Submission to the Productivity Commission 22 August 2019

From: Kirstyn Barnett

My name is Kirstyn Barnett and I am a current Waimakariri District Councillor. Please note this is a personal submission, and does not necessarily represent the views of my council.

I have read the Productivity Commission report on LG funding and financing and I wondered if you could answer a question for me?

On page 4 it states:
"Councils vary widely in how they use the available funding tools, but rates are the largest overall source of local government revenue. While local government expenditure has been steadily rising over time, **this has been in line with growth in national population and incomes.** As a result, rates have remained stable as a proportion of per capita national and household incomes for many decades, despite widespread concerns to the contrary."

I would like to know - is this statement true for provincial and rural local government, ie if you take out the figures for Auckland and Wellington? My understanding is that wage and salary growth in Waimakariri/Canterbury has been slow over the past 10 years, and is not keeping pace with rising costs. Averages can be deceptive, with certain industries skewing results – may I ask what the median wage increase is sitting at?

Waimakariri rate rises have been around 3-5% each year for the past decade (see Appendix One). If I was to say to my ratepayers that rates increases have been in line with growth in incomes, I would be laughed at as this is not the experience of the general ratepayer.

We also have a 1% earthquake loan rate rise each year since around 2013, however even removing this, our rises would exceed average wage/salary increases, and are higher than the pension/benefit increases. There is at least a 1-2% gap compounding each year, and those on a pension tell me they are having to make savings in other areas to pay their rates bill.

Waimakariri has been told by central government that our management of the earthquake recovery for our district has been exemplary, we have a sound audit regime and an AA rating from Standard and Poor's. If we are only able to keep rate rises around the 4% mark, and have completed a lot of our earthquake strengthening and asset replacement programme, how will smaller provincial and rural councils be able to keep their rate rises to the earning potential of their residents while strengthening for future disasters?

The only mitigating factor has been the Rates Rebate initiative, which assists the lowest earners with rate payments. This rebate has also not kept up with rising rates costs, and rather than replacing this system, I would urge you to consider looking at case studies of elderly residents in a variety of locations, to see the percentage of income that rates now constitutes. I believe the levels of the Rates Rebate are now too low and the benefits are being eroded by the increases in local government costs, translated to rates.

Another factor I would like you to consider is that many couples split up and this can seriously weaken their property equity position and earning potential, particularly for women who may have given up careers to raise children. This means they are not able to save enough for retirement, and the traditional model of selling the family home and downsizing may not realise enough to support themselves in their older years.

As an example case study – let's call her Jane – a 72 year old woman living alone in a mortgage free two bedroom home. She broke up with her husband, and earned below the average wage during the second half of her working life as she had given up a career to raise a family. She receives $24,000 per year superannuation, and has a modest $5K per year in investment earnings. Her rates five years ago were about $2400, ie about 8% of her income, and are now $3000, just over $10% of her income. Each year the percentage is increasing and Jane is now turning off all her lights and heaters whenever possible to find the extra funds.

All other services provided by government are funded on a percentage of income so as to be fair to everyone, so I cannot understand why income is not taken into account for charging rates.

The only solution I can see is to have government allocate a per capita portion of national income tax to each local authority as an offset to rates, with no strings attached other than a satisfactory audit process. The NZTA model of FAR subsidies does not work well, as national priorities take over local priorities and dictate which projects go ahead, often to the detriment of local authority network planning.

I do not wholly accept that local government services are simply applied on a user pays basis – the person at the start of a water scheme pays the same as the person at the end, costs are aggregated over the scheme so everyone receives good, clean drinking water which is also of community benefit. If we applied this to roads, rural ratepayers would have to pay considerably more that their urban counterparts – however we take a network and availability of service approach rather than an actual benefit approach.

Local government is not just about roads and pipes; it is first and foremost about people, something we learnt strongly in the Canterbury earthquakes. I believe your group would benefit from doing some actual case studies in a variety of regions; re-examining the actual percentages of superannuation vs local rate rises, and looking at ways to offset rates through a national tax based on incomes rather than solely on property values. I believe you will see a vastly different picture in Canterbury than that of Auckland or Wellington, and are likely to see even more widening of the rates to income gap in smaller councils with lower populations.

I would like to speak to my submission, if you come to Canterbury.

Kirstyn Barnett

Appendix One – Waimakariri Annual Rate Rises 2002 - 2019