

Newsletter of the

LOCAL GOVERNMENT FORUM

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Wellington

Forum's work is heeded

By Simon Carlaw

The Local Government Forum sparked widespread public interest in its quest to get more disciplined spending by local government. The inaugural 'Hot Councils' awards put the spotlight on councils that have done well in upholding local democracy and keeping rates down.

Honouring successful councils reflected on other councils of course, and our 'news clipping' file is bulging with media stories of local authorities defending themselves against the Forum's assessment and the awards. Most seemed to miss the point that any deficiencies in our benchmarking reflect a lack of publicly available, comparable measurements and our strong interest in deepening and broadening the exercise for the future with council cooperation.

The Forum has also made submissions on some of the more significant council plans including the Auckland Regional Council community plan 2004-14 and Wellington City Council annual plan 2004-5.

The Forum submitted that ARC spending forecast for the next decade was excessive and that much of the planned spending on mass passenger transport was not justified on economic grounds. An argument was also made against a business differential, being a tax imposed by the majority on a minority - a clear case of taxation without representation or consent. The Forum has joined with a number of Auckland business groups to challenge the ARC's subsequent decision to proceed with a differential.

The Forum took issue with the Wellington City Council over its rates increases, among the highest in the country, and its flirtation with 'Florida-ism', the ideas of academic Richard Florida, who promotes the need for cities to invest in leisure and artistic assets to attract a 'creative class' that will 'bring prosperity'. A subsequent roundtable with council representatives provided an excellent opportunity for a robust debate on the issues that are critical to a healthy capital city.

From all this, one thing is clear: the business community needs to take a close interest in the local government elections in October. Hope may spring eternal, but it won't pay the rates bill.

Simon Carlaw is Chairman of the Local Government Forum

Welcome to the Forum...

The Local Government Forum advocates policies that create a positive economic environment. Recognising the significant role of local government in private investment decisions, the Forum was established in 1994 to promote greater efficiency in the local government sector and to contribute to debate on policy issues affecting it.

The Forum comprises business organisations that have a vital interest in the activities of local government, and regularly produces publications addressing crucial issues relating to the performance of local government and legislative developments in that sector.

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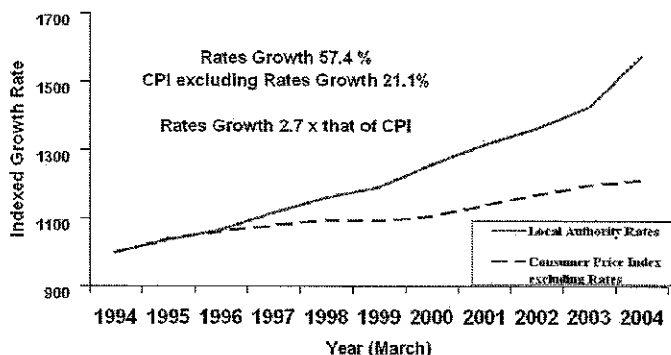


Rates growth beyond inflation

Over the past decade rates payable by households and businesses have increased at 2.7 times the rate of other consumer prices.

The cost of local government services is increasingly out of step with the rest of the economy. In fact local council rates and fees are among the bigger cost increases driving inflation over the past 12 months.

Local Authority Rates Revenue Growth
1994 - 2004



What's Hot: Judgement Day for Councils

The Local Government Forum recently thrust the spotlight on the best and worst of New Zealand's territorial authorities in its inaugural 'Hot Council' awards.

The highly successful awards will be run every three years prior to local body elections, to aid ratepayers' voting decisions.

Each of New Zealand's 85 councils was given a score out of a maximum 75 points in four categories: metropolitan, provincial, rural, and regional.

Judged using publicly available data, the awards recognise excellence by local authorities in promoting growth through discipline in rating and expenditure, best practice resource management administration and accountability through local democracy.

The Local Government Forum wants to ensure that urban and rural ratepayers get value for money from the rates they pay.

The awards generated much media coverage -- especially among provincial media which wrote articles about their particular local authority.

"Mayor over the moon with hot award", "Hottest council leads on RMA administration", and "Horowhenua council judged top" were some of the headlines for the highest ranking councils.

The awards were intended to highlight the best councils -- hence the 'hot' title -- rather than focus on the negative. But once the full rankings were released, poor performing councils gained attention.

"Council ranked fair to middling in survey", "District Council 'not very hot'", "Far North DC last but one," were typical headlines for the low-ranked councils.

The Forum recognised that its benchmarking of councils was based on limited criteria and was far from perfect. It also showed that even the best-ranked councils were not necessarily good at what they did -- but they were better than the rest.

The Forum did the benchmarking, which took many hours of research, because someone has to take responsibility for scrutinising council performance. The councils themselves are not interested in doing so.

The Local Government Commission and the Audit Office are the natural groups to do this. Benchmarking is carried out offshore, but not in New Zealand. The Local Government Forum is meeting a demand for information on how councils perform, and plans another round of benchmarking in 2007.

The Forum's 2004 "Hot Council" awards arguably inspired a forward step in local government accountability. On 28 July 2004 LG Minister Chris Carter announced the planned development of a "Local Government Information Database," accessible to the public through a website. The database won't rank councils for performance but, according to Carter, will provide "... a credible series of data on the performance of the local government sector."

10K Club highlights farm rates pain

By Charlie Pedersen

The level of rural rates is out of hand for many farmers paying thousands of dollars in general rates. When general rates (excluding charges for specific rural services) top \$10,000 the task of finding that money from farm income becomes seriously difficult. Getting central and local government to heed concerns that farming is heavily subsidising local government services is even harder.

To draw public attention to the issue, Federated Farmers launched the 10K Rates Club at the Mystery Creek Fieldays. The club is for farmers unhappy about being lumbered annually with more than \$10,000 in general rates. Its mission is to serve notice that farmers have had enough.

The goal of launching the club is to highlight the massive inequities farmers face as a consequence of local government being funded mainly by land and capital value rates, while expanding well beyond its core roles. It is also to acknowledge the huge contribution made to local services by many farm units that goes unrecognised by the community.

The club was swamped with members and generated significant media interest. We have tapped a well of deep concern. As it stands we have signed up 117 farmers who are rates mugs paying a total of \$2,025,305 in rates, or an average of over \$17,300.

To emphasise the absurdity of their situation all members received official club mugs emblazoned with the club's motto "I'm A Rates Mug."

Federated Farmers wants changes to the way local government sets its rating policies. Any such review must encompass the limits placed on councils by the Local Government Rating Act 2002.

Charlie Pedersen is Vice President of Federated Farmers of NZ



GST Off Rates Campaign off the Mark

By Roger Kerr

United Future is running a campaign to relieve rates of GST. Its finance spokesperson Gordon Copeland has recently been in the media promoting a Goods and Services (Exclusion of Rates) Amendment Bill. At its first hearing in Parliament the Bill was unsurprisingly defeated.

It turns out that the bill was misnamed. What United Future actually proposes is not to exempt rates for GST purposes but to zero-rate them. Either way, the policy is a bad idea.

United Future argues that paying GST on rates is "a tax on a tax". In fact, the application of GST to rates is better viewed as "a tax on a price" (of the goods and services councils supply).

There are two main reasons for this treatment. First, if local authorities were exempt from GST or zero-rated they would be tax-preferred relative to private businesses.

Secondly, if GST were applied only to goods and services that are charged for (trading activities), as opposed to those that are not (e.g. genuine public goods), there would be complex boundary problems.

The treatment of rates was examined before the introduction of GST by an advisory panel chaired by Don Brash. In its report it said:

'Rates are clearly a payment for services provided by local authorities ... and especially in view of the fact that some of these services are provided in competition with the private sector, neutrality demands that GST be applied to payments for them (rates).'

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United Future thinks its proposal would help businesses. This is mistaken. GST is a tax on final consumption, and it is consumers who would benefit if rates were zero rated or exempted.

By contrast, businesses, including farmers, would not. They would be required to write a commensurately larger GST cheque to IRD. The GST that would otherwise be paid by businesses on their rates would be collected from businesses rather than councils.

Relieving rates of GST is not the way to deal with the legitimate complaints of ratepayers about a growing and excessive rates burden. This should be addressed directly by focusing councils on their core public goods role.

United Future's aim of providing local government with "some headroom as they strive to make ends meet" by removing GST on rates is an open invitation for councils to increase the rates burden further to the detriment of business, residents and the wider community.

Roger Kerr is the Executive Director of the New Zealand Business Roundtable.

The Voters' Guide to Election Happiness:

Questions to ask a local government election candidate who wants to spend your money.

The local government elections are just around the corner. It is important that business owners take the opportunity to quiz candidates on their attitude to spending and councils' role in the community. Many promises are made at election time, but few are costed and even fewer specify the effect on rates – especially business rates.

Take the time to ask some of the following questions of candidates at meetings, or write or email them, asking them to reply. You could also do this publicly through means such as a letter to the editor in the local paper, challenging the candidate to respond.

Do you support the use of rating differentials on businesses?

Do you think council should use flat per property charges, such as the uniform annual general charge, as much as possible?

Do you support improved transparency in the way council reports its expenditure to the public? For example, should ratepayers be allowed to know what each major service is costing them in rates?

Do you believe that ratepayers should have a "Bill of Rights" which includes limits on growth in council expenditure outside of core assets (i.e. water, sewerage and roading networks)?

Do you support council involvement in commercial enterprises?

Do you believe that local government should provide welfare related services, or is that the role of central government?

Are you a business minded candidate? Do you have management or budgeting experience?

Do you believe New Zealand is over-governed?