

Productivity Commission Feedback

I live in the Carterton District having lived previously in Wellington and before that in Manchester, UK. Since moving to Carterton I was elected to local council and have also been involved with several community organisations. Apologies for lack of robust analysis to substantiate the thoughts below but I was running out of time!

I would like to make several points relevant to the current draft report.

In rural councils, speaking specifically for Carterton, rates have increased more than incomes. The population is aging and many in the community are reliant solely on state pension. Rates are increasing significantly faster than superannuation payments. As is home insurance and power bills. At the same time, the cost of rates to farmers is becoming a significant burden. For those living in Lifestyle blocks, not only do they have increasing rates costs but they also have to provide much of their own infrastructure (water, sewerage, waste disposal). In Carterton rates have increased substantially over the last 10 years for a variety of reasons. Average incomes have not risen at the same rate.

Roading

One of the significant costs to rural councils such as Carterton is roading. The District currently receives approx. 50% subsidy toward roading. However, the local rural roads are used extensively for both tourism and business (mainly agriculture, apiculture and forestry). Both maintenance and capital expenses continue to increase and ratepayers are having to pay. I would argue that both tourism and agriculture are the bedrocks of the NZ economy and the rural roads are therefore for the 'public good'. Going forward, increased forestry activity will put further pressure on the rural road network – particularly as bridges will need reinforcing and some roads upgraded.

“When services provided by local government confer national benefits (through contributing to the national interest or national policy objectives), the Commission sees a case for central government to make a funding contribution that reflects such benefits”

“It is recognised that some small tourist hotspots have a high number of day visitors and councils cannot use either user pays or accommodation levies to reasonably recover the ongoing costs of providing mixed-use services. For these councils, the Government should provide some operational funding from the new international visitor levy.”

In terms of tourism, a 'bed tax' would be challenging for a council like Carterton. Most accommodation is not commercial. Air B&B and Book a Bach accommodation is the norm. Many have low occupancy rates. It would cost as much to collect additional 'bed taxes' as revenue it would generate. Many tourists do not stay overnight either. They fall into the day tripper category – but they still put pressure on roading and other local infrastructure. Much 'tourism' to the Wairarapa is domestic, not international. Motorbikes, cycling and a day's drive to the country are all popular activities in the area – much coming from other parts of greater Wellington.

Unfunded Mandates

Tracey O'Callaghan

More and more compliance, legislation, health and safety processes have been imposed on local authorities. Even sharing resources, it still comes at a cost to ratepayers and it is not sustainable for areas that have sparse population densities.

In addition, with centralisation of services, many rural and provincial TAs have to fill the gaps for a range of social and community services – youth, elderly and other vulnerable groups as well as sports and arts and the latest – Economic Development. Carterton Council currently pays out around 2.5% of rates to fund a range of NGOs covering sports, arts and social services.

Rating Mechanisms

‘Benefit principle’ and ‘affordability’ are key principles to rating – all well and good but not so easy for small rural councils with sparse populations, large farms and aging populations.

“To further improve transparency in setting rates, the ability to set differentials and uniform annual general charges should be removed, along with the current 30% cap on uniform charges. If they wish, councils can instead use targeted rates to achieve an equivalent distribution of the rating burden.”

In rural areas such as Carterton targeted rates are used appropriately. However, rural landowners end up having to subsidise the urban infrastructure even if they do not use the services. Carterton would have to increase general rates if the UAGC was removed. During the last Rating Review, rating went from being land value based to capital value based. This impacted significantly on rural property owners. Moving the ‘who pays’ from one group to another does not solve anything. For a ratepayer base of under 5000, Carterton currently collects \$13.6million per annum. This has increased from \$5.9million in 2008.

GST

Why are rates subject to GST? A tax on a tax. Removing this would instantly provide a 15% rates decrease to property owners.

Reporting and consultation

Let’s get back to basics – reporting and consultation need to be fit for purpose, easy to understand and ‘useable’. Currently they are not.

Few people can understand the current LTP and Annual Plan planning processes and financial reporting. There is no consistency between councils and longitudinally which makes tracking costs near on impossible. Consequently few make submissions other than for things they want (mainly funding).

Fully involve the local community. Utilise their skills, knowledge and experience. Make sure the community is fully engaged and understands the implications. For example – consulting on things such as new services or infrastructure but not on existing services – it may be a case of re-prioritising. Just like what happens in a household. Vital maintenance is needed so some of the ‘nice to haves’ need sacrificing. This type of option is rarely put to the community

Creating more bureaucracy is not the answer. Locally, the so-called experts at flood plain management (the regional council) have a track record of over-complicating things and charging

accordingly. What has been proven to work here is community involvement – instead of ‘doing it to people’ and then charging them for the privilege, involve them. The Waiohine Action Group is a very good example of how this works.

There is little clarity on what constitutes ‘governance’ and operations in reality. From experience, councillors who do not ‘conform’ are threatened with Code of Conduct sanctions. Requests for financial information pertaining to LTP forecasts are denied as it is ‘operational’. It would appear to be very much personality driven and dependent on the experience and skills of both Mayor and CEO as well how receptive they are to debate and analysis.

I totally agree with the statement “If the level of local government accountability is to be meaningfully improved, communities need to know what options are available to them, the trade-offs associated with each, and the consequences of their choices.”

I also agree with the Commission’s recommendation for greater use of capability and resource sharing (eg, via shared services arrangements, centres of excellence, and collaborative knowledge sharing and problem-solving. I would be recommending some strategic workforce planning to aid this.

I whole-heartedly agree that transparency is key. This needs to be added to CEO KPIs as well as Council reporting.. Too many decisions are made behind closed doors with the excuse of ‘commercial sensitivity’ being used. It is public money and public assets that decisions are being made on. EG – in Carterton, the Holiday Park, use of land for a commercial solar park, the selling of community land, the lease of the crematorium. All discussed and voted on during ‘public excluded’ meetings.

The LTP process may be appropriate for indicative capital spending in the future but TAs also need to engage in effective Strategic Planning and Forecasting in terms of what the community wants and can afford. Values and Culture are as important here – the ‘how’ as well as the ‘what’.

All Councils are NOT equal and allowance needs to be made for this – demographics, geography, affordability and culture. A reduction in compliance and mandated requirements and an increase in principles and community involvement.