



# FEDERATED FARMERS OF NEW ZEALAND

## Submission to Matamata-Piako District Council on the draft Annual Plan 2020/2021

17 April 2020



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**To:** Matamata Piako District Council  
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**Submission on:** Draft Annual Plan 2020-21

**Submission by:** Waikato Province Federated Farmers  
Te Aroha Branch Federated Farmers  
Matamata Branch Federated Farmers  
Morrinsville Branch Federated Farmers

**Date:** 17 April 2020

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**Federated Farmers wishes to be heard in support of this submission.**

## **1. INTRODUCTION**

- 1.1 Waikato Federated Farmers and our respective branches appreciate this opportunity to submit on the Matamata Piako District Council draft annual Plan 2020/21. We acknowledge any submissions from individual members of Federated Farmers. We would like the opportunity to speak to Council about our submission.
- 1.2 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 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.
- 1.3 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.
- 1.4 The main thrust of our submission this year is that a total 'rethink' is required as a result of the Covid-19 pandemic which has shifted the goal posts significantly and in a way that could have never been predicted or modelled against. We also provide general comments on the proposed draft annual plan as notified.

## **2. COVID-19**

- 2.1 Federated Farmers acknowledges the draft annual plan will have been developed prior to the unusual and unforeseen circumstances which have subsequently arisen as a result of the Covid-19 pandemic.
- 2.2 In our view this year's annual plan will need to be substantially amended and re-prioritised as Council responds to this developing crisis. These are unprecedented times, and Council can't simply continue with business as usual. We urge Council to review current income and expenditure to identify areas of savings and work to reduce the proposed rate increases.
- 2.3 We're anticipating on the financial side there will be acute ability to pay problems among some commercial and residential ratepayers where income has been lost. These problems will be particularly acute for those parts of our districts which have been strong tourism and hospitality hotspots as well as for our local businesses hit by the Stage 4 shut down of non-essential services.
- 2.4 That said, we ask Council to resist the temptation to try and stimulate the local economy. Local Government cannot stimulate growth through spending in the way central government can. The cost of expansionary local spending frequently lands on farms through property value rates, which in turn adversely affects the rural economy. The rural economy is facing its own pending crisis in the form of significantly increased regulatory and compliance costs which are proposed under draft National Policy Statements and managing the ongoing and persistent drought conditions heading into winter.
- 2.5 Federated Farmers has called for deferment of some of these central government proposals which are flawed in their present form and will be unjustifiably expensive for the agricultural sector. Our approach to improving the environment needs to recognise the importance of a robust and strong recovery from Covid-19, to mitigate the economic and social impacts. The farming sector is going to have a crucial role to play in the nation's economic recovery from Covid-19.

- 2.6 Our National President Katie Milne sent a letter to all district and regional councils on 23 March urging restraint on rate increases and a focus on necessary services. The letter is attached as a supplementary document to this submission.
- 2.7 **Recommendation: In response to Covid-19 and its economic impacts revise the draft Annual Plan in its entirety, prioritize spending to essential and core services only and aim for a zero rate increase over this financial period.**
- 2.8 **Recommendation: Federated Farmers points out that the proposed National Policy Statement for Indigenous Biodiversity (NPS-IB) will require a lot of time, capability and expense for all councils, and it will have real impact on your ratepayers. We recommend that the Council advocates, in these uncertain times, to central government that if it must proceed with the NPS-IB it should resource it through general taxpayer funding, and not look to meet these costs through higher council rates.**

### 3. GENERAL COMMENT - DRAFT ANNUAL PLAN

#### 3.1 Transparency

- 3.2 Broadly speaking the Council has provided useful consultation information on the website and done a good job with the interactive components and ease with which to lodge a submission. Transparency can be improved however with some relatively minor amendments and we ask Council to consider these for next year's Long-Term plan review.
- 3.3 Transparency for Federated Farmers is about laying out the practical impact of council's funding and rating policies – so total rates on example properties can be compared and some indication of the cost of services to those properties provided. It is accepted that to some degree, this detail can be found within supporting documents however for the purposes of ensuring submitters can make informed and considered decisions, we consider it should be front and centre in the Consultation information.
- 3.4 Currently there is only benchmarking provided in relation to the total rate contribution a range of example property types will pay. The information provides a very narrow set of data. Further, the proposed rate increases don't seem to bear any correlation to the detail provided in the subsequent sections which cover the major proposals and changes in service levels.
- 3.5 Rural properties are projected to experience 6% rate increases for increased costs identified as resulting from urban growth.
- 3.6 Providing more detailed examples should be within the Council's ability. Rates are carefully calculated for each individual property when rates demands are prepared, so a similar exercise for a small selection of examples should be straightforward. Many other councils provide detailed rates examples showing what each subject property contributes to each activity. We suggest Otorohanga District Council is looked to as providing a good example, Federated Farmers has always been impressed by the level of transparency in their Long Term and Annual Plan's.
- 3.7 Meaningful transparency in a rating system is much more than simply disclosing the amount funded by the general rate - which is where MPDC's level of comfort has traditionally been. Federated Farmers believes that knowing what a person pays for specific council activities like roads, libraries, parks, cycle ways and tourism promotion is a powerful tool for giving them a clear understanding of the value for money he/she gets from the council.
- 3.8 **Recommendation: That the Consultation information for Long Term and Annual Plans include a more detailed itemised table of benchmark properties as rating examples.**

3.9 **Recommendation: That MPDC increase transparency by developing itemised rate demands which identifies the contribution of the ratepayer to each major council service.**

### 3.10 **Core business**

3.11 Federated Farmers considers it prudent for Council to review and reconsider all the capital projects listed as being planned to deliver in the next year which do not meet a core business test. For Federated Farmers that means providing and maintaining investment in roading, three waters and solid waste services.

3.12 **Recommendation: Focus on the core role of providing affordable infrastructure and essential public good services**

### 3.13 **Funding policies**

3.14 Once spending priorities have been reassessed Federated Farmers considers that Council needs to continue to work hard to use a wide range of options available under the Local Government Act to ensure equitable funding outcomes are reached. Federated Farmers strongly supports the use of targeted rates and fees and charges to fund services which have a high level of direct and identifiable benefits. This helps to appropriately keep costs off property value rates.

3.15 In 2019 the Productivity Commission ran an inquiry into local government funding and financing in which Federated Farmers was significantly engaged. Some good recommendations came with the Commission's final report and we urge Council to implement the recommendations where they apply to local government.

3.16 In particular the following recommendations, in summary, lend powerful support to long held Federated Farmers positions:

- Remove the statutory cap on uniform charges. The Commission emphasised the benefit principle, which says that those who benefit from, or cause the need for, a service should pay its costs. This implies that user charges or targeted rates should be used wherever it is possible and efficient to do so.
- The Government should find an efficient and effective means to fund councils for the cost of damage to local roads caused by heavy vehicles such as logging and flooding/coastal protection rock trucks. While the vehicles pay for their damage through Road User Charges, no effective mechanism currently exists to channel these funds to councils to cover the cost of the damage that councils bear.
- The Government should pay more than it currently pays (because of the Crown rating exemption) for the services that councils provide to Crown properties.
- Councils should consider the partial or full sale of commercial assets as an alternative to borrowing so they can finance needed new investment.
- Co-funding from central government to assist small, rural and low-income councils make the required upgrades to their three-waters infrastructure, and that central government funding for tourism facilities be distributed more efficiently and fairly to councils.

3.17 The recommendations in the Productivity Commission's report needs some action now. The last Labour government and the last National government both largely ignored the recommendations of the 2007 Shand inquiry into local government funding. That was over 10 years ago, but it could have made a real difference to the situation in which councils now find themselves.

3.18 **Recommendation: That Council utilise funding mechanisms such as targeted rates and fees and charges to fund services which have a high level of direct and identifiable benefits**

**3.19 Recommendation: That Council use the opportunity provided with the upcoming review of the Long Term Plan to implement relevant local government recommendations of the 2019 Productivity Commissions report**

**4. REMISSION POLICIES**

4.1 Federated Farmers has had some experience with councils utilising rates remission policies to assist where there are unexpected events which can affect rate payers ability to pay.

4.2 We know the Policies on the Remission and Postponement of Rates 2018–2028, serves a number of purposes as a measure that supports communities within the district experiencing difficult economic times. This could be an option widely used to mitigate some of the Covid-19 ramifications.

4.3 It is timely to remind Council that in some ways the natural disaster of the drought declared in the Waikato has become the forgotten calamity. It is a very real problem for many farmers in this district with some rating it one of the worst ever. The challenges of getting feed are costing farmers small fortunes. Government has to date announced a relief package of approximately \$12m, principally focused on the cost of obtaining water, with some funding for rural support trusts.

4.3 The drought is the 'other' emergency we believe justifies a substantially amended annual plan and restrained rate increases. We are unsure whether many farmers will apply for rates remission under the natural disaster clause, but they are entitled to under this policy. It is our understanding that central government reimburses the council for successful applications when a drought has been declared. This is an important back stop and we urge council to seek a similar undertaking from central government with regards to Covid-19 emergency related applications.

**4.4 Recommendation – to be clear how rates remissions will be funded and seek reimbursement from central government for remissions related to Covid-19 circumstances.**

Federated Farmers thanks the Matamata Piako District Council for considering our submission to the draft Annual Plan 2020/21.

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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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