

Submission



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To: Marlborough District Council

Submission on: Annual Plan Consultation 2023-24

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Contact: **MARLBOROUGH FEDERATED FARMERS**

EVAN WHITE

PROVINCIAL PRESIDENT MARLBOROUGH

Federated Farmers of New Zealand

P: 021 999 890

E: ektwhite@xtra.co.nz

Address for Service: EMILY MCDONALD

REGIONAL POLICY ADVISOR

Federated Farmers of New Zealand

P: 027 406 2292

E: emcdonald@fedfarm.org.nz

1. Marlborough Federated Farmers (Federated Farmers) welcomes the chance to submit on the Marlborough District Council (the Council) Annual Plan 2023-24.
2. Rates are among the top ten operational expenses of a farming business. They are a source of considerable financial pressure for all farmers. Federated Farmers makes submissions on Annual Plans and Long-Term Plans to ensure councils exercise fiscal prudence, and consider affordability, fairness, and equity issues regarding rates. We support councils making use of the full suite funding tools available i.e., differentials, targeted rates, the UAGC and alternative funding sources. We acknowledge any submissions made by individual members of Federated Farmers.
3. Federated Farmers would be keen to meet with Council to provide continual feedback on any likely issues of significance for the rural community, and particularly any changes proposed to the funding policy.
4. We would like to be heard in support of our submission.

Submission

Key Recommendations

5. The following key recommendations are drawn from each of the subsequent sections of this submission:
 - That the Council Cap the percentage rates increase to no greater than stated in the Council's 2021 Long Term Plan for the 2023/24 financial year and reduce expenditure to ensure there is no need for loans to cover revenue shortfall.
 - FFNZ commends Council on prioritising spending to focus on its core functions and the fundamental needs of its community such as protection from natural hazards by increasing funding for river maintenance and flood protection.
 - FFNZ recommends that MDC should fully utilise the Uniform Annual General Charge (UAGC) mechanism at 30% of the total rates income, to provide equity between ratepayers.
 - FFNZ recommends that MDC funds freshwater management and monitoring through the Councils reserves and the UAGC due to the district-wide benefit for all ratepayers.
 - That the Council continue to ensure that rural landowners are not rated for Three Waters services.
 - That any increase in roading debt which is incurred by transportation projects in non-rural areas be recovered from ratepayers in non-rural areas where the transportation projects are situated, unless there is a demonstrable benefit to rural ratepayers.
 - That the Council to continue to improve and seal more roads in Marlborough's rural areas.

Key Issues

Rates

6. The Annual Plan proposes an increase in the average rates by 7.8% where a rates increase of 6.4% was proposed under the Long Term Plan. We note however that some of our members rates will increase by over 10.3% which will have far reaching implications for them. Rates are among the top ten operational expenses of a farming business. They are a source of considerable financial pressure for all farmers.
7. We are aware of uncertainty for many councils considering this year's Annual Plan due to external factors such as inflation and central government implications of Three Waters and other reforms. Nevertheless, a proposed 7.8% rate increase is not prudent or sustainable in the present economic climate.
8. In terms of the outlook for agriculture, Beef & Lamb NZ recently announced farm profit before tax for sheep and beef farmers is expected to fall by a third in the 2023 following reduction in exports¹. For dairy, Fonterra has recently announced a further fall in farmgate price/kg of milk solids, which have continued to decline over the last 12 months². These factors point to harder times ahead for the entire community in Marlborough District.
9. Farmers are not an infinite source of revenue for Council rate increases. Incomes of rural ratepayers will in no way increase to the same extent as the proposed increases in rates, with the implication that the costs the Council is imposing on its ratepayers, will squeeze out other areas of expenditure. This is especially so for farming, where, despite farm properties having higher land values than residential properties, the ability of farmers to pay rates is tied to their ability to productively farm the land, rather than relative or absolute wealth in land. The reality is that for our members, rural ratepayers, the increase will have a real impact on their livelihoods.
10. Drops in the income of farms will be felt by the whole region with farmers having to reduce or defer costs where possible such as deferring repairs, maintenance and general spending within the local economy. An inefficient or ineffective local government rate is one that takes money from ratepayers, thereby reducing the money available to those ratepayers to meet regulatory obligations or for business investment and innovation. These inefficiencies are magnified where a council economic development initiative spends ratepayer money or resources poorly, in impractical areas, and without accountability.
11. In the context of the gloomy economic outlook for farming, we would prefer that rates are capped at existing levels or reduced. We think the Council needs to sharpen its pencils with the aim of avoiding rates increases.

¹ <https://www.rnz.co.nz/news/country/486059/farm-profit-expected-to-drop-by-third-beef-lamb-nz> accessed 16 March 2023

² <https://www.fonterra.com/nz/en/investors/farmgate-milk-price.html> accessed 4 April 2023

12. It is therefore recommended that the Council cap the percentage rates increase to no greater than stated in the Council's 2021 Long Term Plan for the 2023/24 financial year and reduce expenditure to ensure there is no need for loans to cover revenue shortfall.

Uniform Annual General Charge

13. FFNZ strongly considers that the Council should fully utilise the UAGC mechanism at 30% of the total rates income, to provide equity for all ratepayers. FFNZ considers that the UAGC is a fair way for Council to rate for services that provide an indistinguishable amount of benefit across ratepayer groups. When these mechanisms are utilised every ratepayer pays the same amount for the public good services of council without one group subsidising another. There is no correlation between high value rateable farmland and the ability for farming businesses to pay the significantly higher costs for the exact same services.
14. The legislative cap on use of UAGC is 30% of rating revenue. Where a Council is aware that they have not reached their maximum 30% UAGC allowance and choose not to rectify the situation then they are actively choosing to disadvantage groups such as the farming community.
15. A focus on the UAGC and keeping this close to the 30% maximum, as most of council's services will be 'people based' and the UAGC is the best 'people focussed' rating tool available to council other than user charges.

Increased spending on River Management

16. Federated Farmers commends Marlborough Councils proposal to increase river management spending including \$4.7 million for flood protection and control works across the district. Increasing river management will directly impact river assets where there are significant hazards or unforeseen events, especially increasing gravel build up which is a major contributor to the region's flooding and weather events issues.
17. Increased river management spending at a time when impacts of climate change and the increased prevalence and intensity of flood events is causing major disruptions to the community is imperative. It is requested that Council increases its efforts to counteract flood events, including riverbed maintenance works (such as gravel/sand raking and channel grade maintenance) as part of the climate response strategy. Where possible, gravel extraction and river works by commercial entities and adjoining landowners should be facilitated and encouraged, so that the cost to ratepayers is minimised.
18. A strong, reciprocal relationship between Marlborough Council and stakeholders including Federated Farmers will be critical to ensure Marlborough is able to be protected from future natural hazards. Given the current additional demands on financial resources, such as flood recovery and future flood protection, Federated Farmers commends Council on prioritising spending to focus on its core functions and the most fundamental needs of

its community such as protection from natural hazards and bolstering community resilience to climate change disruptions.

Fees and Charges

19. Federated Farmers understands that most fees and charges have been adjusted to recover Council's costs and to offset any resulting rates burden. We however note with concern the increase in resource consent deposits and some fees and charges are considered to be too high.
20. MDC has increased the cost of most activities for which farmers seek consent from \$1,064 to \$1,208 (non-notified resource consent), \$718 to \$815 (irrigation bore) and \$1,063 to \$1,208 (water under s136(2)(b)(ii)). Annual fees for activities such as discharge permits are also proposed to increase. While we support a user-pays regime for services, this needs to be in the context of consumer choices about expenditure as farms often do not have a choice as many aspects of farming activity are becoming increasingly regulated, requiring resource consents. We prefer a regime whereby the Council recovers consent costs from its ability to levy additional charges for actual and reasonable costs on each consent application under section 36 of the Resource Management Act 1991.³ This gives applicants an opportunity to scrutinise the costs and ensure that these represent efficient and fair fees for farming activities.

Three Waters Infrastructure

21. Federated Farmers note that the Draft Annual Plan for 2023/24 indicates there are variations in the planned work programme for Water Supply, Wastewater and Sewerage, and Stormwater and Drainage activities. This additional expenditure includes \$26.8 million for sewerage upgrades and \$7.2 million for drinking water improvements.⁴ As rural landowners get no benefit from these Council activities, we expect rural landowners not to be charged any rates for these.
22. Federated Farmers urges Council to use targeted rates for the funding of Three Waters expenditure. There are many good reasons for this approach, including the creation of a more equitable rating system. A targeted rate allows urban communities the ability to influence levels of expenditure as appropriate without creating issues of affordability for other ratepayers. A targeted rate reduces the cost impact of urban infrastructure on ratepayers such as farmers who receive no direct benefit.
23. Federated Farmers also recommends that Marlborough District Council should review all its proposed capital projects to ensure they are appropriate, prioritised and timed to maximise their benefits and costs.

³ <https://www.legislation.govt.nz/act/public/1991/0069/latest/DLM233023.html> retrieved 17 April 2023

⁴ Marlborough District Council Annual Plan Consultation 2023-24, pg. 5

Implementation of the NPSFM

24. The Annual Plan proposes to provide an additional \$975K in funding over three years for additional costs to provide catchment care services to implement the National Policy Statement for Freshwater Management 2020 (NPSFM) and the Marlborough Environment Plan. Freshwater is a vital aspect for quality of life for all residents from both rural areas and town centres. FFNZ understands that the Government's new rules for freshwater management will lead to increased staffing and monitoring, therefore higher cost due to the increased number of staff wages and the cost of monitoring.
25. FFNZ supports the funding for freshwater management and monitoring coming out of Council's reserves instead of rates due to the district-wide benefits. FFNZ believes that funding through the Council's reserves ensures that farmers are not effectively double charged, as farmers are already investing in freshwater quality and additional rates charges can lead to the creation of unfair and extremely high rates due to high land values associated with farms. This may create affordability burdens on farmers which could result in lower agricultural investments in environmental standards as a result.

Roading

26. Federated Farmers supports the operations, maintenance and renewals of roads and supporting infrastructure to receive a level of service appropriate to maintain secure access for all residents and ratepayers in the district. The quality of the rural roading network is a hugely important and often contentious area for farmers and councils. The roading network is a major cost to local government, particularly for councils with a large geography and relatively small populations. There are expectations from all sectors that roading will deliver a minimum level of service and a safe travel experience.
27. A good rural roading network overall is fundamental to the economic and social wellbeing of the whole region by transporting farm resources and produce, allowing rural families to travel, and for other industries, particularly tourism. Farmers pay a considerable amount to the roading rate, and wish to see additional value brought from the rate to rural Marlborough. While maintenance of unsealed roads is important, Federated Farmers encourages the Council to continue to improve and seal more of Marlborough District's unsealed rural road network where appropriate and necessary⁵. Sealing improves road safety, reduces road damage from vehicle use and weathering, and improves rural connectivity which helps support rural communities. Rural local roads need to continue to be maintained to a reasonable standard to keep these social and economic lifelines.
28. We note that on page 5 of the Annual Plan Consultation Document, there is a proposed increase of \$15,700,000 for roading, cycleway, footpath and wharf upgrades including the development of the Renwick Cycle Trail and streetscape improvements in Blenheim and Picton. This is a significant variation in proposed council debt amounts. If this debt is to

⁵ Feedback from Federated Farmers members has noted that in some areas gravel roads are easier to maintain as it allows graders to clear out debris from culverts and ditches which would damage sealed roads.

fund non-rural transportation projects, ratepayers in rural areas should not be made to contribute increased rates to pay for such projects. If this funding is for infrastructure upgrades and projects in rural areas, Federated Farmers would like clarification on what project(s) this additional budget would be funding. This is to ensure that farmers are not unreasonably overburdened with the responsibility of subsidising others in the community who will actually utilise and benefit from these upgrades.

Federated Farmers thanks Marlborough District Council for considering Federated Farmers submission on the Annual Plan Consultation 2023-24.

ABOUT FEDERATED FARMERS

Federated Farmers is a not-for-profit primary sector policy and advocacy organisation that represents most 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.

