

## 15. LOCAL GOVERNMENT RATES INQUIRY COUNCIL SUBMISSION

<b>General Manager responsible:</b>	General Manager Corporate Services, Roy Baker DDI 941-8540
<b>Officer responsible:</b>	Corporate Finance Manager, Diane Brandish
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### PURPOSE OF REPORT

1. The purpose of this report is to obtain the Council's approval of the submission to the Local Government Rates Inquiry.

### EXECUTIVE SUMMARY

2. The Minister for Local Government has set up an independent inquiry into the funding of local government. The Local Government Rates Inquiry is being carried out by a panel of three: David Shand (Chair), Christine Cheyne and Graeme Horsley. The objective of the inquiry is to provide the Government with recommendations on how to improve local government funding, covering both rating and other sources of revenue. Rates are primarily driven by council decisions on expenditure, so the terms of reference also require the Commission to look at what drives local government expenditure, the rating system, and alternative sources of revenue currently available to councils, including new sources of revenue.
3. The terms of reference for the inquiry are attached as Appendix A.
4. The commission has requested specific recommendations on changes requested as well as comment on what works well under the current legislation.
5. The draft submission is attached as Appendix B. Several recommendations are included:
  - (a) That the Commission review the rating tools and legislation for:
    - Targeted rates area of benefit
    - Remove the general rates exemption from non rateable property
    - Amend the legislation to allow a tourism targeted rate
    - Lower the valuation costs through efficiency changes
    - Improve council loan raising processes
  - (b) Benchmarking of councils be established to provide transparency and performance improvement.
  - (c) The Government should transfer more taxation revenue to councils to compensate them for the service benefits to citizens generally beyond that which benefits ratepayers and properties.
6. The submissions have been discussed at two Council seminars and at a workshop held by the Commission to hear the concerns of local councils.

### FINANCIAL IMPLICATIONS

7. There are benefits to this Council if the recommendations are adopted by the Government and implemented. A wider and more focused rating tool kit would give this Council more options for rating. Adopting this submission does not change this Council's rating or Revenue & Financing Policy. It merely seeks more and better options.
8. The Council would benefit from any additional distribution of central government funds to local authorities generally.
9. Benchmarking on a nationally consistent basis may cause some minor compliance costs, however there would be potential gains from knowledge to assist enhanced performance.

### Do the Recommendations of this Report Align with 2006-16 LTCCP budgets?

10. Not applicable as there is no Council activity action requested in this report.

## **LEGAL CONSIDERATIONS**

11. The submission has been reviewed by Legal Services Unit to ensure the recommendations are reasonable. The format of the submission is that of the Commission of Inquiry, not the standard format of Select Committees of Parliament. Where possible specific amendments to legislation have been recommended to assist the Commission.
12. The specific changes to legislation are detailed in the submission under the heading "Summary of Recommendations".

## **ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS**

13. There are no alignment issues.

## **ALIGNMENT WITH STRATEGIES**

14. The submission does not represent Council policies. The Revenue & Financing Policy as adopted in the 2006-16 LTCCP stands intact.
15. The recommendations in the submission generally add to the tools available. If implemented by the Government, the Council will need to consider their application to our community.
16. There is no need to consult with the community. The public have also been invited to make submissions to the Commission.

## **STAFF RECOMMENDATION**

It is recommended that the Council approve the submission.

## **BACKGROUND (THE ISSUES)**

17. The Commission has issued a background paper to explain its inquiry. The submission follows the format of the issues raised as expressed in that background paper. Some headings and explanatory text from that paper is retained in the submission to better explain the context of the Council's submission.
18. The following issues are highlighted by the Inquiry's Terms of Reference and will be the focus of its investigation:
  - the current level of rates and the level of rates increases;
  - the drivers for increased local authority expenditure;
  - the trends in the use of rating tools nationally to fund services;
  - other sources of revenue currently available to local authorities;
  - the sustainability of rates,
  - the Rates Rebate Scheme (and other government assistance packages for families), and local authority rates remission and postponement policies;
  - the impact of rates on land covered by the Te Ture Whenua Maori Act 1993;
  - exemptions from liability for rates, including Crown exemptions; and
  - other revenue-raising mechanisms.
19. Further information about the inquiry can be found on the website [www.ratesinquiry.govt.nz](http://www.ratesinquiry.govt.nz).