

Rates inquiry submission

Rates are increasing too rapidly and the rate burden is not fairly distributed. Ratepayers have lost control of the process. There is no predictability as to how much individual ratepayers will have to pay in any given year. There is no linkage between the services provided to any community and the costs that community has to bear. The hierarchy of Community Boards, District Councils and Regional Councils is cumbersome and does not add value for the ratepayer.

The writer lives in the Far North District (FNDC) and also pays rates to the Northern Regional Council (NRC). In the area where I live property values have increased dramatically to the point that the market has virtually stalled. Much of the demand in the Bay of Islands area has recently been impacted by the very strong NZ dollar. My District Council rates have increased as follows over the last 3 years:

Year	Percentage increase
2005/6	46.0
2006/7	5.5
2007/8*	9.1

* Per Draft annual Plan

The compound impact of these changes is an increase of 68 percent in 3 years, despite a successful appeal against my initial QV valuation which reduced the assessed land value by 22%. As a retiree, like so many of my neighbours, virtually all of my income is fixed. We cannot be expected to sell, or re-mortgage our houses in order to absorb the rates burden. Meanwhile the operating expenses of the FNDC in that same time frame have only increased by 21%.

It appears that the root causes of the problem are:

1. The FNDC is too diverse; with some areas having dramatic increases in land values while others stay virtually unchanged. Thus the Bay of Islands ratepayers see a disproportionate increase in their rates while the majority of ratepayers in the less economically viable areas may even see a reduction in rates. Clearly land value based rating is not doing the job. A change to capital value rating would mask some of the extremes but would not solve the problem.
2. There is no way an individual community such as the Russell Peninsular can influence its politicians. We are around 4% of the District's total population. If every single voter wanted a change in representation we could not effect that change. There are only 9 Councilors and a Mayor serving our wildly diverse communities. In reality there is no local government. The community Boards are powerless to effect change. The LTCCP process has not been effective in my view as the Councilors are

committed when they approve the draft versions of the various plans. The councilors then sit as judges of their own decisions and are understandably defensive. With technology reaching most places it should be possible to conduct digital referendums to get a sense of public opinion on a broad basis. Let's get the "local" back into local government. The Regional Council should be disestablished. Council Commercial Trading Organizations should also be disestablished. Councils should do only what the law allows councils to do. The CCTO's should not allow Councils to get around the laws that are supposed to govern them.

Many of the submissions made by local governments propose more ways of raising revenue. Few seem to have a desire to limit the total cost to the ratepayers, which it is often forgotten, are also taxpayers. Shifting revenue and expenses between local and nation governments does nothing. If the government, for example, pays for roading on a direct basis the net gain to the ratepayer/taxpayer is zero. If the government were to spend more of the petrol taxes on roads it would need to raise taxes to cover the shortfall in its other revenue streams. Playing with GST has the same effect. We would just be taking our money out of a different pocket, but it is the same pair of trousers. Only the perceived villain would change. No doubt central government is also guilty from time to time of transferring the costs of its activities to local government without reducing taxes so that the ratepayers can afford to pay the increased rates caused by the changes.

We should have a linkage between affordability and need. Local governments seem to feel exempt from any need to stay within the cost of living. In the case of the FNDC they are running with enormous operating surpluses. In the new draft plan the surplus is planned to be 38 percent of operating expenses. I understand that the FNDC revenue reserves are currently in excess of \$100 million without the further boost from the new draft plan of another \$ 31.5 million. There needs to be a reasonable basis for the management of surplus funds. A formula along the lines of the total unrestricted revenue reserves being limited to no more than fifty percent of the prior years operating expense. Where they currently exceed that level the surpluses should be used to reduce the increases in rates to keep them below the projected inflation rate for the fiscal year. Surplus funds should form a contingency fund for major emergencies and should also be used to reduce essential cost increases that exceed inflation. The Auditor General should be required to monitor the management of surplus and report to the community on any questionable items. Also the format for draft plans and annual reports should be standardized so that ratepayers can compare performance with other local councils. Currently many councilors do not have the management experience to understand the complexity of the decisions they must make. The council staff may have a different agenda to that of the ratepayers. Care must be taken by the remuneration commission to ensure that management within the inflation rate is a key criteria in assessing the reimbursement pool for councils and the payment of Mayors and CEO's. Net asset value and

performance to plan are not motivating councilors to meet the needs of the ratepayers.

Determining how rates are assessed is a key issue. We must decide whether rates should be levied on a user pays basis, a wealth based assessment such as land value, an income based tax such as a percentage of income tax, or a form of consumption tax such as GST, My recommendation is to choose a simple criteria that supports a user pays philosophy. If rates were based on the square meter area of living space in a residential property or a commercial property it would have a logical linkage to the cost of council services to support it. Migration to such a system should be spread over say 4 years so that ratepayers are not thrown in the deep end immediately.

Targeted rates have a place where a certain facility is not available to all ratepayers. The targeted rates should not be protected from valid cost increases. In the FNDC area the water rate is unchanged despite a plan to substantially upgrade the facilities. There should not be a toolbox approach where councils can pick and choose from a menu of items and then use them to variably manipulate the geographic spread of cost increases. Simplicity is the key to keeping costs down. Where a variety of methods for income generation are used, the administrative costs of collection and monitoring grow excessively.

We should try to rebuild public confidence in local government so they are no longer regarded as the enemy. This will require major surgery rather than another Band-Aid.

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