's enthusiasm and drive to create a better future with vibrant communities and thriving businesses. Acknowledging however that there maybe some disagreement has to how that can be achieved.
- We commend council for the hard work over previous 6 years to achieve some financial sustainability.
- We support Question 1 Option 1 to retain the in house delivery of economic growth
- We support the decision to delay making decisions around the level of service to be provided for roading and footpaths until the amount of funding assistance from NZTA is known.
- We oppose increased use of the General rate to fund services which are of equal benefit across the district.
- We strongly support Question 3 Option 1 to increase UAGC to \$880.
- We consider the new targeted wastewater rates for non-residential properties in Te Kuiti appropriate as it is in keeping with appropriate user pays philosophies.
- We seek a review of the solid waste management funding policies.
- We commend council for its consultation and supporting documents and the level of transparency shown, however we do have some concerns that information relating to the Revenue and Financing change proposals was misleading.
- We are more inclined to support Question 4 Option 1 Debt reduction method.

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.

## **2. GENERAL COMMENT**

Rates are one of the most significant, fixed expenses for our farming businesses. A rural property in Waitomo will pay on average 3.5 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.

Part of this philosophy should see council opting for local made products and facilitating the use of local tradesmen as and when possible. We are unsure about council's position on this and that should not be the case.

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.

### **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. SPECIFIC FEEDBACK ON CONSULTATION PROPOSALS AND SERVICES**

### **3.1 Transparency**

Transparency of rate funding sources and spending is extremely important to Federated Farmers and it is usual for us to make a comment about it when given the opportunity.

The consultation and supporting documents were once again to a high standard and easy to use. There is some frustration with the links that were made between the information provided and the questions asked however. For example with regards to the Revenue and Financing Policy change proposals, a fair assessment as to why the changes are needed was given *“an equal split between the use of the General rate and UAGC to fund service delivery is considered to be the most equitable method of funding for district benefit allocation”*. People are then given two pricing options and asked to give their views. Putting the issue about ‘equal split’ being the most equitable method aside, the serious problem we have is that the consequence of the choice is not linked at all to the fairness and equity purpose of the proposal. It is instead focused solely on affordability matters. For people who do not have a working knowledge of the funding mechanisms available in the Local Government Act, the inference is that the council’s preferred ‘affordability’ option will achieve both ends.

We will be very interested to know how many submitters provided feedback on this section and if any picked the \$880 option. It is the one that will allow for a more balanced split between the use of the general rate and UAGC after all.

#### **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.
- When seeking feedback a better link between the options and outcomes should be made in the future.

### **3.2 Key projects planned for next 10 years**

Federated Farmers does not consider it is best placed to comment on the merits or otherwise of key community projects. That is best left to individual and/ or directly affected members of the community. Our focus is more on ensuring that the funding mechanisms are appropriate and council prioritises to ensure limited resources are best utilised – biggest bang for buck so to speak.

We would expect that as and when it is appropriate, more and direct community feedback will be sought in relation to some of those projects. For example the development of Brook Park has already had a chequered past and whilst a desirable objective some people do struggle to see the value of these previous endeavours. Economic development and district promotion initiatives are another one that will require further and on going community involvement and commitment.

#### **Recommendation:**

- That council undertakes to have ongoing consultation as and when necessary to ensure project objectives and work streams are informed by affected communities.

### **3.3 Economic Growth**

Federated Farmers supports council's preferred Option 1 - In house delivery of economic growth initiatives, in place of a District Economic Development Board. We believe this should enhance the efficiency and effectiveness.

The overview of initiatives which are being considered look interesting. A targeted uniform rate is also strongly supported

#### **Recommendations:**

- That the Council adopts the preferred Option 1 method of delivery
- A targeted uniform rate is supported.

### **3.4 Roads and footpaths**

Federated Farmers support delay in undertaking service commitments until full knowledge of subsidised funding is known.

### **3.5 Solid Waste Management**

Federated Farmers believes the funding policies for this activity need to be revisited. Whilst we can accept a targeted uniform rate can be appropriate, this needs to be focused more towards the beneficiaries of the service and this could be achieved with the application of differentials for example. Further, increased user fees and charges may be appropriate to address any shortfall rather than relying on a broad take from all properties whether they benefit or not.

Rural businesses have other and more suitable delivery options such as Ag recovery to recycle and collect farm waste. Should they need to use council provided services we doubt there would be a problem with user pays options.

#### **Recommendations:**

- That funding policies for this activity are revisited. A targeted rate to all properties may be required but a differential should be applied to reflect 'those who benefit' pay principles.

## **4. FUNDING POLICIES**

### **4.1 Uniform Annual General Charge**

Waitomo's current rating mix does not make full use the Uniform Annual General Charge (UAGC) allocation and thus over relies on the general rate contribution. It is for this reason that we strongly urge council to have the courage to make what may be an unpopular decision; remove the self imposed limit and increase the UAGC usage to give more substance to fairness and equity principles.

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 more for an activity which they are unlikely to use more than any other group in a community.

We are aware that the jump from \$650 to \$880 may seem too much for some ratepayers and could be difficult to cover in one hit. For that reason we can accept that it may be more appropriate for council to make more incremental increases over the next three years. The proviso is that the commitment is made to get to the 30 % cap in that timeframe.

**Recommendations:**

- That the Annual and Long Term Plans continue to include detailed information on the UAGC.
- That Council adopts the option to remove the self imposed limit and work towards increasing the amount to achieve maximum use of the UAGC funding mechanism. If council determines that the proposed increase this year is too big then incremental increases to achieve the 30% cap could be made over the next three years.

**4.2 Targeted rates**

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 targeted rates to fund services which have a high level of direct and identifiable benefit.

**4.3 Increased use of the General rate**

Where there is increased reliance on the general rate high value properties are hit the hardest. Council is well aware of our frustration that many activities are funded using the general rate when a higher application of the UAGC would result in a far more fair and equitable rating system.

For this reason we disagree with the sentiment expressed in the consultation document that *"an equal split between the use of the General rate and UAGC to fund service delivery is considered to be the most equitable method of funding for district benefit allocation"*. In our view it isn't an 'equal split' that

achieves equity but rather a 'balanced split' between the two. There are many services acknowledged as having district benefit but are allocated a 50 / 50 funding allocation. This could be better understood if the 30% cap had been reached and council was left with no better options, however that is not the case here.

Whilst we appreciate council has worked hard to keep the increases lower than previously projected it would be remiss of us not to remind council that year on year rates increases can become unsustainable for rural communities. For the rural community increased use of the general rate is the single most significant contributing factor to rating increases.

**Recommendations:**

- That the Council continues to keep rate increases as low as possible, by continuing its intention to maintain existing service levels, strive towards operational efficiency and adhere to sound asset management practices.
- That council reassesses the desire to increase reliance on the general rate.

**4.4 District Development Rate**

As council will be aware Federated Farmers has had regular and ongoing frustrations with the District Development funding split.

Council identifies four activities, which are essentially all tourism, visitor industry focused and the Distribution of Benefits as per 6.2.6a identifies a district and food and accommodation sector benefit. As there is no evidence to support a direct rural sector benefit it is hard to accept the 20% targeted rate. This is especially so when considered within the context of the high 60% general rate allocation, to which rural ratepayers contribute significantly more than others already.

In our view this is another activity which should have some contribution of UAGC allocation to reduce the percentage of general rate take.

**Recommendation:**

- That council reviews the funding allocation split to remove the burden from rural ratepayers and target rates to businesses directly benefiting from the service.
- An allocation of UAGC should also be applied to reduce general rate contribution and recognise that there is some equal benefit across the district as a result of these activities

**4.5 Debt Reduction**

In 2012 Federated Farmers supported the council's endeavours to target debt reduction and we generally believed that the Debt Reduction Strategy proposed was appropriate for purpose.

In 2015 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 are inclined to prefer Option 1 (even though some dairy farmers may not thank us this year) as we believe it is the safest option in the long term. The key rider for our endorsement is that this is a targeted uniform charge – with separate transparent line item on the rates invoice.

**Recommendation:**

- That council strongly considers Option 1 – a small uniform debt reduction rate.

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

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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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