

The Independent Inquiry into Rates: Main Findings

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Headlines

- No nationwide affordability ‘problem’ – some issues exist
- LG expenditure driven by infrastructure and LTCCPs may be understating needs
- Some ‘restraint’ needed
- Some questions about funding policy and strategies
- Mostly ‘practice’ issues not ‘regulatory’ ones



Expenditure Drivers

- General empowerment **not** a driver
- ‘Unfunded mandates’ – some foundation but ‘has been exaggerated’
 - good business practice e.g. LTCCP
 - functions given to the sector generally best carried out locally but some issues with cost recovery powers
 - national standards – agree this is a cost (especially with drinking water)
 - central government withdrawal from service provision – some but impact is hard to quantify
- Climate change ‘potentially a significant driver’



Expenditure Drivers

- Weathertightness – unquantified costs
- Tourism costs are real – often for small communities
- Depreciation to double – but sector understanding of the legislation could be improved
- Staff costs have increased - but not as fast as in central government!



Expenditure Drivers

- Infrastructure the main driver
 - cost increases much faster rate than the CPI
 - transport increases but dominated by a handful of big projects (Eastern corridor, East Taupo, Penlink etc)
 - water increases – a third due to new standards
 - social cultural increases dominated by Auckland
 - limited evidence of infrastructure backlog – what does this say about AMPS
 - is expenditure all necessary or feasible?
 - what happened to years 7-10?
 - Auckland - attempting to do ‘too much too quickly’?



Rates

- ‘No better alternative to rates’
 - property value a better measure of ability to pay than expected
 - other alternatives shift burden between groups rather than necessarily creating more money
 - other alternatives do not rate well for local accountability or have feasibility problems
- Rates have elements of tax and user charges
- Differential rates have been set arbitrarily
- No case for ‘blanket’ exemptions



“Affordability”

- Funding Project ‘captured’ by local government
- Rates per property increase 4.5 percent p.a. – incomes 3.3 percent
- Average household pays 2.5 percent of gross income in rates – not a problem
- Pockets of affordability in single income, and super annuitants



Affordability

- Business and farming sector issues – equity not affordability
- LG is involved in income distribution – in its choice of services and funding
- Rates rebate helps but low take-up is a concern

