Submission to the Productivity Commission on the Interim Report on Local Government Funding & Financing July 2019

Tauranga & WBOP Grey Power Association

This submission is in response to specific recommendations in the Interim Report that are of concern to our Association.

1) **Recommendation 7.6 Phase out of the Rates Rebate Scheme**

We are opposed to this recommendation and instead see the priorities being to achieve the following:

i) **An overhaul of the Rates Rebate Scheme** to **simplify the application and assessment of eligibility to lower the barrier to eligible households accessing this scheme. Potentially working with WINZ, who are likely to be better able to assess which households are eligible, may be a way forward.**
ii) **Resetting the household income criteria for eligibility to restore the past value of this scheme. We suggest that this could be set at the level of the married annual NZ Super income.**
iii) **Resetting the level of the maximum rebate** to **restore past value of this scheme which has been significantly eroded due to the significant disassociation between the annual rate increases and cost of living increases. We suggest a maximum rebate of at least $1000 would be more appropriate, indexed each year by the average rate increase across NZ in the prior 12 months.**

Background

Many Local Bodies are facing significant demands to invest in upgrading water, storm water & sewage systems, yet are close to their maximum allowed borrowing levels - rates will have to increase to meet more stringent central government regulations.

This discrepancy between rate increases and rebates cannot continue without being urgently addressed by Central Government to provide better targeted relief for those on low incomes or NZ Super as their sole income.

Local Government rating mechanisms are blunt instruments and it is those in the lowest value properties who generally bear the highest impact of rate increases. A substantial increase in the qualifying income and rebate level is required to reduce the growing stress on our elderly and lower income ratepayers.

Those who have saved diligently throughout their working life to have their own home in retirement should not be penalised because they have an asset while they struggle with living costs on fixed incomes in retirement.

We agree with the Commission that the rates Rebate Scheme has become less subscribed to as *"the income abatement threshold has not kept pace with increases in the value of NZ Super payments"*

The increase in the qualifying income for the full rebate has also only increased by 17% from 2009 to 2018, while the average rate take across NZ increased by 54%. In 2018 the qualifying income was $25,180, just 5% over the single living alone annual Super payment, but only 69% of the married annual Super rate.

Many married couples with NZ Super as their sole source of income are already making significant sacrifices to make ends meet.

To have rates continue to increase significantly faster than the rate of inflation places an increasing burden on those vulnerable elderly people living in their own homes. As they age they are less able to do their own maintenance work so the financial burden increases.

In addition the rebate value has not kept pace with the average increase in rates across the country over recent years. (17% increase vs 54% from 2009-2018) Its value to those paying rates has been steadily eroded.

The process required to qualify for a rebate is cumbersome and many elderly do not like revealing their financial circumstances to a Council employee when applying for a rebate. As those eligible for the Rates Rebate Scheme will almost all be enrolled with WINZ a far simpler method of assessing eligibility could be implemented through WINZ.

2) **Recommendation 7.5 that the Government should develop a national rates postponement scheme to replace the Rates Rebate Scheme**

We are opposed to this recommendation, and recommend the following:

i. **That any development of a national rates postponement scheme be only as an alternative to a revamped Rates Rebate Scheme and not as the sole mechanism to mitigate against rapidly rising rates for lower income homeowners.**
ii. **That should any rates postponement scheme be developed that it be designed to allow homeowners to "cap" their rates at a particular level (eg minimum of 75% of current rates) with an annual opportunity to review the cap to reduce the potential accumulation of unrealistic debt levels.**
iii. **That interest rates on postponed rates be regulated to be maintained at a low level & that the accumulated balance be reported to homeowners at least annually.**
iv. **That there be simple measures implemented to allow homeowners to reduce their postponed rates accumulated balance on a monthly or annual basis where desired.**

Background

A number of Councils offer a rates Postponement Scheme, but many have cancelled these schemes due to very poor uptake of this option, indicating that this is unlikely to be a preferred option to resolve the very real issues caused by the widening gap between annual rate increases and inflation.

The older generation are generally averse to creating greater debt on their properties. Accumulating debt and interest could significantly impact their future opportunities to downsize and move into smaller modern accommodation as their mobility becomes more restricted.

A rates postponement scheme would likely impact on the ability of elderly homeowners to draw down additional funds against their home equity-such as reverse mortgages. Reverse mortgages also offer flexibility as to how the funds are utilised.

For young low-income families with a high mortgage on their first home, the availability of a rates postponement scheme could be devastating for the level of equity in their home should local body rates continue to escalate, mortgage rates started to increase in the future, or house valuations fell- a very real possibility in the overpriced NZ housing market.

3) Recommendations 5.6 & 5.7 on Long Term Plans

We support the recommendations from the Commission on improvements to Long Term Plans.

Background

Long Term Plans are important documents for the community to evaluate and to be engaged with feedback to their Councils. For too long these public documents have been unwieldy, difficult to understand, and ambiguous in sections where apparently similar data is expressed in different ways, just to meet regulatory requirements. The community needs a clearer more easily understood format, potentially with an addendum that contains the required regulatory information where necessary. The aim should be to make the LTP more transparent, intelligible, and clear for our communities to better understand the Council's plans for the 10 years ahead. This would then encourage greater community participation in debating and endorsing Council plans for the future.

We also note that while Councils have 10 year LTPs, some critical government agencies such as NZTA operate on shorter funding time periods - eg 3 years, which makes integration of NZTA and Council roading plans a frustrating challenge. A closer alignment of planning and funding perspectives between local government and central government agencies would be welcome.

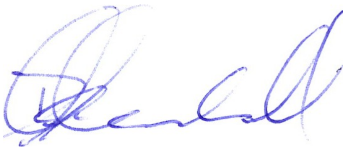
4) **We support recommendations 7.1 (Removing rates differentials and uniform annual general charges) and 7.2 (To amend local government legislation to match the burden of rates to the benefits of council services as a first step with consideration of ability to pay as a second step) but look forward to more guidance as to how these goals will be achieved.**

Background

Many of our retired homeowners on fixed incomes and lower-valued properties often pay high fixed charges for services that they may use little compared to others in the community. While water meters allow a better targeting of costs of this resource to homeowners, it appears that charges on wastewater which can be substantial (eg close to $907 annually per property in the WBOPDC, due to investment in multiple wastewater schemes in the district) are only able to be more fairly allocated to higher users with volumetric charging, but this appears to be restricted to CCO's only- eg Watercare. Any legislative impediment to wider implementation of volumetric charging should be removed as this would allow a more equitable allocation of user charges and encourage greater conservation

We thank you for this opportunity to submit to the Commission's Draft Report and look forward to the Final Report being available in November.

Yours faithfull y



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