

23 April 2020

The Honourable Mayor Helen Worboys  
Manawatu District Council  
Private Bag 10001, Feilding 4743  
[Helen.Worboys@mdc.govt.nz](mailto:Helen.Worboys@mdc.govt.nz)

Dear Mayor Helen,

### Zero Rates Increase

Thank you for your response to our questions sent earlier in the week. *For those of you who are not aware of the questions, they were:*

1. *Does an average rate change of zero percent mean that the only increase/decrease of rates will be as a result of an increase/decrease in property capital values i.e. no overlying % change will be applied by Council?* **YES**
2. *What is the expected savings that will result from not paying any wage and salary increases next year?* **\$200k**
3. *What spend has been rationalised/reduced/projects cut etc. vs the original Draft 2020-2021 Annual Plan?* **There is urgency to meet the deadlines to adopt the Annual Plan and set the rates, which is proposed to be done this Thursday. No operational or capital projects have been cut. Several capital projects have been deferred (Turners Road, Library strengthening, Council building strengthening, Recycling centre) due to COVID19 unavoidable delays. However, this does not stop Council continuing to look for ongoing savings in both projects and general efficiencies. This is a priority for Council.**
4. *What is the current balance of the emergency reserves and have any of these funds been used since lockdown?* **The fund had slightly more than \$800 000 in it and would have received \$600 000 additional in 2020/21. Nothing will be drawn down this financial year.**
5. *How much of the emergency reserves are expected to be used during 2020-2021?* **100%**
6. *Given that COVID-19 will have lasting ramifications, what are the Councils plans for the next 3 years and its impact on the LTP.* **Council are currently working on the 2021-31 ten-year plan. As yet no decisions have been made on the final shape of the plan, but it will change as a result of Covid-19.**

As representatives of our community, we do not agree with Council using 100% of the emergency reserves. We believe this move would be short sighted and negligent. Yes the emergency reserves (resilience fund) is for unforeseen disasters, which COVID-19 could be classed as, however this is not a storm or a natural disaster with immediate remedial spending requirements but should be looked at as an event like the Global Financial Crisis (GFC) which has and will put our economy into recession.

The order of actions in an economic downturn should always be:

1. Cut costs.
2. Rationalise spending to encourage smarter ways to work.
3. If absolutely unavoidable look to reserves.

We believe that the \$1.6m of lost revenue<sup>1</sup> ('shortfall') that would have come from the 4.6% rate increase can easily be found within these first 2 steps.

The 0 % salary and wage round next year is expected to provide a savings of \$200,000 leaving the 'shortfall' to be \$1.4m. With total expenditure of over \$55m<sup>2</sup> per year, Council should have been able to find savings of \$1.4m across all projects and operating costs without touching the emergency reserves.

A common sense approach would be for Council to cut non-essential projects, not just defer them. On average Council defers about 30% of its annual capital project spend each year, therefore the deferrals referred to for 2020-21 are not a true cut in spend.

Following the cutting of non-essential projects, the next course of action needs to be rationalisation of spend. The biggest driver to rationalise spend is to reduce budgets. We challenge Council to reduce the budgets of ALL projects and departments by 3%. A 3% saving on \$55m<sup>2</sup> of expenses equates to \$1.64m. This more than covers the \$1.4m 'shortfall' and it could even allow \$240,000 to be ADDED to the emergency reserve. A reduction in all budgets across the board will encourage smarter decision making and prioritising of spending and will help align Councils planning and actions with the reality of their rate payers. We as a Community Committee acknowledge that the required budget cuts may result in us having a cut to our community funds and we will be preparing for this.

We also of note that Council's total budgeted rate take is expected to increase by approximately 1.5% because of the growth in the number of people paying rates compared with last year<sup>3</sup>. So again – there should be no need for the emergency reserves to be "exhausted". This is not a "rainy day", this is a day that needs shrewd and sensible decision making, not short-term knee jerk reactions.

The 2020/21 Annual Plan cannot be a business as usual plan. Cuts need to be made to non-essential projects and budgets need to be reduced. If time is required to do this then we urge Council to adopt the 2020/21 Annual Plan as it stands but with a caveat that it will be updated by the 31<sup>st</sup> July 2020 with the amended figures.

Kind regards

Halcombe Community Development Group

1. Emergency planning helps Manawatū District ratepayers navigate Covid-19. Stuff.co.nz Apr 20 2020
2. 2019/2020 Annual Plan 'How does the money get used' graph pg 8
3. Manawatū District Council considers holding rates amid pandemic crisis. Stuff.co.nz Apr 17 2020