

SOLGM

NZ SOCIETY OF LOCAL GOVERNMENT MANAGERS



***Government Response to the
Rating Inquiry: An Update***

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What is this Presentation?

- Personal views (except where indicated otherwise)
- Reading of the tea-leaves
- Public comment from the Government (where it exists)
- **NO STATE SECRETS – AT LEAST NOT TODAY!**

The Government's Key Theme?

“ Many of the Inquiry’s recommendations require local government action. Central government can offer support in some areas but local government needs to take responsibility.”

Half-Yearly Economic and Fiscal Update (HEFU)

December 2007

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Valuation

- **Shand found**

- valuation quality problems and recommended a single provider

BUT

- Methodology was significantly flawed
- NZ valuation standards are at world best practice, actual performance even higher
- Recommendation unlikely to proceed.

Exemptions

Shand recommended

- removal of most exemptions (exceptions DOC, roads, Maori customary land)
- Government (HEFU)

“Rates exemptions will not be removed in the short term – but the Government will review them to ensure the Crown is making a fair contribution as a member of local communities.”

Exemptions

- Review has begun at the ‘principles’ level
- Departments will oppose removal – even with changes to baselines
- Sector needs to make some tactical calls – common approach, transition etc
- Significant change unlikely

Maori Land

Shand recommended

- more work needed
- a review of rating vis-à-vis TOW
- consistent remission/postponement policies
- 1967 amendment needs reversing
- SOLGM lead a programme of capacity development

Maori land

Where to next?

- LGNZ has prepared resources on engagement
- TPK doing further research – to report back
- TPK approach from a Maori development perspective
- A valuation issue?
- Consistency in remission policy seen as desirable

Rating Tools

- Shand recommended
 - no differentials on the general rate, no UAGCs, strong push for CV and water/waste metering
 - Inquiry view on how the pie should be sliced, not the overall size of the pie (other recommendations dealt with this)

BUT

Rating Tools

- **LGNZ/SOLGM research**
 - Shand produces big shifts in incidence
 - shift to residential sector (up to \$600) in metros
 - shift to rural sector in provincial and rural New Zealand (30 percent plus increases)
- **Government (HEFU)**

“The Government will review regulatory settings around user charging and rating powers to ensure local government can make effective use of the tools.”

Alternative Sources of Funding

- **Shand recommended**
 - increase in LAPT and change to distribution
 - contestable infrastructure fund (out of GST)
 - funding for urban arterials (new)
 - international visitor levy
 - regional devcons

Alternative Sources of Funding

Where to from here?

- regional devcons unlikely to proceed
- central government appears concerned about coherence of existing streams
- *“There is no case for generalised central government assistance for local authorities – but the Government will consider optimising its investment in local government through further targeted assistance in the Budget round.”*
(HEFU)
- Other initiatives under discussion

“Wait and see”

Rates Rebates

- **Shand recommended**
 - indexing, some extensions to coverage of the scheme, better promotion and monitoring
- Some easy fixes – indexing
- Some not so easy – interface with Rating Act (retirement villages, papakainga, etc)
- *“The Crown will keep a watching brief on the affordability of rates and consider making some further adjustments to the Rates Rebate Scheme.”*
(HEFU)

Accountability

- Shand recommended
 - independent review agency
 - review of consultation (after LGC review)
 - removal of discretion in consultation processes
 - more disclosures on CCOs and investments
 - various practice improvements to LTCCPs (summaries, financials etc)
 - benchmarking
 - the itemised rates account

Accountability

- 2009 and Beyond will see practice improvements
- Work on the CCO recommendations has begun
- Review agency unlikely to proceed
- LTCCP adoption date not likely to move
- Other recommendations waiting on the LGC review
- LGNZ/SOLGM - procedural flexibility 'worth fighting for'
- SOLGM – “no” to benchmarking
- DIA seems “interested” in the itemised account

Overall

- Some parts of the Shand report are under credibility questions (valuation, rating tools)
- Very few 100 percent supportable 'good ideas'
- Don't expect significant alleviation of funding pressures through this process
- But do expect more pressure to demonstrate value for money

Where to Next ?

- Budget 2008 – mid May
- Most Government decisions – around the end of May (but some much later ...)
- Announcements from June onward
- 2008 SOLGM Rating Forum – 15/16 September – an opportunity to discuss?