



Final Report to:

Local Government Rates Inquiry

**THE SUSTAINABILITY OF RATES AND THE
MEASURES TO ADDRESS AFFORDABILITY
OVER TIME**

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The sustainability of rates and the measures to address affordability over time

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1 Executive Summary

This report has been prepared for the Local Government Rates Inquiry. Its purpose is to look at the sustainability and affordability of rates and the measures to address affordability over time. This report addresses four issues:

- a definition of affordability and sustainability that applies to rates.
- a critique of the work undertaken by the Local Authority Funding Project.
- the effect of rates on individual and community groups.
- an assessment of government assistance.

1.1 Sustainability and affordability

Affordability in the context of rates has two aspects:

1. The cost relative to income (and wealth – to the extent that wealth can be converted into income).¹
2. The ability of ratepayers to earn greater income in the future from the spending of the rates, e.g. investment in infrastructure that will allow an individual to earn higher incomes in the future. This can also mean that current incomes are protected from falling in the case of, say, environmental protection investment.

Sustainability can be defined as the ability to meet present needs without compromising the needs of future generations. Sustainability represents an extended definition of affordability in the sense that sustainability introduces a longer timeframe in which the issues of fairness and risk must be considered.

1.2 Critique of the Local Authority Funding Project analysis

The Funding Project had a very large and complex task to undertake. While we do have some observations that are noted in this section, there were a number of issues that were explored by the funding project that have enabled a more enlightened and educated debate to occur.

- The reports focus mainly on national data.

¹ There may be some difficulties in doing this, which may require the use of financial instruments such as reverse mortgages.

- The reports focus mainly on the local government perspective, with no real focus on ratepayers' ability to pay.
- The Funding Project learnt a lot between two studies, (and so had councils as a result of their LTCCP exercises).
- There are questions over some of the statistical analysis.
- There are issues with their definition of sustainability/affordability.
- The use of debt is under-investigated.
- Some of the assumptions used could be challenged.
- There are some concerns about the accuracy of LTCCP data.
- The historical infrastructure deficit.
- The use of rates to household numbers.
- Councils could inform ratepayers better.
- Some conclusions are too generalised.

1.3 Affordability of Rates 2006/07 and 2015/16

1.3.1 Affordability in 2006

BERL's recommended definition of housing unaffordability is where housing costs in the lower 40% of income distribution exceed 25% to 30% of their income. Using this would be sufficient, provided it was possible to determine what the applicable level of rates would be in relation to these housing costs.

Our analysis of the Household Economic Survey (HES) 2004 showed that, on average, New Zealand households spent \$29.90 per week or 2.51% of their household income on rates. For households in the lowest 40% of incomes we find a range of 4.3% to 5.7% of household income.²

This does not mean that this is the level beyond which rates affordability issues will exist; rather it shows that where household groups are above these national averages their situation is worthy of further investigation.

² We have excluded the households with household income under \$15,900 which had rates at 12.5% of income because this also includes households that make a loss and we do not believe this is an appropriate measure to use.

Analysis of other HES data suggests the following groups may be having rates affordability issues: households in the lowest 40% of incomes, one person households, and households whose principal income source is New Zealand Superannuation.

Further analysis of HES data suggests there may be 384,000 households who own their home with a household income below \$37,900 having rates affordability issues. This is based on national averages.

1.3.2 Affordability in 2015/16

The case studies use a projection of income changes from the BERL computable general equilibrium (CGE) model of the New Zealand economy. The following local authorities were selected for the case studies: Metro – Waitakere, Tauranga and Dunedin City Councils; Provincial – Tasman, Far North and Hastings District Councils; and Rural – Rangitikei and Hauraki District Councils.

The national annual average rates per rateable property are projected to increase from \$2,160 in 2006/07 to \$3,197 in 2015/16. This is equivalent to an increase of 4.45 percent per annum over nine years. In 2006/07 the total rates to median household income was 4.2 percent. This is projected to increase to 4.7 percent in 2015/16. The implication of these projections is that while incomes are, on average, projected to increase by 3.28 percent per annum, rates are projected to increase by 4.45 percent per annum, a deterioration of the rates burden averaging 1.17 percent per annum over nine years.

For some councils, such as Waitakere City there is more than a 25 percent deterioration in the affordability of rates. This headline rates analysis suggests that further work is needed to determine the cause of this large increase in Waitakere rates relative to other areas.

For other areas such as Hauraki, an improvement in the affordability of rates is projected. However, there may still be concerns about the affordability of rates in this district as the ratio of rates to household income will be the same as in Waitakere in 2015/16.

There is projected to be a worsening in rates affordability across all household types, with particular concern over *one-person households* and *one-parent with child(ren) households*. We note however, that more work must be done on these households to determine how applicable the use of the average rates is.

It is also important to note that these case studies cannot be used as indicative of other councils that are in similar situations. Every council has its own characteristics and must be looked at individually.

Farmers are a group of ratepayers that have over the years voiced concerns over the rating system. The rating issues for farmers are complex. Most of the issues raised by farmers or farming groups have more to do with the equity or inequity of the rating system, rather than pure affordability issues. This is more of whether rates are a levy for services or a tax. This is not an issue we can tackle in this report. Like other ratepayer types there will be areas or

pockets of farmers where the affordability of rates is an issue. Getting good rating information on those areas for farmers or farming groups is difficult.

The main issues likely to appear where there has been a large increase in the value of the farm, which is not directly related to the extra earning capacity of the farm. This would include farms that are near to the coast or lifestyle blocks.

1.4 Assessment of Government assistance programs

1.4.1 Rates Rebates Scheme

The Rates Rebates Scheme (RRS) was established in 1973 to provide a rates subsidy to low-income homeowners. The conclusions from our analysis are that:

- The scheme seems particularly suited to those ratepayers who have low incomes, high rates and own their own properties outright. There are some households that are ineligible because of the ownership structure of the property, such as owner occupiers in a retirement village.
- The scheme needs refinement to include an indexation of thresholds and a look at the conditions to be met for people to be eligible. We note that the DIA is conducting a review of the RRS this year.
- The RRS may reduce the pressure on councils to keep rate increases down, although this may be more perception [or speculation] than reality.
- Consideration should be given to rebranding the RRS and shifting the administration of it to the Inland Revenue Department (IRD).
- There is more work needed to look at all types of income assistance that affect individual/household incomes and thus the affordability of rates.

We believe that the RRS can, with appropriate indexation of thresholds, assist with the affordability of rates for low income households in the future.

1.4.2 Local authority rates remission and postponement policies

Councils have two main mechanisms for rates relief under the Local Government (Rating) Act 2002. These are: rates remission and rates postponement.

In BERL's opinion, the analysis completed by the Funding Project did not fully cover the range of local authority rates remission and postponement policies (in particular the optional rates postponement). We consider that a properly setup rates postponement scheme (with appropriate interest and costs charged to the ratepayer) should not have any effects on other ratepayers. A report by Karen Johnston found that in most circumstances councils had very

similar approaches to remission and postponement policies.³ In addition to the policies that individual councils have, nearly 20% of councils have formed a consortium that offers optional rates postponement schemes.

A report of the Office of the Controller and Auditor-General (OAG) in 2006 found that the schemes were generally well designed and operating in the interests of the community.⁴ The main issue raised by the OAG was the need for better ratepayer information about the potential long term implications on equity from entering into an optional postponement scheme.

We do not have enough information on the uptake of these optional postponement schemes, but based on our understanding of these approaches, they provide one mechanism for addressing rates affordability for a group of ratepayers. Our view is that this group of ratepayers will primarily be homeowners who have repaid their mortgages, have retired, and are on a fixed income. The scheme works on top of other central government assistance and provides ratepayers with the option to address rates affordability without having to sell their homes. This fits with the Government's policy aim of 'ageing in place'.

Going forward we view the optional scheme as a method of addressing the rates affordability issue for a group of ratepayers. Other remission and postponement schemes will continue to provide suitable methods for councils to address specific issues and adequately manage the rating system.

1.4.3 Private sector measures

The main private sector measures available are equity release or reverse mortgage schemes. At this stage it does not appear that reverse mortgages are being used to assist with affordability issues surrounding rates or other household expenditure. As reverse mortgages are relatively new in New Zealand, it will take some time for them to become a more widespread option. Overseas, there appears to be more usage of the income streams from reverse mortgages to fund on-going retirement costs.⁵ This is an area that needs to be explored, especially from a policy point of view in terms of rates and macro-economic factors such as savings.

BERL's view is that with a strong growth in the use of reverse mortgages that is forecast, the uptake of reverse annuities or income stream mortgages will grow as more people decide that a reverse mortgage is a safe and viable way of funding their retirement costs. Additionally, pressure may increase the number of retirees on fixed income funding on-going

³ *Council policies on rates remissions and postponements and Maori freehold land*, Karen Johnston – Strategic and Project Planning, April 2007.

⁴ *Performance audit report – Residential rates postponement* – The Office of the Controller and Auditor-General, November 2006.

⁵ *Making use of home equity – comparisons between Britain and New Zealand*. Judith Davey, Social Policy Journal of New Zealand - Issue 07 December 1996

costs such as repairs and maintenance and rates. While this may address the rates affordability issues for these households, it will have consequences on the level of savings in New Zealand. We believe that further research is required in this area to fully understand the implications of reverse mortgages.

1.4.4 Income assistance packages

The Accommodation Supplement

The Accommodation Supplement is a non-taxable benefit designed to help people with their accommodation costs. It is available to beneficiaries and non beneficiaries who rent, board or own their own home. At June 2005, the Accommodation Supplement was paid to 242,612 people, at a cost of \$735 million in the 2004/05 financial year.⁶

The Accommodation Supplement is based on the total accommodation costs of the applicant. We cannot determine which applicants are having rates affordability issues versus those that are not. Our partial assessment is that those who received the Accommodation Supplement are more likely to have a lower income and a mortgage to repay. In these circumstances it is likely they would also be facing a rates affordability issue. For these people the Accommodation Supplement would help to improve the affordability of housing costs and rates.

Based on the information available to us, we believe the Accommodation Supplement is improving the affordability of rates for those on low incomes with high housing costs. From the data available it would appear this group is currently around 40,000 households. It is important to remember that the Accommodation Supplement was not designed to tackle rates affordability directly, but has an indirect effect through its impact on housing costs affordability.

Working for Families

The key objectives of Working for Families (WFF), the welfare package announced in the 2004 budget, are to "make work pay", to "ensure income adequacy" and to "achieve a social assistance system that supports people into work".

In answering a question in parliament in February 2007, the Minister of Finance stated that the estimated total number of eligible families is around 360,000 in the 2006-07 tax year.⁷

A relative paucity of evaluation research on WFF means we cannot make an informed judgement as to its impact on rates affordability. Because WFF was not implemented as a measure to improve rates affordability, there should be a further assessment of the longer

⁶ *Review of the Accommodation Supplement: Key Information for Stakeholders*, Housing New Zealand and Ministry of Social Development, June 2006.

⁷ http://www.hansard.parliament.govt.nz/hansard/Final/FINAL_2007_02_14.htm#_Toc160351007

term impact of WFF on household incomes. BERL's view is that any measure that directly improves household income could also improve rates affordability as defined by the rates to household income measure.

2 Introduction

This report is prepared for the Local Government Rates Inquiry. Its purpose is to look at the sustainability and affordability of rates and the measures to address affordability over time.

This report is structured around four sections. Each section covers an issue and identifies areas of overlap between each issue.

The four issues are:

- Definition of affordability and sustainability as they apply to rates.
- Critique of the work undertaken by the Funding Project.
- The effect of rates on individual and community groups.
- An assessment of government assistance.

3 Sustainability and affordability

This section of the report considers and recommends a definition that best explains sustainability and affordability as they relate to rates. As part of developing this definition we will provide a critique of the definition used by the Funding Project.

3.1 Defining sustainability and affordability

A fundamental issue when deciding if current and future rates are sustainable and affordable is defining the terms *sustainable* and *affordable*. It is important that these terms are correctly defined as any research or analysis completed will be couched in the bounds of the definitions.

Webster's *New World Dictionary* defines the term *afford* as, "to have enough or the means for; bear the cost of without serious inconvenience."

The first part of the definition is an absolute concept; there is no qualifier. No matter how much it hurts, if a subscriber continues to pay for telecommunication services, telephone services are deemed by implication to be affordable.

The second part of the definition is relative; the burden imposed is qualified by the term *serious inconvenience*. If it hurts a lot to pay for telephone services, it is not deemed affordable even though the subscriber continues to pay for it.

Affordability in the context of rates has two aspects:

1. The cost relative to income (and wealth, to the extent that wealth can be converted into income).⁸
 - a. The ability of ratepayers to earn greater income in the future from the spending of the rates, e.g. investment in infrastructure that will allow an individual to earn higher incomes in the future. This can also mean that current incomes are protected from falling in the case of say environmental protection investment.

Sustainability can be defined as the ability to meet present needs without compromising the needs of future generations. Sustainability represents an extended definition of affordability in the sense that sustainability introduces a longer timeframe in which issues of fairness and risk must be considered. In this context, sustainability, maintains intergenerational equity, This means ratepayers today do not bear the burden of expenditure that benefits future generations and vice versa. Sustainability also means leaving future generations with

⁸ It is important to understand that there may be some difficulty in doing this, which may require the use of some financial instruments such as reverse mortgages.

choices. This ensures they are not so over indebted and/or over rated that cannot make choices about future initiatives.

3.2 Reviewing the Local Authority Funding Project's definitions

The Local Authority Funding Project was given the following purpose: The funding project was asked to:

provide an analysis of the extent to which required local authority funding, now and over the next 8-10 years, is sustainable for the communities which they serve.

The term 'sustainable' was defined as:

funding requirements that are affordable over time..

The Funding Project noted the Treasury's definition of affordability as being

"having sufficient income to be able to pay for expenditure without crowding-out other expenditure".

Using this definition, the Funding Project interpreted affordability as

a measure of a particular community's ability to pay, i.e. to meet the burden of local government funding needs over time.

The Funding Project noted that sustainability of local government funding

depends significantly on the priority that ratepayers place on local government services and infrastructure and other competing demands on the household budget.

We believe the definitions of affordability and sustainability provided by the Funding Project are too narrow, and focus mostly on the burden on household expenditure. The funding project definition also caveats sustainability by saying anything is sustainable if it is given a big enough priority by ratepayers.

Recognising the nature of sustainability, we recommend that funding requirements must be affordable over time **and in the longer term must not cause intergenerational inequity.** We note that while sustainability depends significantly on the priority that ratepayers place on local government services and infrastructure and other competing demands on the household budget, **it depends also on the ability of local government services and infrastructure to maintain and increase their ability to earn income.**

4 Critique of Funding Project analysis

This section of the report provides a critique of the Local Authority Funding Project analysis of fiscal pressure faced by the local government sector and consequent local authority funding issues from 2006 to 2016. We provide a summary of the main findings of the funding project followed by our analysis of the key issues.

Some key issues to be investigated/answered in this section include:

- Did the Funding Project carry out a sound analysis of the issues?
- Were their assumptions correct?
- Were any issues not included?
- Could the project have been completed differently?
- Are the conclusions robust?
- Are there any other conclusions that could have been drawn from their work?
- Is there a problem over affordability of rates?
- Did the investigations and analyses cover sufficient detail to enable conclusions to be drawn as to the present and future affordability of local authority rates?
- Should the problem have been looked at in more detail?

4.1 Overview of funding project

The Local Authority Funding Project was established to gather accurate statistics on local authority rating levels and the nature and extent of any affordability problems. The project has produced two main reports. The first was *Local Government Funding Issues – Report of the Joint Central Government/Local Authority Funding Project Team* released in July 2005. This is generally referred to as the Phase One report. The second was *Local Government Funding Issues: An Update – Second Report of the Local Authority Funding Project Team*, released in December 2006. This is generally referred to as the Phase Two report.

4.2 Key findings

The main findings of the Phase One report include:

- It is difficult to draw conclusions from across the whole sector.
- There may be a group of local authorities that are approaching their capacity to generate additional revenue to meet projected expenditure increases.
- A local authority that has affordability issues is more likely to:

- *“have lower population densities than higher (which makes the cost of infrastructure and services higher per person);*
 - *have lower holdings of revenue-producing assets such as port and airport company shares;*
 - *have more substantial amounts of land that is exempt from rates;*
 - *have more substantial amounts of Maori freehold land;*
 - *face substantial needs for new or replacement capital works on the existing stock of infrastructure;*
 - *have significantly higher than average rates of population growth or by contrast;*
 - *population decline (which reduces the rating base available to fund investment);*
 - *have high levels of non-participation in the labour force, unemployment, and unskilled and semi-skilled workers with consequent low incomes;*
 - *be more reliant on residential rates i.e. have low commercial and industrial rating bases.⁹*
- To obtain a measure of affordability, the study estimated the rates-to-income ratios for all Census Area Units (CAUs) and found that 66% of all CAUs fit within the rates to income ratio of 2.9% to 6.5%. Those CAUs with a ratio above 6.5% were deemed to be high rated.¹⁰
 - There is very little evidence of affordability problems in the regional sector.
 - The issue in some areas (such as Auckland) seems to be more about the perceived rate of increase rather than the rates level.
 - Local authorities could make more use of debt to address intergenerational issues.
 - Some of the drivers of increased infrastructure costs are:
 - Rapid population growth
 - The effects of past under-investment in infrastructure like transport
 - Investment in community infrastructure to maintain the quality of life that New Zealanders expect.

⁹ See Phase One report, pages 4-5.

¹⁰ See Phase One report, page 14.

- Some councils did not use the full range of rating tools available to them. There is more flexibility in the rating mechanism than is appreciated and used by local authorities.

The Phase Two study took the investigation further, and completed case studies of Local Authorities. The analyses took particular account of the spending implied in the 2006-2016 Long Term Council Community Plans (LTCCPs).

The main findings of the Phase Two report include:

- The level of rates increase across the country is substantial, but the effects are not as great when compared to likely income movements.
- The concern about affordability at the individual ratepayer level is re-iterated for some groups, including those on low and fixed incomes.
- Local government is not heavily indebted, so effectively today's ratepayers are subsidising the benefits that tomorrow's ratepayers receive.
- "Neither the Phase One report nor any of the additional material gathered in Phase Two provides any basis for concluding that there is a systemic affordability issue within the local government sector."¹¹
- "This is not to say that some communities will not face significant rates increases over the next few years – in some communities rates may double. However, the real impact will be on the finances of individual ratepayers. The community as a whole is able to meet future expenditure needs."¹²
- There seems to be a fundamental disconnect between the public's perception of rates and the benefits they receive from them.

4.3 Our assessment of the key issues

The Funding Project was a large, complex task to complete. While we do have some observations, there were a number of issues explored by the funding project that have enabled a more enlightened and educated debate to occur.

Due to the timeframe and focus of our report we have not explicitly outlined the areas where the funding project was thorough and provided good conclusions. Our critique focuses on points that could be improved and/or researched better.

The issues we have identified in the Funding Project's work are as follows:

- The reports focus mainly on national data.

¹¹ See Phase Two report, page 20.

¹² See Phase Two report, page 20.

- The reports focus mostly on a local government perspective and there is no real focus on the ratepayers' ability to pay.
- A lot was learnt between two studies and councils also learnt from their LTCCP exercises.
- There are questions over some of the statistical analysis.
- There are issues with the reports' definitions of sustainability/affordability.
- The use of debt in the reports is under-investigated.
- Some of the assumptions used in the reports could be challenged.
- There are some concerns about the accuracy of LTCCP data.
- The historical infrastructure deficit.
- Use of rates to household numbers.
- Councils could inform ratepayers better.
- Some conclusions are too generalised.

We will now examine each of these issues in detail.

Main focus on national not local data

The reports focus on the national and aggregate level numbers for local authorities, as well as national changes in rates over time. While the reports describe the range of data from the councils, they do not analyse data for different population groups and their incomes to address the affordability issues of individual ratepayers.

The reports do not present enough data to enable an informed decision to be made. Some readers will see the national numbers and consider them reflective of the issue due to this lack of other data. The reports find that affordability is probably an issue in pockets of the country, yet we are not told which pockets. While not complete, our analysis in section 5 shows some sectors of community are facing affordability issues.

Focus on local government viewpoint

The reports were commissioned mainly to.. *"provide an analysis of the extent to which required local authority funding , now and over the next 8-10 years, is sustainable for the communities which they serve."*¹³ They are concerned mainly with the fiscal pressures on local authorities and their communities, and focus on the local government perspective.

¹³ See Phase One report, page 8.

There is a similar focus in recent Australian reports.¹⁴ While a focus on local government is important, this detracted from the household / ratepayer perspective. This perspective should include analysis on what level of rates to household income could be considered affordable (see section 5.1).

Issues progressed during the project

The Funding Project learnt a lot about the issues between the two reports. The issues addressed had progressed between the reports due to the reporting of LTCCPs, and large changes to the ways councils operated, reported and projected changes in expenditure and service levels. Real, inflation-adjusted prices were used by many LAs for the first time this period.

Statistics and judgements made

We have some questions over some of the statistical analysis used in the report. An example is that a number of items were tested for their 'statistical significance'. For the uninformed reader the meaning of this and the results of the tests were not explained in any detail. For the informed reader, no information/data about these tests including the levels of significance and intercepts were given to allow them to evaluate the results independently.

Another example is the use of the standard deviations. The standard deviation is simply a statistical measure of dispersion of data around the average or mean. In these reports, it was taken that one standard deviation above the mean was 'high' and one deviation below the mean was 'low'. These numbers are clearly higher than, and lower than the mean respectively, but whether they should be called, for example, 'slightly high' or alternatively 'very high' is not really indicated by the standard deviation. An example of this is in the Phase One report:¹⁵

Census area units were ranked in terms of their rates to income ratios and a standard deviation was calculated to determine what might be "high" and "low" rates to income ratio relative to other units.

The accompanying footnote shows that they had made the judgement that if the rates to income ratio of a local authority was in the one-third of local authorities with rates to income ratio higher or lower than one standard deviation away from the mean, they were deemed to 'high-rated', or 'low-rated' respectively.

For readers unfamiliar with standard deviations – a standard deviation is a measure of the spread of a set of data. What this measure tells us is a range of values within which most local authorities (66 percent) – in this case 66 percent of census units fit

¹⁴ For example, *Rising to the Challenge: Towards Financially Sustainable Local Government in South Australia*, August 2005, the final report from SA Local Govt Finances Independent Inquiry. Also *Independent Inquiry into the Financial Sustainability of NSW Local Government, Final Report*, May 2006.

¹⁵ See Phase One report, page 14

within the rates to income ratio of 2.9 to 6.5 percent. A census area unit with rates to income ratio of less than 2.9 percent was deemed to be low-rated, a unit with rates to income ratio of 6.5 percent was deemed to be high rated.

There is no explanation as to how many standard deviations and more importantly on what basis they determined that outside this range must be low or high rated, and that those who were deemed high rated were having affordability problems. As we have noted, a standard deviation shows the spread of the data around the mean (average). There is an implied value judgement made by the Funding Project that those outside one standard deviation (about 34%) are low or high rated. We would have expected to find some reference to a justification for this view, for example from other research.

Definitions of sustainability / affordability

As mentioned in earlier sections, we believe the definitions of affordability and sustainability should be wider than those used by the Funding Project. These definitions could have potentially limited the focus of the reports from the start.

The broader definitions of affordability and sustainability we have outlined would require local authorities to ensure there was reasonable intergenerational equity in the way they funded projects and services. Local authorities would also have to ensure their management of services and infrastructure was sustainable in the long term. If local authorities did not do this, they could inadequately maintain an asset, rendering it unserviceable for future generations, and under-utilise debt finance, penalising the present generation to benefit future generations.

It is quite likely infrastructure in some local authorities is inadequately maintained. In this case, it is less likely that the conclusion drawn would be that there is no affordability issue in local government. Again, if the intergenerational issue were fully embraced, it is likely that even more would have been made of the opportunity for many LAs to increase their use of debt funding of projects.

The usage of debt is under-investigated

The funding project reports that while the level of debt used by councils is rising, there remains potential for use of debt. Additionally, some councils are forecasting the repayment of all debt over the LTCCP period. The reports note this could create some intergenerational equity issues.

This is an important issue and deserves more focus in the reports. In some councils, there has been large investment in infrastructure, particularly community amenities which to a large degree have been funded out of rates. Not only will this put pressure on the level of rates, but more importantly create some intergenerational equity issues.

Some assumptions could be challenged

Assumptions had to be made in the various analyses in the two reports. The conclusions drawn could be significantly affected by the assumptions made. It is therefore useful to scrutinise some of these assumptions, and this covered in more detail is section 5 where we discuss affordability.

While some of these assumptions may be valid, there is little discussion as to how they were arrived at. One example of an assumption that could have affected the Funding Project's conclusions is the assumption that GDP per capita will increase by 1.9%pa.¹⁶ This is an important assumption as it drives the projected changes in household incomes and the projected changes in rates to household income ratio. We have no detail on what basis this assumption was made.

Over the past 10 years (1996 to 2006), GDP per capita has increased on average by 2.0%pa. The latest Treasury forecasts show that GDP per capita is forecast to grow by 0.6% in 2007, 1.5% in 2008, 0.7% in 2009, 1.7% in 2010 and 2.3% in 2011.¹⁷ This implies a compound growth rate over the five years from 2007 to 2011 of 1.35% per annum. If the Treasury forecasts are correct, the growth rate in the second five years, to 2016 would have to be nearly 2.5% per annum, a large increase on the present rate. If GDP grows by less than the 1.9% assumed, the financial position of the LAs will not be so positive and the rates to income ratio will increase by more than the Funding Project estimated.

LTTCP data accuracy

The funding project raises some concerns over the accuracy of the LTCCP data. From our initial reading, this would appear to be an issue, although we not been able to look at the detailed source data. Some councils have admitted some expenditure has been excluded for one reason or another. This seems to undermine the LTCCP and any analysis done on them. It is also apparent that a number of capital projects appear in the first three or so years of the LTCCP's. This could reflect one or more of the following: (1) there will be no projects undertaken after this, (2) the councils have not yet done enough planning on these projects, and/or (3) there are some other reasons such as the political unacceptability of large projected increases in the future.

Historical infrastructure deficit

Some councils have experienced population growth and the need to expand their services. These councils are facing the full costs of funding investment in infrastructure such as flood control, water and waste. More established councils do not have this issue as their development was completed at a time when the central government was funding most major infrastructure developments.

¹⁶ See Phase One report, page 21

¹⁷ Budget Economic and Fiscal Update 17 May 2007.

The rating system in place today was developed during that era. Local government rates were used mainly for maintaining and operating these facilities and services. Consequently, a question should be asked as to whether the rates system was designed to fund major infrastructure developments that in the past were undertaken by the Ministry of Works.

The unit used for rating impacts

The use of the number of households as the basis to determine the impact of rates on communities has limitations. Using household numbers as the base for determining average rates per household does not include businesses such as farming and holiday homes. Taking total rates and dividing only by the number of households is likely to give a figure that is overstated. A suggested alternative might be the number of rateable properties, but this dataset is difficult to collect and even more difficult to forecast and will have its own issues. For example, the impact of businesses on local government costs can be quite different from the impacts of households.

The Funding Project's decision to use household numbers should have been accompanied by some more explicit rationale for this, as well as some testing of alternatives to show any potential weakness in the approach taken. Additionally, it is important to discuss any caveats around the use of assumptions. This helps readers to make up their own minds about the validity of the assumption and the conclusions reached from using it.

Councils could inform ratepayers better

Councils should better inform ratepayers on the services and facilities their rates are paying for. Not only would this avoid some of the questions from ratepayers, but it may allow the councils to link some of the benefits with ratepayer groups, and take advantage of other rating tools such as differential rating.

Some conclusions are too generalised

Some of the conclusions in the reports are too generalised, and are not always directly supported by the analyses and evidence. The main example is, as we noted in section 4.2, that one of the conclusions of the funding project is "*A local authority that has affordability issues is more likely to.....*" and there followed a list of attributes. Throughout the report, there is either partial or very limited evidence to support a number of these conclusions. Some of the items are a description of a local authority's characteristics. There appears to be no analyses to show that having one or more of these characteristics will cause a local authority to have affordability problems.

4.4 What else could have been done?

We believe there are five main items that could be covered in more detail by the funding project. These are:

- More statistical analysis (such as quartiles and sensitivity analysis) to enable the funding project and the reader to make an educated judgment on some of the issues.
- More detailed work to answer the question, “what is the level of affordable rates”. This would take the broader view of affordability and sustainability as discussed above in section three.
- The development and use of the ratio of rates: rateable properties instead of the ratio of rates: households.
- More analysis on ensuring the assumptions used in the report were robust and supported.
- More research looking at the impact on some specific groups such Maori, business and, farmers.

5 The effects of rates on individuals and groups/sectors in the population

This section of the report provides some new analysis to assist the review being undertaken by the inquiry. It examines the effect of rates on individuals and groups or sectors in the population.

For this part of the project the key questions to be answered include:

- At what level of income should rates be considered unsustainable/unaffordable?
- What is the size and scale of the problem? (if indeed it exists)
- What groups in the population are most affected by unsustainable/unaffordable rates and what impacts are rates having on them?

This section defines what the sustainable level of rates are using existing data. It uses eight local authorities as case studies to project and examine changes in income and average rates per household in 2006 and 2016. These case studies examine the current areas of concern and the relative changes over the current LTCCP horizon to 2016. These case studies also allow an analysis of the projected rate increase on a number of household types and situations. We use the household types as a proxy for different groups in the population.

In particular, the inquiry is interested in groups such as older people on fixed incomes, Maori, businesses and farmers. While the use of the total rates over total households ratio has limitations. (see section 4.3) (I.e. it does not include businesses and it assumes the same rates across all household types), it represents one of the very few readily available data sources that encompass all types of authority.

There are also limitations on the analysis that can be done on specific sectors or ratepayers such as Maori, business, and farming. There is no national dataset of rates for specific sectors and the reporting at the individual council level is very sparse. This makes it difficult to draw conclusions on the impact of rates on these sectors.

5.1 What is a sustainable level of rates?

New Zealand research has been completed on the affordability of housing costs. A report by NZ Treasury summarises the main definitions of housing costs affordability.¹⁸ These definitions state:

- Where housing costs in the lower 40% of income distribution exceed 25% to 30% of their income there is an affordability problem.

¹⁸ Affordability of housing: Concept, measurement and evidence. NZ Treasury Working Paper 06/03, March 2006.

- A household is below affordability standard if it spends more than 30% of its gross income on housing costs.

In 2004, a report by DTZ Research¹⁹ looked at housing costs and affordability in New Zealand. This report included some examples of housing costs and affordability in New Zealand and overseas. These included:

- The Canada Mortgage and Housing Corporation determines a household to be below its “affordability standard” if it spends more than 30% of its income on housing costs.
- The Affordable Housing National Research Consortium in Australia states that households in the lower 40% income bracket who pay more than 30% of their gross income on housing costs, whether renting or buying, are said to be in housing stress.
- The NZ Housing Strategy discussion document, states that most countries judge housing to be unaffordable if housing costs exceeds 25% to 30% of the net income of a low-income household.
- The New Zealand Housing Strategy Affordability Report published in 2003 stated “a 25% outgoings to income (OTI) or similar ‘affordable’ threshold is not considered the most appropriate indicator of affordability. Residual income (i.e. household income less housing costs) adjusted for household composition, can link affordability to standard of living, and is a preferred indicator of housing affordability” .

We also found that in one United States housing program the maximum housing cost limits are set as high as 40% of gross income.²⁰

Our preferred definition is:

where housing costs in the lower 40% of income distribution exceed 25%-30% of their income there is likely to be an affordability problem.

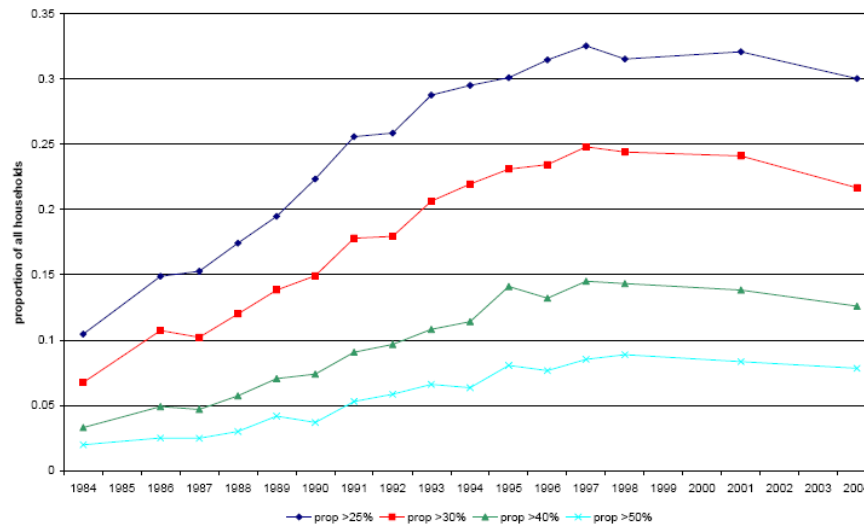
Using this or any other of the above definitions would be sufficient, provided it was possible to determine what the applicable level of rates would be in relation to housing costs. This is the purpose of this section of the report.

Within the Treasury report there is some useful analysis on the percentage of houses that spend over a certain proportion of net household income on housing costs. The applicability to our current work is we might expect to find those households experiencing housing affordability problems might also be experiencing rates affordability problems.

¹⁹ Housing Costs and Affordability in New Zealand, DTZ Research (for the Centre for Housing Research, Aotearoa New Zealand), June 2004.

²⁰ http://www.hud.gov/offices/pih/programs/hcv/about/fact_sheet.cfm

Figure 1 – Proportion of total households spending more than a given percentage of net household income on housing costs



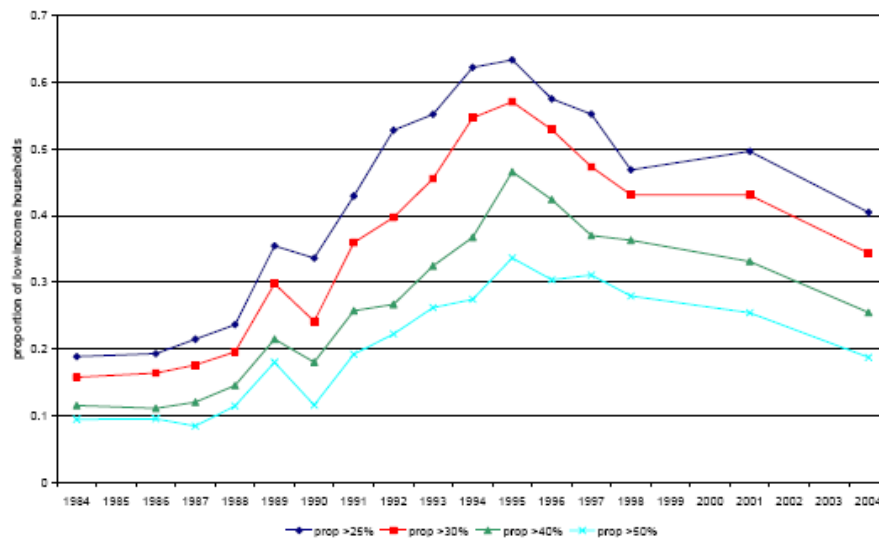
Note: the HES was not conducted in 1999, 2000, 2002 or 2003.

Source: NZ Treasury Report

The graph above shows all households regardless of their position in the income distribution. This tends to become heavily influenced by those at the top-end income distribution. High-income households might easily spend 50% of their income on housing costs.

The graph below has the same ratios but only those households that have equivalised household disposable incomes below 60% of the median equivalised household disposable income. (The Treasury used this definition of low-income households because this is the data they were able to obtain from Statistics NZ.)

Figure 2 – Proportion of low-income households spending more than a given percentage of net household income on housing costs



Source: NZ Treasury Report

In 2004, the proportion of households spending more than 30% of their net household income on housing costs was 22%, this figure for low-income households was 34%.

5.2 The Household Economic Survey

The Household Economic Survey (HES) is a survey of households carried out by Statistics New Zealand. It has a breakdown of housing costs based on various income, household composition and age groups. We have removed the households that are renting from the data. Using the latest HES data from 2004, for all income groups as a starting point, payments to local authorities represented \$29.90 of the \$242.79 per week for housing group costs. This amount is the average of the national total and represents 11.99% of housing group costs. We note the payments to local authorities include rates and building permit fees. For the purpose of this report we have defined payments to local authorities as rates.

The payment of \$29.90 per week represents 2.51% of the national average household income.

If we look at the lowest income bands (the lowest 40% of households) the proportion of rates to housing costs rises dramatically. It represents 19.85% for households in the \$28,800 to \$37,899 income band, 24.73% for households in the \$23,000 to \$28,799 band, 29.48% for households in the \$15,900 to \$22,999 band and 23.61% for those households in the under \$15,900 household income band. These are averages, so there will be households in these income bands with a ratio higher or lower than the average. We do not have access to the appropriate data from the HES to allow us to show the range of rates to housing costs.

Although this is a national average and the HES data is an average of all housing types, it does provide a useful starting point for discussion. We do not have other statistical measures such as medians and standard deviations, so we have not been able to establish the spread of the rates cost or provide a range. It is important to note the only way to get a true estimate of the range of rates to housing costs would be from the unit record data for the HES. We understand that Confidentialised Unit Record Files (CURFs) of the HES will be available from July 2007.²¹

Reviewing the level of rates among households with the lowest 40% of incomes, we find a range of 4.3% to 12.5% of household income. The highest percentage is for households in the under \$15,900 household income band. Because this also includes households that make a loss, we do not believe that this is an appropriate measure to use. The next highest percentage is 5.7%. This does not necessarily imply that households with the lowest 40% of incomes that have rates to household income ratios at or above these levels have affordability problems. Rather, it shows the national average of these households. Households above and below the average may experience affordability issues.

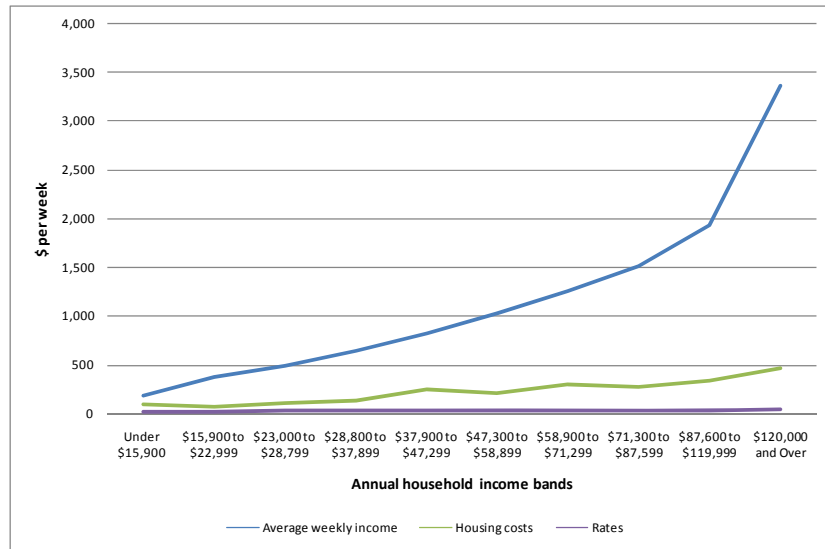
In the following sections, we examine other measures from the HES data that might identify areas where households experience rates affordability issues.

5.2.1 Rates and household income

The first variable we examined was the average weekly income for each of the 10 household income bands across the full range of incomes from the 2004 HES. These income bands appear to closely represent deciles. We also added the average amount spent per week on housing costs and rates. Figure 1 shows the average weekly income and expenditure by annual household income bands.

²¹ <http://www.stats.govt.nz/products-and-services/microdata-access/access-to-microdata/available-confidentialised-unit-record-files.htm>

Figure 1 Average weekly household income and expenditure by annual household income bands

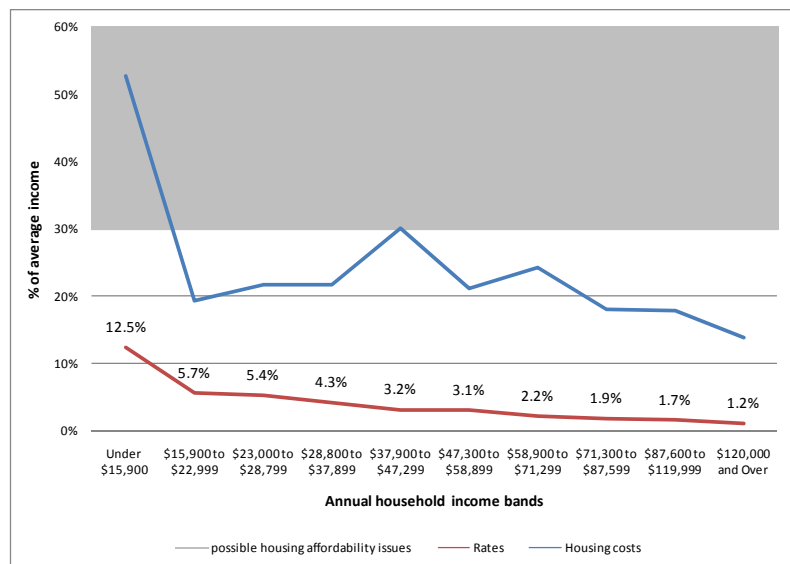


Source: HES 2004

This figure shows that while housing costs and income bands increased, the rates cost per week did not fluctuate. The important point to note from this figure is that low income groups are more exposed to rates than those on higher incomes.

Plotting housing costs and rates as a percentage of average household income for each of the wage bands enables us to illustrate the national level of the relative burden of rates.

Figure 2 Rates and housing costs as a percentage of average weekly household income



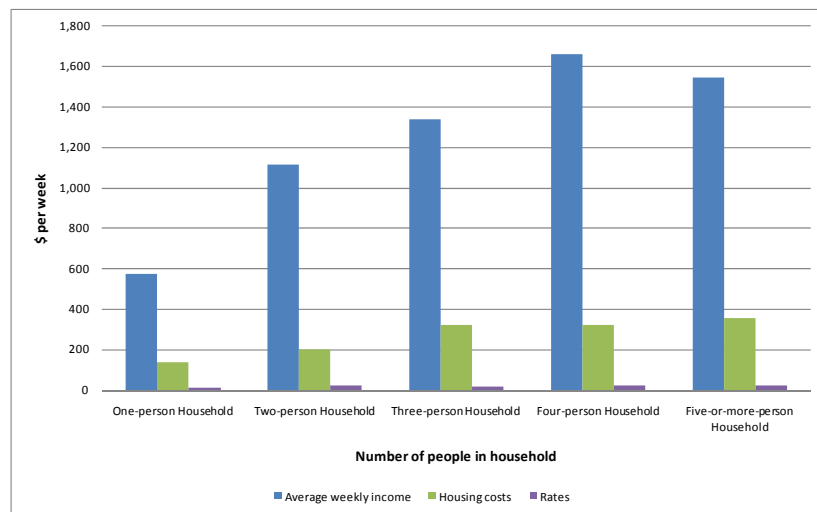
Source: HES

This figure shows that the households in the \$37,900 to \$47,300 per annum annual household income band have housing costs (30.1%) just above the level at which a household could have housing affordability issues (30%). Those in the under \$15,900 household income band are well above the 30% level. Rates to average household income (the average for each income band is given in the HES data) ranged from 3.1% to 12.5% for all groups with household income below \$58,900. This is above the national average of 2.51%.

5.2.2 Rates and number in household

We then looked at these issues on other characteristics in order to find out if there were more specific areas of concern. Figures 3 & 4 show the same dollars per week and percentage of household income based on the number of people in each household. This information is averaged across all income bands, so there could well be pockets of affordability issues that are not identified within these averages.

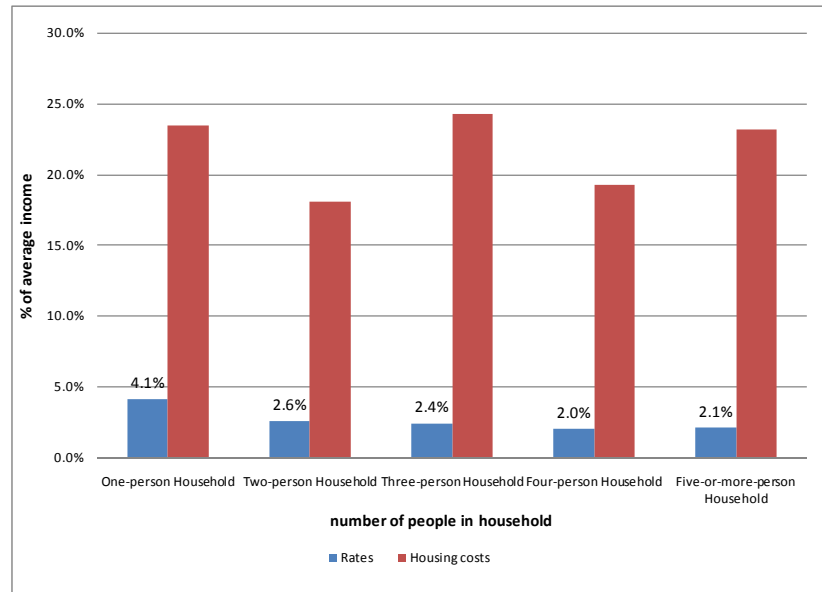
Figure 3 Average weekly household income and expenditure by number of people in the household



Source: HES 2004

This figure shows that as the number of people in the household increases, so does the average weekly household income. Housing costs and rates do not rise significantly as the number of people in the household increases.

Figure 4 Rates and housing costs as a percentage of average weekly household income by number of people in the household



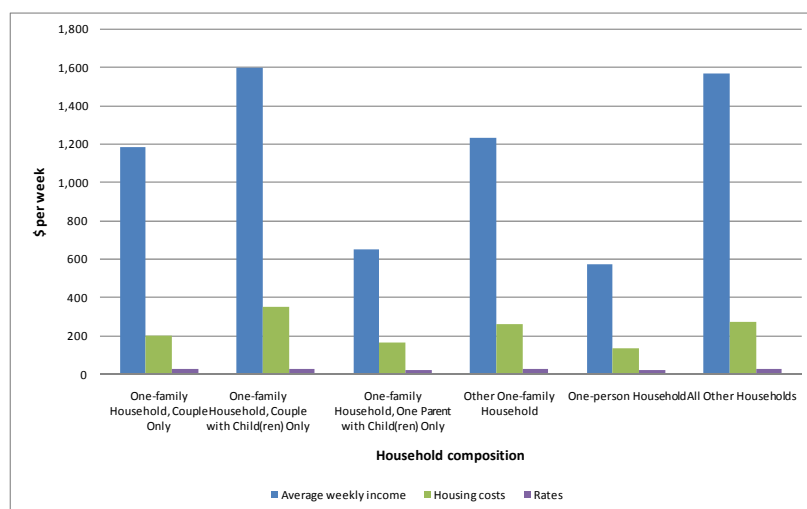
Source: HES 2004

This figure shows that rates as a percentage of average household income decrease as the number of people in the household increases. None of the household groups have housing costs as a percentage of average household income above 30%. The *one person* and *two person* households have a rates to income ratio above 2.51%. Household size is a very crude measure for assessing affordability; more significant is household type.

5.2.3 Rates and household type

Figures 5 and 6 show the HES data based on household composition.

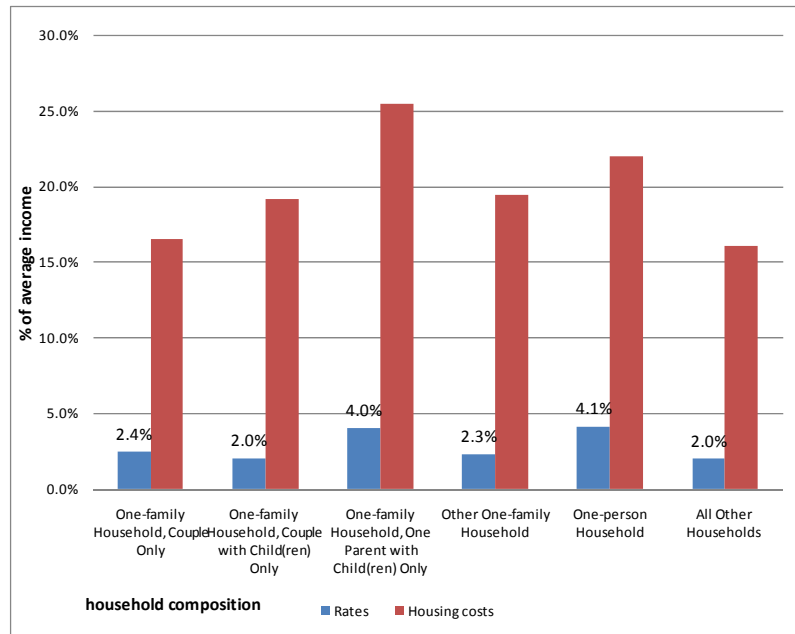
Figure 5 Average weekly household income and expenditure by household composition



Source: HES 2004

This figure shows the lowest average weekly household incomes are in the *one person households*, and the *one family household, one parent with child(ren) only*.

Figure 6 Rates and housing costs as a percentage of average weekly household income by household composition



Source: HES 2004

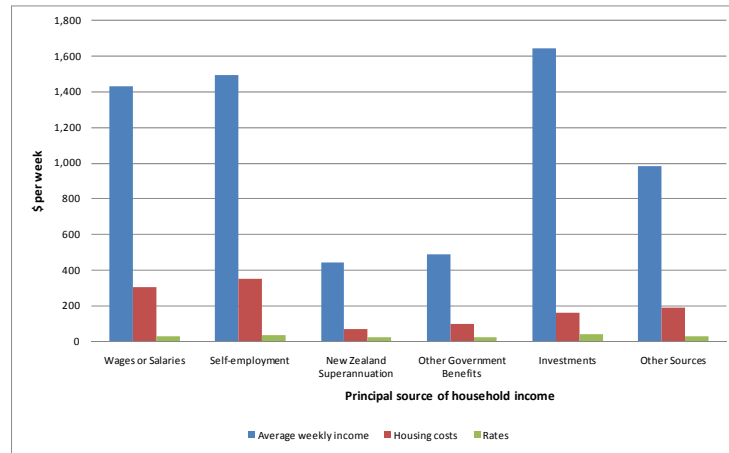
This figure shows that no household types have housing costs above 30%. The *one family household, one parent with child(ren) only* have average housing costs as a percentage of average household income above 25%. The ratio of rates to average household income for this group is 4.0%. The *one person household* is the only other household type where the rates to average household income (4.1%) is above the national average (2.51%).

5.2.4 Rates and income source

Figures 7 and 8 show the HES data based on the principal source of household income.



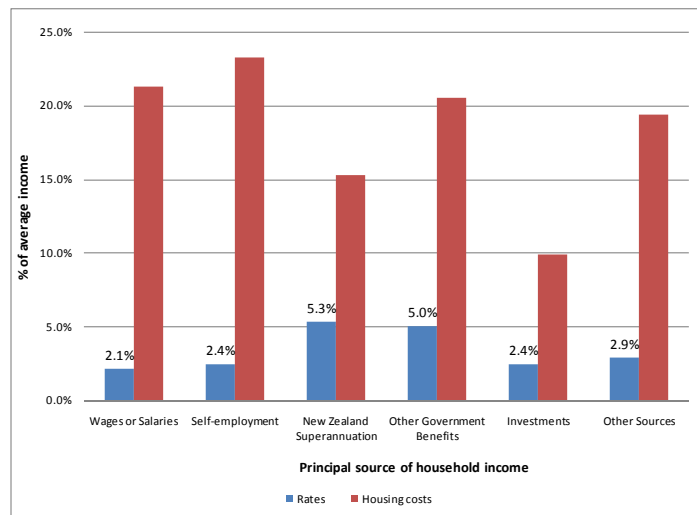
Figure 7 Average weekly household income and expenditure by principal source of income



Source: HES 2004

This figure shows that, on average, households whose principal income is from New Zealand Superannuation have an average weekly income (\$440) that is less than a third of those households whose principal income is from wages and salaries (\$1,434) or self-employment (\$1,497). A situation similar to those on New Zealand Superannuation exists for those households whose principal source of income is from other government benefits.

Figure 8 Rates and housing costs as a percentage of average weekly household income by principal source of income



Source: HES 2004

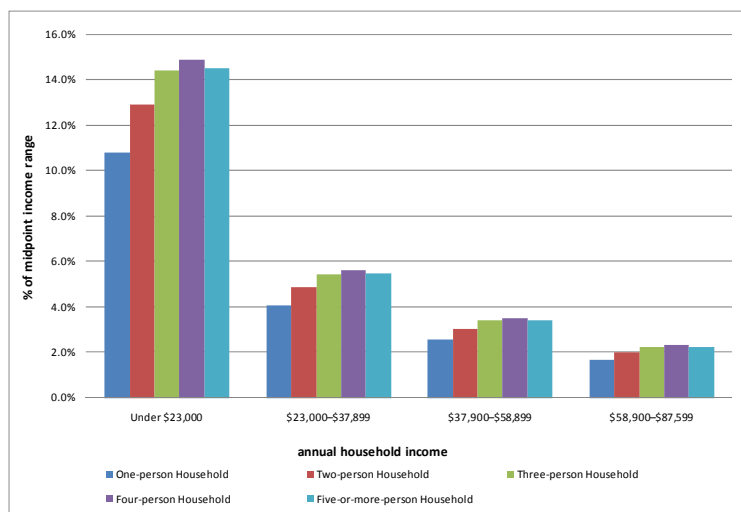
This figure shows that housing costs for households with New Zealand Superannuation as their principal source of income are 15.3% of their weekly average household income. Rates for this group are on average 5.3% of their average weekly household income. This confirms the anecdotal evidence that households on fixed income are facing affordability issues. The HES data shows there were over 195,000 households (who owned their home)

whose principal source of income was New Zealand Superannuation. Of these 185,000 were owned without a mortgage. For these 185,000 households, if there were income affordability issues, there is the home asset to mitigate this issue.

5.2.5 Rates incidence by household income and size

In order to better triangulate the areas that are most likely to be facing affordability problems and the number of households possibly involved, further analysis was undertaken on the HES data. Within the data on household size (and in fact within all of the publicly released household characteristic tables) are data on the annual household income by 5 income bands. The data do not show an average or median income for the bands; therefore, for the purposes of this exercise we have chosen the midpoint of the income band. For the under \$23,000 income band, we have used the midpoint between \$23,000 and \$0.00 despite this category including those who made a loss or had no income. We excluded the data from the highest band (income \$87,600 and over) as we are unable to robustly estimate a midpoint. We used the midpoint of each income band by the number of people in the household to represent household income. We used the average rates expenditure by household size to determine the level of rates to household income by band and household size. We note that the rates data used represent the average across all household incomes in the household size.

Figure 9 Rates as a % of midpoint household income range by household size and household income band



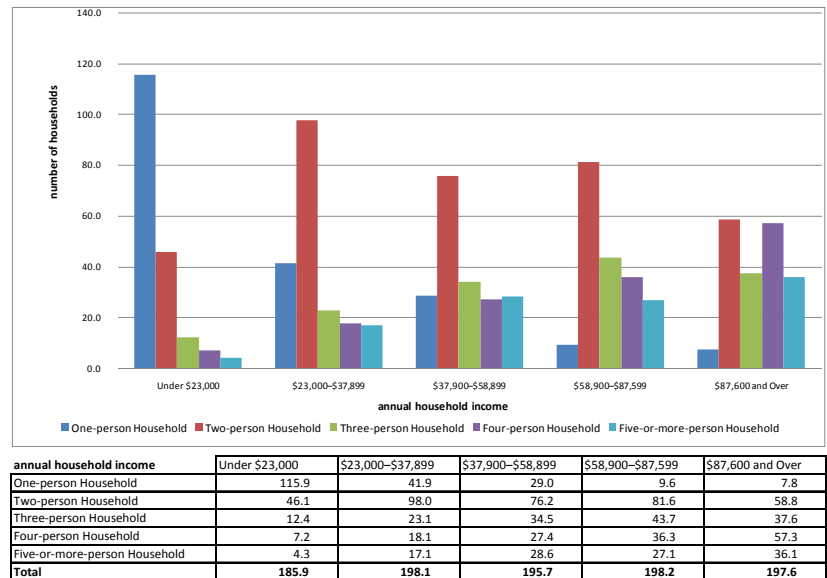
Source: HES 2004

The figure shows that based on the assumptions above, all household size groups in the under \$23,000 per annum household income band, the \$23,000 to \$37,899 band and also the \$37,900 to \$58,899 band could possibly have rates affordability issues. That is, they have a rates to household income ratio above 2.51%.

Figure 10 shows the number of households in each of the income bands for each of the household size groups. We have estimated the number of households that are owned by

the occupant using the proportion of ownership by household size. This assumes that households in all household income bands have the same homeownership proportion.

Figure 10 Number of households in each household income band by household size



Source: HES 2004

Based on the analysis of Figure 9, household sizes in income categories below \$37,899 have rates that are more than 4% of household income. The data in Figure 10 shows in these two income classes there are approximately 384,000 (185.9 + 198.1) households. Despite questions around the validity of some of the assumptions made, this figure shows there are over 383,000 households in the lowest 40% of household incomes that might have rates affordability issues.

In order to properly assess the extent of this problem, it would be necessary to access the unit record data and analyse the variable and inter-variable relationships. We understand that a Confidentialised Unit Record File (CURFs) of the HES will be available from July 2007 and this data would allow such analysis to be done.²²

5.2.6 Summary of groups with affordability issues

The HES data shows the national average ratio of rates to housing costs (11.99%). The average ratio of rates to household income for New Zealand households is 2.51%. For households with the lowest 40% of incomes, we find rates fall in a range of 4.3% to 5.7% of household income.

²² <http://www.stats.govt.nz/products-and-services/microdata-access/access-to-microdata/available-confidentialised-unit-record-files.htm>

This does not mean this is the level beyond which rates affordability issues exist. Rather, it shows that where household groups are above these national averages their situation is worthy of further investigation.

Analysis of other HES data suggests that the following groups may have affordability issues with rates:

- Households in the lowest 40% of incomes.
- One family households, one parent with child(ren) only
- One person households.
- Households whose principal income source is New Zealand Superannuation.

Further analysis of HES data suggests there may be 384,000 households with household income below \$37,900 experiencing rates affordability issues. This is based on national averages and fits for all household sizes.

5.3 Case studies – projection of changes in household incomes 2006 – 2016

This section uses case studies of eight local authorities to show the impact of projected changes in household incomes compared to projected changes in household rates between 2006/07 and 2015/16.

5.3.1 Introduction/approach

The case studies use a projection of income changes from the BERL Computable General Equilibrium (CGE) model of the New Zealand economy. This projection is applied to the 2006 median household income from the 2006 census by household type for each of the local authorities. For more details on the approach used please refer to section 7.1.

The following local authorities were selected for the case studies:

- Metro – Waitakere, Tauranga and Dunedin City Councils.
- Provincial – Tasman, Far North and Hastings District Councils.
- Rural – Rangitikei and Hauraki District Councils.

For each local authority, we were supplied with data on the total number of rateable properties and the total rates bill for the 2006/07 and 2015/16 council reporting years. Growth in the number of rateable properties was projected using the growth rates of households for each council from Statistics New Zealand projections. From this data, we calculated the average rates per rateable property in 2006/07 and 2015/16 for each local authority. We have also included the share of the regional council rates for each rateable property in each year.

5.3.2 National projections

The CGE model is driven in part by a number of assumptions. These assumptions are based on expectations of world growth, demand for our goods and services externally and internally, and the performance of components of the New Zealand economy.

The key parameters driving the CGE model used in this report include:

- 2% per annum wage growth.
- 1% per annum employment growth.
- 0.5% per annum productivity growth.²³

These assumptions represent our view of the performance of the New Zealand economy between 2006/07 and 2015/16. Some could argue we are being pessimistic about wage growth.

Table 1 shows the national results of the model. This table shows the 2006/07 median household income by household type from the 2006 Census and the projected 2015/16 median household income from our projection. The %pa change column represents the annual average change in median household income between 2006/07 and 2015/16.

Table 1 National projection of median household incomes 2006/07-2015/16

Median annual household income \$	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	60,776	81,432	3.30
<i>Couple with child(ren) with/without other</i>	78,699	106,002	3.36
<i>One parent with child(ren) w/out other</i>	33,526	44,622	3.23
<i>Other family household</i>	77,182	103,957	3.36
Total family household	64,342	86,295	3.32
Other multi-person household	57,900	77,446	3.28
One-person household	22,400	29,767	3.21
TOTAL households	51,400	68,750	3.28

This table shows the national median household income is projected to increase by an average of 3.28% per annum. Over the nine year period the median household income will increase from \$51,400 to \$68,750. The largest growth in median household income is

²³ Productivity represents the amount of output created (in terms of goods and services produced or supplied) per unit of input used. In this instance we are referring to labour productivity which is typically measured as the output per worker or worker hour. Productivity can be increased in a number of ways. The most obvious involves the use of technology (such as automation or computerisation) to minimise the tasks that must be performed by employees. Other ways include using techniques (such as ergonomic design and worker comfort) that allow employees to produce more output.

projected to be in the *couple with child(ren) with/without other* and *Other family* households. Both groups will have a 3.36% increase in median household income between 2006/07 and 2015/16. The lowest growth is projected to be in *one-person households* (3.21% per annum) followed by *one parent with child(ren) w/out other* households (3.23% per annum)

Table 2 shows the national projection of rates as a percentage of median household income.

This calculation uses the annual rates per household over the median income. It is important to note this is a national average and is used for all household types.

These numbers cannot be directly compared to the analysis of the HES. The HES averages are built up from individual responses and survey data, in other words from the bottom up. The data we are presenting in this section is from national totals, in other words from the top down.

Table 2 National projection of rates to median household incomes - BERL

Annual rates as % of household income	2006/07	2015/16
<i>Couple only with/without other</i>	3.6	3.9
<i>Couple with child(ren) with/without other</i>	2.7	3.0
<i>One parent with child(ren) w/out other</i>	6.4	7.2
<i>Other family household</i>	2.8	3.1
Total family household	3.4	3.7
Other multi-person household	3.7	4.1
One-person household	9.6	10.7
Total	4.2	4.7
<i>Annual rates per rateable property \$</i>	2,160	3,197

This table shows the annual average rates per rateable property are projected to increase to \$3,197 in 2015/16. This is equivalent to an increase of 4.45% per annum over nine years.

In 2006/07, the total rates to median household income was 4.2%. This is projected to increase to 4.7% in 2015/16.

The implication of these projections is that while incomes are projected to increase on average by 3.28% per annum, rates are projected to increase by 4.45% per annum, a deterioration of the rates burden averaging 1.17% per annum over nine years.

By household type, the highest level of rates as a percentage of average weekly household income is found in *one-person households*. In 2006/07 this figure is 9.6% and it is projected to increase to 10.7% in 2015/16.

As discussed previously, this data cannot be compared with HES data. The main use of the projection is to show the relative change in affordability over time.

5.3.3 Projection case study outcomes

This section shows the current and projected changes in rates as a proportion of median household income between 2006/07 and 2015/16 for the eight case studies.

We have added a colour scale to highlight the differences in the table. Green represents the lowest rates to household income. As the amount increases, the colour moves to a lighter green, yellow and red. Red shows the highest rates to household income. We have used a similar colour scale on the total line to show the differences between councils.

Table 3 Annual rates as a percentage of household income – 2006/07

Annual rates as % of household income - 2006/07	NZ	Waitakere	Dunedin	Tauranga	Hastings	Far North	Tasman	Rangitikei	Hauraki
Couple only with/without other	3.6	3.8	3.2	3.8	3.7	4.1	4.0	3.9	5.1
Couple with child(ren) with/without other	2.7	3.2	2.4	2.8	2.9	3.2	3.0	3.1	3.5
One parent with child(ren) w/out other	6.4	6.8	5.6	6.3	6.5	7.0	6.6	6.8	8.3
Other family household	2.8	3.1	1.8	2.4	2.1	4.9	2.1	2.6	2.9
Total family household	3.4	3.7	3.0	3.5	3.5	4.1	3.6	3.7	4.6
Other multi-person household	3.7	3.9	4.6	3.5	4.3	5.3	4.0	3.8	5.8
One-person household	9.6	10.6	8.8	9.9	10.2	10.1	10.0	10.0	12.7
Total	4.2	4.4	4.0	4.4	4.5	5.1	4.5	4.7	6.1
Annual rates per rateable property \$	2,160	2,578	1,742	2,013	2,059	1,888	1,948	1,918	2,241

This table shows that in 2006/07 three cities local authorities had average rates to household income of between 4.0 and 4.4%. Dunedin City Council had the lowest. The Hauraki District Council had the highest ratio, at 6.1%.

In terms of household types, *one-person* households have the highest ratio of annual rates as a percentage of household income across all of the councils, ranging from 8.8% in Dunedin to 12.7% in Hauraki. The other household type with a high ratio of rates to household incomes was *one-parent with child(ren) household*, with a ratio ranging from 5.6% in Dunedin to 8.3% in Hauraki.

We note again that these figures represent averages and are not directly comparable with the HES data. The HES data is derived from survey responses for each household type. The data we have used is based on averages for the whole council area over all household types.

Table 4 shows the projected changes in annual rates as a percentage of household income for the eight local authorities using the assumptions previously mentioned of changes in income, rates and the number of rateable properties.

Table 4 Annual rates as a percentage of household income – 2015/16

Annual rates as % of household income - 2015/16	NZ	Waitakere	Dunedin	Tauranga	Hastings	Far North	Tasman	Rangitikei	Hauraki
<i>Couple only with/without other</i>	3.9	4.9	3.4	4.4	3.6	4.2	4.5	4.0	4.7
<i>Couple with child(ren) with/without other</i>	3.0	4.1	2.5	3.1	2.8	3.3	3.4	3.2	3.2
<i>One parent with child(ren) w/out other</i>	7.2	8.8	5.9	7.2	6.3	7.1	7.4	7.0	7.6
<i>Other family household</i>	3.1	4.0	1.9	2.7	2.0	5.0	2.3	2.7	2.7
Total family household	3.7	4.8	3.1	4.0	3.4	4.1	4.1	3.8	4.2
Other multi-person household	4.1	5.1	4.9	4.0	4.2	5.4	4.5	3.9	5.3
One-person household	10.7	13.6	9.4	11.3	9.9	10.3	11.2	10.3	11.6
Total	4.7	5.6	4.3	5.0	4.4	5.3	5.1	4.9	5.6
Annual rates per rateable property \$	3,197	4,517	2,512	3,064	2,664	2,658	3,097	2,764	2,893

This table shows that in 2015/16 Dunedin will still have the lowest level of rates as a percentage of household income (at 4.3%), but is now followed by the provincial Hastings District (4.4%) and the rural Rangitikei District. The Hauraki District continues to have the highest ratio (5.6%), but is joined by Waitakere City. The difference between the highest and lowest ratio was 2.1% in 2006/07. This has narrowed to 1.3% by 2015/16.

The same household groups as 2006/07 have the highest ratios.

Table 5 shows the relative change in rates affordability across council and household types from 2006/07 to 2015/16. The bottom line of the table shows the change in the annual rates per rateable property for each council between 2006/07 and 2015/16.

Table 5 Annual rates as a percentage of household income - change 2006/07 to 2015/16

Annual rates as % of household income - change	National	Waitakere	Dunedin	Tauranga	Hastings	Far North	Tasman	Rangitikei	Hauraki
<i>Couple only with/without other</i>	0.4	1.1	0.2	0.5	-0.1	0.1	0.5	0.1	-0.5
<i>Couple with child(ren) with/without other</i>	0.3	0.9	0.1	0.4	-0.1	0.1	0.4	0.1	-0.3
<i>One parent with child(ren) w/out other</i>	0.7	2.0	0.4	0.9	-0.2	0.1	0.8	0.2	-0.7
<i>Other family household</i>	0.3	0.9	0.1	0.3	-0.1	0.1	0.3	0.1	-0.2
Total family household	0.3	1.0	0.2	0.5	-0.1	0.1	0.4	0.1	-0.4
Other multi-person household	0.4	1.1	0.3	0.5	-0.2	0.1	0.5	0.1	-0.5
One-person household	1.1	3.0	0.6	1.5	-0.3	0.2	1.3	0.3	-1.1
Total	0.4	1.2	0.3	0.6	-0.1	0.2	0.6	0.2	-0.5
Annual rates per rateable property \$	1,037	1,940	770	1,051	605	771	1,149	846	652

This table shows that, nationally, there is a general worsening of rates affordability of 0.4% over the nine years.

The Hastings and Hauraki Districts are projected to improve the relative affordability of rates between 2006/07 and 2015/16, while other councils are projected to record a worsening of rate affordability of between 0.2% and 1.2%. Waitakere has the worst change in relative rate affordability (1.2%), followed by Tauranga and Tasman (0.6% each).

In general, all household types (except those in Hastings and Hauraki) are projected to see a worsening in rates affordability. The level of rates in *one-person households* get bigger, with this household type in Waitakere recording the biggest increase across all household types

and all case study councils, at 3.0%. The conclusions about *one-person households* need to be considered carefully because the data assumes that all household types have the same rates regardless of the rateable property size.

5.3.4 Implications of projections

Nationally, the relative affordability of rates is projected to worsen between 2006/07 and 2015/16 by 0.4%. This means the level of rates per rateable property is projected to increase faster than the level of household incomes.

For some councils, such as Waitakere City, this is more than a 25% deterioration in the affordability of rates. This headline rate analysis suggests that further work is needed to determine the cause of such a large increase in Waitakere compared to other areas.

For other areas such as Hauraki, there is projected to be an improvement in the affordability of rates. However, there may still be concerns about the affordability of rates in the district as the ratio of rates to household income is the same as in Waitakere in 2015/16.

There is projected to be a worsening in rates affordability across all household types, with particular concern over *one-person households* and *one-parent with child(ren) households*. We note however, that more work must be done on these households to determine how applicable the use of average rates is.

It is also important to note that only limited generalisation is possible from these case studies. Every council has its own characteristics and must be looked at individually.

5.4 Issues for farmers

Farmers are a group of ratepayers that have over the years voiced concerns over the rating system.

There were 14 submissions to the enquiry identifying themselves with the farming sector. These represented a large number of individuals. Other individuals from the farming sector who have also made submissions on the effects of rates on farming have not been included in this number.

Some of the issues raised by the farming sector include:

- Property values are an inequitable basis for farmers' contribution to rates.
- Gross property values do not reflect the ability to pay.
- Farmers bear a higher burden of rates. Rates represent one of the top 10 farm working expenses.
- The rural contribution to rates is inequitable because they are paying for services they do not receive.

- Roading costs are significant for farmers and they should be funded by road users rather than land owners.
- Users should pay. There should be a clear relationship between those who use or benefit from a service and those who pay.
- The current valuation system is based on sales in the area, not the economic returns of the farm. This has affected the affordability of rates for farmers, particularly those in coastal areas or areas where there have been subdivisions or a boom in lifestyle blocks.
- Farmers are disadvantaged by the fact that a significant portion of their income generating capacity, in the form of land and improvements, are rated, whereas for other community groups and businesses this is not the case.²⁴

The rating issues for farmers are complex. Most of the concerns expressed in submissions and presentations to the Inquiry by farmers and farming groups have more to do with the equity or inequity of the rating system, rather than pure affordability issues. Submitters question whether rates are a levy for services or a tax. This is not an issue we can tackle in this report.

Like other ratepayer types, there will be areas or pockets of farm properties where the affordability of rates is an issue. Getting good information on those areas is difficult.

The main issues are likely to appear where there has been a large increase in the value of the farm which is not directly related to the extra earning capacity of the farm. This would include farms in coastal areas or those that have the potential to be subdivided or converted into lifestyle blocks.

In general, farmers have a capital intensive structure. There is a large amount of investment required in land and improvements to generate their income. Federated Farmers argue farmers have a more capital intensive structure than other ratepayer groups such as businesses, which do not generate the same income.²⁵ They claim that, because rates are charged on the value of the land and improvements, farmers are disadvantaged. Regardless of whether this assertion is correct, it is more an argument about fairness than affordability.

The Federated Farmers submission also refers to the MAF monitor farm series, which shows that rates are likely to rank in the top 10 farm working expenses. A review of the national MAF series for sheep and beef farms shows a rates bill of \$7,986 in 2005/06.²⁶ This represents 4% of farm working expenditure. We cannot directly compare this with expenditure on household rates because it is not clear whether we should be comparing rates to gross farm income, net trading profit or drawings paid to owners.

²⁴ Federated Farmers Inc page 19

²⁵ Federated Farmers Inc page 19

²⁶ <http://www.maf.govt.nz/mafnet/rural-nz/statistics-and-forecasts/farm-monitoring/index.htm>

6 Assessment of government assistance programs

This section of the report provides an analysis of the local and central government income support measures available. It looks at whether these provide the support required to address any affordability issues that may exist from rates.

Our work in this section will focus on answering three questions:

1. What measures are in place to address affordability issues?
2. What has been the usage of these measures?
3. Can these measures deal with the affordability of rates on low income households now and into the future?

The five measures we analyse are the:

- Rates Rebate Scheme
- Local authority rates remission
- Local authority rates postponement policies and scheme run by consortium??
- Private sector measures
- Other government income assistance packages such as the Accommodation Supplement and Working for Families.

6.1 Rates Rebates Scheme

The Rates Rebates Scheme (RRS) was established in 1973 to provide a rates subsidy to low-income homeowners. This scheme is administered by the Department of Internal Affairs (DIA), with individuals applying through their respective councils.

Up until 1979, the scheme had no maximum allowable rates rebate. In the 1979 rating year the income threshold was set at \$4,235. Between 1979 and 2006 the maximum allowable rates rebate was \$200 and the income threshold increased to \$7,400 between 1979 and 2005.²⁷ In the 2006/07 rating year the maximum allowable rates rebate and income thresholds were revised. The maximum allowable rebate was raised to \$500 and the income threshold to \$20,000.

²⁷ Between April and June 1990 the maximum allowable rates rebate was \$50. Explain why or leave out. This seems very odd!

The scheme is not asset tested and individuals on benefits have access to the scheme. Although the income threshold is \$20,000, it does not appear to be well known that people on higher incomes can get rebates. The formula abates the income above \$20,000 against the possible rate rebate.²⁸ An unusual example is an individual in Christchurch on an income of \$67,000 and \$12,000 rates receiving the maximum \$500 rebate.

The Department of Internal Affairs (DIA) estimated, using 2001 census data, that at a district level 246,000 people were eligible, with an estimated take-up rate of 40%.²⁹ Data provided by the DIA shows that between July 2006 and March 2007 95,000 people applied for a rebate. This is 39.4% of those estimated to be eligible. The average rebate was \$448, with 75.6% of claims for \$500. The total amount paid out under the scheme was \$42.6 million.

The largest application group is people on New Zealand Superannuation (about 64%) followed by those employed (13%). The remainder are from people on a benefit (unemployment, sickness, invalid and widow/domestic purpose benefit).

With a figure of 95,000 people applying for rebates it seems that the scheme has, at face value, achieved its aim of improving the affordability of rates to low-income homeowners. While the scheme clearly has benefits for low-income households, because of its structure it does not distinguish between those households that are asset-rich compared to those that are not. Furthermore, the flat maximum rebate throughout New Zealand does not take into account the differing rate levels across the country.

Successful applications for rebates are higher in some areas than others. The DIA data shows that 64% of estimated eligible households in the Waimakariri District took up the scheme. The areas with the top 10 uptake rates ranged from 51% to 64%, compared to the national average of 39.4%.

We are unsure why there has been such a large variation between the estimate of those eligible at the national and regional level, but some possible reasons include:

- Better advertising of rates rebates by councils in some areas.
- The perception that the rebate is a handout may be reducing the uptake.
- The strict criteria that need to be met for the rebate to apply.
- Some areas are experiencing lower affordability issues than others.

²⁸ The ratepayer must contribute \$160 towards rates. The rates rebate is two thirds of the residual rates amount. If the ratepayer's income is higher than \$20,000 then the rebate is reduced by \$1 for every \$8 of income above \$20,000. The maximum rates rebate is \$500.

²⁹ The data used was the income of households where the home was owned by the occupiers: It was assumed that 100% of those earning \$19,999.99 or less would be eligible, 75% of those earning \$20 - 24,999.99 would be eligible, 50% of those earning \$25 - 29,999 would be eligible, 0% of those earning \$30,000 would be eligible.

- The calculation of the number eligible may need refinement – we note that although the estimate of eligible households concluded that no households with income above \$30,000 would be eligible, there were 262 applications from ratepayers earning \$30,000 or more. However, this was only 0.27% of the total successful applications.

We are unable to see if there is any particular variation between ethnic groups in terms of take-up as ethnicity data is not collected on the application form.

Submissions made to the Inquiry raised a number of concerns about the design and administration of the scheme. These include:

- The level of assistance and qualifying thresholds should be indexed to movements in average wage.
- There is little effort nationally to promote the scheme.
- The administration of the RRS should be transferred to the MSD or IRD because of the lack of information held by local authorities about household/ratepayer income.
- The low uptake may also reflect differing generational attitudes regarding what some may see as a handout.
- There are also some fairness issues:
 - Some services are delivered by a third party. For example, Auckland water charges are not covered.
 - Issues around eligibility of individuals in retirement homes.
- The definition of ratepayer needs to be looked at.

Grey Power – “The minister publicly and quite properly took to task mayors and councillors who made public statements that the inception of the rates rebates scheme gave them licence to accelerate increases in the rates take. The minister’s logic was that the rebate gave overburdened ratepayers some catch up in affordability. It only made their affordability deficit smaller rather than putting them into affordability credit. i.e. no magic extra capacity that councils could harvest.”

The UK Lyons³⁰ inquiry looked at how the branding of rates assistance influenced the way that it was perceived and the resulting uptake of the assistance. If it was branded as a handout or a benefit then there would be some who would not claim the assistance because of pride. This branding could also include the government department that was responsible for administering the assistance.

The inquiry recommended that the UK equivalent of the RRS be renamed ‘council tax-rebate’. The applicability to New Zealand is that there would probably be some benefit in

³⁰ Lyons Inquiry into Local Government – March 2007.

rebranding the rates rebate scheme so that it was better perceived as a rebate and not a benefit. This could involve changing the name, but more practically it might involve shifting the administration of scheme to the IRD to ensure that people saw it as a rebate.

The limited data available on the RRS makes analysis of the impact of the RRS difficult. Ideally we would want to look at the application and uptake of the RRS based on a number of household types, preferably on the same basis as those used in the HES and Census. As an interim step, case studies should be developed to explore the effect of the RRS in different regional and housing situations. While the use of case studies would allow us to identify the uptake in particular situations, more data is needed on the actual uptake.

Our conclusions on the Rates Rebates Scheme are:

- The scheme seems particularly suited to those ratepayers that have low incomes, high rates and own their own properties outright. There are some households that are ineligible because of the ownership structure of the property, such as owner occupiers in a retirement village.
- The scheme needs refinement to include an indexation of thresholds and the conditions that people need to meet to be eligible. We note that the DIA is conducting a review of the RRS this year.
- The RRS may reduce the pressure on councils to keep rates increases down, although this may be more speculation than actually likely to happen.
- Consideration should be given to rebranding the RRS and shifting the administration of it to the IRD.
- We believe that the RRS can, with appropriate indexation of thresholds, assist with the affordability of rates for low income households into the future.
- More work is needed to look at all the types of income assistance that affect individual/household incomes and the affordability of rates.

6.2 Local authority rates remission and postponement policies

Councils have two main mechanisms available to them for rates relief under the Local Government Rating Act 2002. These are:

1. Rates remission
2. Rates postponement

Rates remission occurs when a council agrees to reduce the amount of rates owing on a property. Rates postponement occurs when a council agrees to delay the due date of rates payment until a specified time, or a specific event occurs (such as the sale or rental of the property on which rates were payable).

The Funding Project conducted analysis on council remission and postponement policies based on a sample of 43 policies.

The project found that remissions policies are used for simplifying the daily administration of the rating system and that few local authorities have remission policies that targeted affordability issues directly. There were few local authorities that make use of postponement powers – the overwhelming majority that use these powers do so as a means of dealing with financial hardship. Their conclusions were that remissions and postponements shift the incidence of rates amongst ratepayers and that remission and postponement policies do not necessarily fit well with the income support policies operated by central government.

Some work completed for the Inquiry by Karen Johnston looked at the types of remission and postponement policies that councils had in place.³¹ Key points of her findings are as follows:

- There was a large variety of rates remission policies and an even larger array of nuances within even the most similar policies. There are policies that appear to be from a template taken from some source which many councils have adopted.
- 13 broad categories of remission policies were identified. A remission for penalties on rates was the most common form of rates remission with every council except one having this policy. Remissions are often for the general rate component but there are a significant number for UAGCs and targeted rates.
- Analysis has been undertaken for different sector and geographical groups of Councils. This shows there are differences between these groups.
- Rates postponement policies are less numerous than remission policies and there is less variation within the policies. The greatest proportion of councils postpone rates for Extreme Financial Circumstances (65%).
- The Optional Rates Postponement policy is offered by 16 councils or 19% of all councils. This policy offers mainly elderly ratepayers the option of postponing their rates payment until their death or if they sell their house provided they have enough equity in their home. Only two metro councils offer this policy.
- There are 54 councils or 64% of all councils have either a Maori freehold rates remission and/or postponement policy. 20% of Councils do not offer these types of policies. 10 councils or 12% of all Councils said they did not have any Maori freehold land within their District or City.

The Office of the Controller and Auditor-General (OAG) conducted a review of residential rates in 2006.³²

³¹ *Council policies on rates remissions and postponements and Maori freehold land*, Karen Johnston – Strategic and Project Planning, April 2007.

The key points of the report are here as follows:

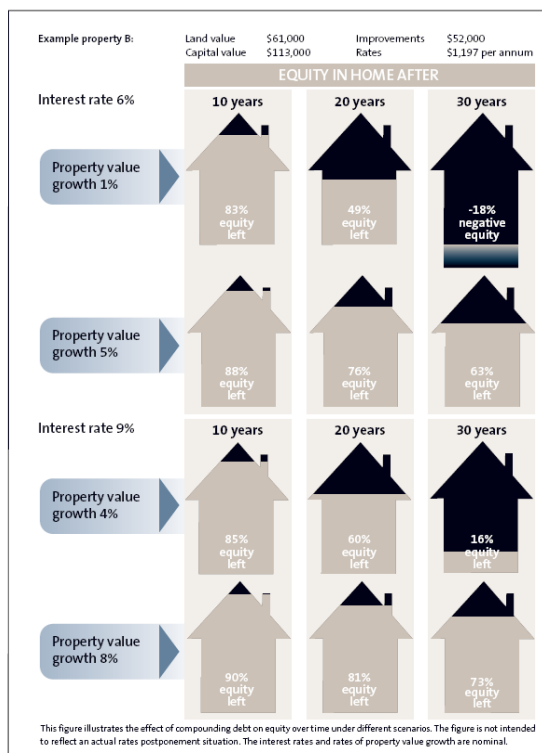
- Overall, council rates postponement policies are well designed and councils are administering them in the interests of their communities. But these policies were primarily used for debt management purposes and do not address affordability.
- There are some areas where policies could be improved. For example, it would be good practice for councils to advise applicants to seek independent financial advice before they sign up.
- A consortium of councils offering optional rates postponements was identified.³³ The consortium agreed to work together to offer an optional rates postponement to applicants who met age, residency and equity criteria.
- The consortium charges application fees, management fees and interest (at the council's rate of borrowing) on the postponed rates.
- Analysis of the effect of rates postponement on ratepayers' equity showed that what had started as a relatively small debt, could over a number years use up a considerable amount of equity.

The following figure is an example from the OAG report of the potential effect of the rates postponement on equity.

³² *Performance audit report – Residential rates postponement* – The Office of the Controller and Auditor-General, November 2006.

³³ Far North District Council, Rodney District Council, Thames- Coromandel District Council, Western Bay of Plenty District Council, Gisborne District Council, Waikato Regional Council, Ashburton District Council, Kapiti Coast District Council, Marlborough District Council, Masterton District Council, Nelson City Council, Queenstown-Lakes District Council, Rotorua District Council, and South Wairarapa District Council.

Figure 2
Effect of rates postponement on equity in example property B



The option offered by the consortium of councils is in effect a reverse equity scheme. It is currently limited to rates. It could be an effective mechanism for superannuitant households to reduce the burden of rates by using the equity of their houses to fund these costs. The users must be fully aware of the true long term costs and effect on their housing equity if the scheme is going to avoid some nasty surprises.

In BERL's opinion the analysis completed by the Funding Project did not fully cover the range of local authority rates remission and postponement policies (in particular the optional rates postponement). Because of this, the project's conclusions focused on a narrow range of policies. We consider that a properly setup rates postponement scheme (with appropriate interest and costs charged to the ratepayer) should not shift the incidence or burden of rates.

The report by Karen Johnston found that in most circumstances councils had very similar approaches to remission and postponement policies. The report found that 20% of councils are currently offering an optional rates postponement scheme.

This was supported by the OAG report, which found that in general the schemes were well-designed and operating in the interests of the community. The main issue found by the OAG was the need for better ratepayer information about the potential long term implications on equity from entering into an optional postponement scheme.

We do not have enough information on the uptake of these optional postponement schemes, but based on our understanding of their approach, they provide a real method of addressing rates affordability for a group of ratepayers. Our view is that this group of ratepayers will

primarily be homeowners who have repaid their mortgages, have retired and are on a fixed income. The scheme works on top of other central government assistance and provides ratepayers with the option to address rates affordability without having to sell their homes. This fits with the Government's policy aim of 'ageing in place'.

Going forward we view the optional scheme as a method of addressing the rates affordability issue for a group of ratepayers.

The other remission and postponement schemes will continue to provide suitable methods for councils to address specific issues and adequately manage the rating system.

6.3 Private sector measures

The main private sector measures available are equity release or reverse mortgage schemes. Essentially a reverse mortgage is a loan that enables homeowners (usually older homeowners) to convert part of their home equity into income without having to sell their home, give up title to it, or make monthly mortgage payments. The loan only becomes due when the last borrower (s) permanently leaves the home. When the last surviving borrower permanently moves out of the home or dies, the reverse mortgage loan becomes due. The reverse mortgage principal, interest charges, and service fees (such as closing cost fees) are paid from sale of the house or other assets of the estate

The main types of equity release include: line of credit, term loans, loan reinvestment and reverse annuity mortgages.³⁴

With a line of credit you borrow an amount against your property. You either borrow the loan amount in a lump sum, or draw down on the loan as and when you need the money. In the meantime, the interest payments accumulate until either you die or the property is sold.

A term loan is similar to a line of credit except the loan has to be repaid at the end of an agreed term or when the loan grows to a fixed maximum percentage of the home value. On maturity the house normally has to be sold and the loan repaid.

In the case of loan reinvestment you borrow on a mortgage from a traditional lender (like a bank) and reinvest a proportion of your loan with a finance company offering a higher rate of interest. The loan gives you access to a sum of money, while the income earned from the reinvested money covers mortgage expenses such as interest and fees.

For reverse annuity mortgages (or income stream mortgages) you raise a loan on your property and use it to buy an annuity, which gives you a regular monthly allowance. Interest payments on the loan accumulate as in the line of credit schemes. On death, the loan including any interest is repaid from the sale of the property.

³⁴<http://www.sorted.org.nz/life-stages/60plus/equity-release/main-types-of-equity-release>

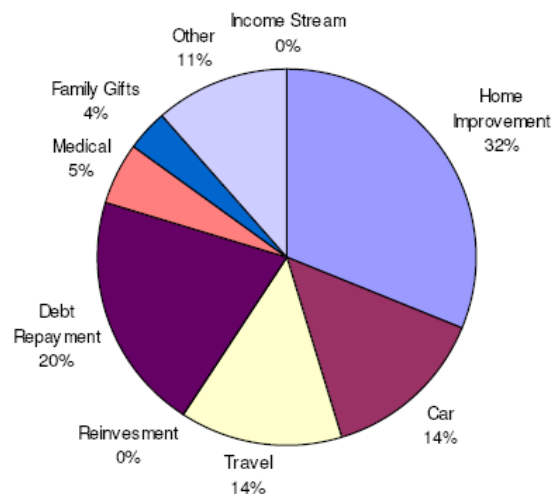
A recent report by Trowbridge Deloitte found that the reverse mortgage market at 31 December 2006 consisted of more than 4,500 loans with a total book value of almost \$227 million.³⁵ By comparison the Australian reverse mortgage market was about A\$1.5 billion³⁶.

Some key findings from the report included:

- The size of the market has almost doubled in 2006.
- Couples make up more than half of all borrowers.
- The 70-79 age bracket has the largest number of reverse mortgages, but 60-70 year olds are a growth segment.
- The average age is 73 and the average loan size of \$49,900.
- Of lump sum draw downs, 32% is for home improvements, 20% is for debt repayment.
- 71% North Island, up to 55% outside major metropolitan areas.
- Negligible take up so far of reverse annuity or income stream reverse mortgages.
- From the data made available none have been used to fund the payment of rates.

The following figure from a presentation about the report highlights the use of the proceeds from the 2006 settlements.

Use of proceeds - 2006 settlements



³⁵ Information obtained from press release from Trowbridge Deloitte regarding the New Zealand Reverse Mortgage Study, April 2007. A full copy was requested, but declined as the report is confidential to the survey participants.

³⁶ <http://www.stuff.co.nz/4074905a13.html>

The report's authors also go onto comment that they expect the level of loans outstanding to increase to close on \$500 million by the end of 2007, and that loans will continue to grow as aging regions and 'sea-change' retirees fund their retirement using equity in their homes.³⁷

This report does not provide evidence that home owners are using the release of home equity to fund their on-going living costs. We note that further investigation of the report and its findings is needed to explore this. Additionally, it may be useful to conduct a survey of users of reverse mortgages to find out how they actually used the money (rather than what they intended to use it for).

At this stage it does not appear that reverse mortgages are being used to assist with affordability issues of rates or other household expenditure. As reverse mortgages are relatively new in New Zealand, it will take some time for them to become a more widespread option. Overseas there appears to be more usage of the income streams from reverse mortgages to fund on-going retirement costs.³⁸ This is an area that needs to be explored further, especially from a policy point of view in terms rates and macro economic factors such as savings.

BERL's view is that with the strong growth in the use of reverse mortgages that is forecast, the uptake of reverse annuities or income stream mortgages will grow as more people decide that a reverse mortgage is a safe and viable way of funding their retirement costs. Additionally, financial pressure on household incomes may increase the number of retirees on fixed income who use reverse mortgages to fund on-going costs such as repairs and maintenance and rates. While this may address the rates affordability issues for these households it will have consequences for the level of savings in New Zealand. We believe that further research is required in this area to fully understand the implications of reverse mortgages.

6.4 Income assistance packages

6.4.1 The Accommodation Supplement

The Accommodation Supplement is a non-taxable benefit designed to help people with their accommodation costs. It is available to beneficiaries and non-beneficiaries who rent, board or own their own home. At June 2005, the Accommodation Supplement was paid to 242,612 people, at a cost of \$735 million in the 2004/05 financial year.³⁹

The amount of Accommodation Supplement a recipient may receive is based on accommodation costs and, for non-beneficiaries, it is also based income. The maximum

³⁷ Those who move to or live in coastal locations. An Australian term referring to research by Burnley and Murphy.

³⁸ Making use of home equity – comparisons between Britain and New Zealand. Judith Davey, Social Policy Journal of New Zealand - Issue 07 December 1996

³⁹ *Review of the Accommodation Supplement: Key Information for Stakeholders*, Housing New Zealand and Ministry of Social Development, June 2006.

amount payable varies by family size and location. The amount is calculated on the basis of the costs of the applicant, their partner and dependent children.

The Accommodation Supplement subsidises 70% of accommodation costs above the entry threshold up to a maximum amount. Recipients pay 30% (25% for renters) of their accommodation costs above the entry threshold, up to the maximum amount, and any costs above this level.

To qualify for the Accommodation Supplement a person must:

- meet an income test.
- meet a cash asset test.
- have accommodation costs.
- be a New Zealand citizen or permanent resident (i.e. not in New Zealand unlawfully or here on a temporary permit).
- generally be ordinarily resident in New Zealand.

The income test looks at the applicant's income from all sources, but excludes ACC payments, disability allowances and Family support payments and credits. Income above a certain threshold reduces the rate of Accommodation Supplement.

A non-beneficiary's Accommodation Supplement is reduced by 25 cents for every dollar of additional income over the relevant income threshold. These non-beneficiary income thresholds are laid out in the table below:

Benefit type	Income threshold*
Non Beneficiary single without children	\$329.00
Non Beneficiary single with child(ren)	\$436.00
Non Beneficiary married with and without children	\$495.00

* gross, per week

In annual income terms this means a single person without children can earn up to \$17,108 per annum before abatement begins.

The cash asset test looks at the applicant's cash assets. This includes cash in the bank and shares, but excludes the house in which the person lives, personal effects and a motor vehicle for private use.

Any cash assets a non beneficiary applicant has over \$2,700 for a single person, or \$5,400 for a married couple or sole parent, will be treated as income. For every \$100 above the threshold, \$1 is added to the applicant's income for Accommodation Supplement abatement purposes.

If someone is a homeowner, they can claim as accommodation costs:

- mortgage repayments (interest and principal repayments on mortgages to purchase a house).
- payment towards a deposit if included in a rent-to-buy contract.
- retirement village fees for residents with a 'Licence to Occupy ' arrangement.
- body corporate fees.
- rates (including local authority rates and water rates).
- house insurance premiums (excluding contents insurance).
- mortgage protection insurance or life insurance (where this is compulsory for the mortgage).
- essential repairs and maintenance costs to the home.
- leasehold rental for leasehold land and for Maori rent.
- principal and interest repayments made under the Loans for Major Repairs Advances to Homes scheme.
- costs of a farm residence (but only if these costs are not claimed as an expense in the farm business account).
- costs of a home that is also being used as a business (but only if these costs are not claimed as an expense for the business).

The Accommodation Supplement is a 70% subsidy on accommodation costs above the entry threshold up to a maximum amount, which varies by family size and region. The formula used to calculate Accommodation Supplement entitlement is:

$$70\%(\text{accommodation costs} - \text{entry threshold}) \leq \text{maxima} - \text{abatement}$$

There are maximum rates for the Accommodation Supplement which differ by the area of New Zealand that the applicant lives in and the type of household. A summary is shown in

the table below.

Maximum rates (weekly)			
	1 person household	2 person household	3 or more person household
Area 1	\$145	\$160	\$225
Area 2	\$100	\$125	\$165
Area 3	\$65	\$75	\$120
Area 4	\$45	\$55	\$75

The table below shows the housing tenure of the Accommodation Supplement recipients for the year to June 2004. This data is from the Ministry of Social Development and is presented on the Statistics New Zealand website.

**Accommodation Supplement recipients by tenure and average weekly
Accommodation Supplement
Year to June 2004**

Tenure	Rent	Board	Own	Not recorded	All clients
Number	142,974	55,418	38,293	10	236,695
Percentage	60%	23%	16%	0%	100%
Average weekly AS	\$63.47	\$23.59	\$54.93		

The table shows that out of the 236,000 Accommodation Supplement recipients in 2004, just over 38,000 or 16% were from applicants who owned their home. On average, those who owned their home received \$54.93 per week, equivalent to \$2,856.36 per annum.

Because the Accommodation Supplement is based on the total accommodation costs of the applicant, we cannot tell which applicants were having rates affordability issues versus those that were not. It is possible that an applicant could have no rates affordability issues, but other housing costs were high enough to get the Accommodation Supplement. Likewise, it is possible that a household with rates affordability issues may have lower other housing costs (such as someone who has paid off their mortgage) and may therefore not be eligible for the Accommodation Supplement. There is not enough information for us to make a clear judgement on this issue. Our partial assessment is that those who received the Accommodation Supplement (and owned their home) are likely to have a lower income and a mortgage to repay. In these circumstances, it is likely they would also be facing a rates affordability issue. For these people, the Accommodation Supplement would be helping to improve the affordability of housing costs and rates.

Because people have to apply for the Accommodation Supplement, it remains unclear how many households are not applying for the supplement because they perceive it as a benefit.

It would be preferable to develop some case studies of household types to analyse the effects of the Accommodation Supplement on rates affordability in different situations.

Based on the information available to us, we believe that the Accommodation Supplement is improving the affordability of rates for households on low incomes with high housing costs. We believe it will also improve the rates affordability for those households. From the data available it would appear that this group is currently around 40,000 households. It is important to remember that the Accommodation Supplement was not designed to tackle rates affordability directly, but is designed to assist households who have difficulty meeting the costs of rates due to their low income.

6.4.2 Working for Families

The key objectives of Working for Families (WFF), the welfare package announced in the 2004 budget, are to "make work pay", to "ensure income adequacy" and to "achieve a social assistance system that supports people into work".

WFF includes substantial additional family income, housing and childcare assistance, and a reduction in hardship support (Special Benefit).

The Minister of Finance in February 2007 stated that the estimated total number of eligible families is around 360,000 in the 2006-07 tax year.⁴⁰

WFF is made up of four types of payment: family tax credits, in-work tax credits, minimum family tax credits and parental tax credits. The minimum family tax credit is designed to ensure that there is a minimum family income (available to families earning up to \$22,999 a year (before tax)). The parental tax credit is a payment after the birth of a child.

The family tax credit is available to any family depending on their household income. The in-work tax credit is available to families that normally work 30 hours a week between them and sole parents must work 20 hours a week.

The following table shows the WFF income limits from 1 April 2007 to 31 March 2008.

⁴⁰ http://www.hansard.parliament.govt.nz/hansard/Final/FINAL_2007_02_14.htm#_Toc160351007

Number of Children	Annual Income (before tax)		
	Family tax credit	In-Work tax credit	Parental tax credit
1	\$56,320	\$71,920	\$111,027
2	\$71,140	\$86,740	\$125,847
3	\$85,960	\$101,560	\$140,667
4	\$100,780	\$120,280	\$159,387
5	\$115,600	\$139,000	\$178,107
6	\$130,420	\$157,720	\$196,827

The following table shows the per child benefits of WFF as identified by Johnson:⁴¹

Table 1.5. Average per-child benefits from Family Assistance changes

Household income decile (disposable income adjusted for family size)	Average income	Average per-child Family Assistance		
		Without WFF	With WFF	Change
Lowest-income decile	\$8,600	\$2,000	\$3,600	\$1,600
2 nd decile	19,200	1,900	3,800	1,900
3 rd decile	22,300	1,500	3,500	2,000
4 th decile	25,300	800	3,000	2,200
5 th decile	31,300	700	1,900	1,200
6 th decile	38,800	100	400	300
7 th decile	47,300	300	600	300
8 th decile	56,700	200	400	300
9 th decile	70,700	100	300	200
Highest-income decile	124,200	100	200	100
<i>All households</i>	<i>\$44,400</i>	<i>\$900</i>	<i>\$2,000</i>	<i>\$1,100</i>

* Income averages are average equivalized household income for all families within the decile, exclusive of Working for Families changes. Family Assistance averages reflect aggregate Family Assistance received by families within the decile, divided by the number of children within that decile. Figures are rounded and scaled forward to 2007/08.

Source: Author's calculations based on Treasury TaxMod estimates.

It is clear from the table above that those households in the five lowest deciles of household income will have the greatest benefit from WFF. A household in these deciles with children will receive an additional \$1,200 to \$2,200 per child with WFF.

When trying to analyse the effect of WFF on rates affordability, it is important to remember that WFF was not designed to directly address rates or housing costs affordability issues. There is limited data available about what household types have actually benefited from WFF and more importantly for our study, which households own their own home and are therefore exposed to potential rates affordability issues. It would be preferable to develop some case studies of household types to analyse the effects of WFF on rates affordability in different situations.

⁴¹ *Working for Families' in New Zealand: Some Early Lessons*, Nick Johnson, July 2005.

Because of a lack of available data on WFF we cannot make a properly informed judgement of its impact on rates affordability. The table above shows that families in the lowest five deciles will receive a sizable increase in their household income. If they own their own home and therefore pay rates, then this extra income could reduce any rates affordability issues.

Because the WFF was not implemented as a measure to improve rates affordability, there should be further assessment of the longer term impacts of WFF on household incomes. BERL's view is that any measure that directly improves household income could improve rates affordability as defined by the rates to household income measure.

7 Appendix

7.1 Methodology and data sources – household income projections

This work uses data from the 2006 Census for detailed information on the number of households by family and household type and by household income. In addition, average household incomes for each family and household type were also obtained. Statistics New Zealand projections were used for numbers of households by family type in the Local Authority area over the 2006-2016 periods. The medium series alternative projection was adopted. The Local Authority supplied data on ratepayer numbers for 2006/07. The projections were scaled accordingly to ensure consistency with the Local Authority data.

Reflecting the level of detail available from the Statistics New Zealand household projections, average incomes for households were projected for the following categories.

- a) Couple only (with/without other persons)
- b) Couple with child(ren) (with/without other persons)
- c) One parent with child(ren) (with/without other persons)
- d) Other family household
- e) Total family household
- f) Other multi-person household
- g) One-person household

Note, the total number of households in the Local Authority area was constrained to equal the sum of categories e), f), and g).

Data from the BERL Computable General Equilibrium (CGE) model of the New Zealand economy and the BERL database on local authority employment and GDP by industry were also used. The CGE model is provided information on income by occupation type as well as projections of employment and income by occupation and industry. The BERL database provided employment and industry information for the local authority area. This latter information enabled the CGE model projections for New Zealand to be translated to projections applicable to the local authority.

Growth in the income of households by income category was matched to the growth in income projected by the CGE model for appropriate occupation categories. This matching process implied that growth across the different occupation categories acted as a proxy for growth across the different household income categories. Subsequent to this matching, there was a secondary scaling process to ensure the total Local Authority household incomes grew at the CGE model projected average.

7.2 What is a CGE model?

The BERL computable general equilibrium (CGE) model has its origins in the models developed by the Project on Economic Planning at Victoria University in the early-1980s. Early applications focused on trade policy questions, with simulations of tariff removals and GATT outcomes contributing to the “gains to free trade” argument that was prevalent at that time.

Since then BERL has maintained and further enhanced the model as well as applied it to investigate numerous issues. The latest version of the model explicitly identifies 52 industries and 40 occupations. Further disaggregation can be undertaken if appropriate, depending on data availability. The core model is based on the official Statistics New Zealand 1995/96 input-output data updated by BERL to a 2002/03 base year. This model can be used to simulate the effect of a policy, external price or productivity shock and solves for the equilibrium outcome in a future snapshot year. As per standard neo-classical theory, the model’s equilibrium is determined by the relative prices of production factors (resources) and outputs adjusting to ensure supply equals demand in each of these markets. In addition, embedded in the production structure of firms is the standard assumption of zero pure profits.

A dynamic (or inter-temporal) version has also been developed, which enables the path of an economy over time to be modelled. Comparing a baseline (or BAU) path to one which incorporates the response to a shock(s) enables comparative dynamic (as opposed to comparative static) analysis to be undertaken. A key assumption within this framework is in incorporating cost(s) involved in the adjustment path as the economy moves towards its general equilibrium. In particular, there are costs (and limits) involved in redirecting investment from one industry to another. The static CGE model implicitly assumes costless transition over time - or that the snapshot year is sufficiently far in the future for these costs to be negligible.

7.3 Detailed tables from projection model

7.3.1 New Zealand

Median annual household income \$	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	60,776	81,432	3.30
<i>Couple with child(ren) with/without other</i>	78,699	106,002	3.36
<i>One parent with child(ren) w/out other</i>	33,526	44,622	3.23
<i>Other family household</i>	77,182	103,957	3.36
Total family household	64,342	86,295	3.32
Other multi-person household	57,900	77,446	3.28
One-person household	22,400	29,767	3.21
TOTAL households	51,400	68,750	3.28

Number of households	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	395,208	492,321	2.47
<i>Couple with child(ren) with/without other</i>	423,363	407,469	-0.42
<i>One parent with child(ren) w/out other</i>	166,971	186,801	1.25
<i>Other family household</i>	37,083	41,212	1.18
Total family household	1,022,625	1,127,803	1.09
Other multi-person household	75,171	80,300	0.74
One-person household	328,254	396,332	2.12
<i>Household composition unidentifiable</i>	28,059	32,211	1.55
TOTAL households	1,454,109	1,636,645	1.32

Annual rates as % of household income	2006/07	2015/16
<i>Couple only with/without other</i>	3.6	3.9
<i>Couple with child(ren) with/without other</i>	2.7	3.0
<i>One parent with child(ren) w/out other</i>	6.4	7.2
<i>Other family household</i>	2.8	3.1
Total family household	3.4	3.7
Other multi-person household	3.7	4.1
One-person household	9.6	10.7
Total	4.2	4.7

Annual rates per rateable property \$	2,160	3,197	4.45

7.3.2 Waitakere City

Median annual household income \$	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	67,643	92,691	3.56
<i>Couple with child(ren) with/without other</i>	80,943	111,231	3.59
<i>One parent with child(ren) w/out other</i>	37,685	51,293	3.48
<i>Other family household</i>	83,125	114,235	3.60
Total family household	68,958	94,493	3.56
Other multi-person household	65,300	89,400	3.55
One-person household	24,300	33,116	3.50
TOTAL households	58,600	80,513	3.59

Number of households	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	13,755	18,207	3.16
<i>Couple with child(ren) with/without other</i>	20,901	21,765	0.45
<i>One parent with child(ren) w/out other</i>	8,673	10,584	2.24
<i>Other family household</i>	2,739	3,220	1.82
Total family household	46,068	53,777	1.73
Other multi-person household	2,598	2,978	1.53
One-person household	10,989	14,565	3.18
<i>Household composition unidentifiable</i>	2,175	2,618	2.08
TOTAL households	61,830	73,937	2.01

Annual rates as % of household income	2006/07	2015/16
<i>Couple only with/without other</i>	3.8	4.9
<i>Couple with child(ren) with/without other</i>	3.2	4.1
<i>One parent with child(ren) w/out other</i>	6.8	8.8
<i>Other family household</i>	3.1	4.0
Total family household	3.7	4.8
Other multi-person household	3.9	5.1
One-person household	10.6	13.6
Total	4.4	5.6

<i>Annual rates per rateable property \$</i>	2,578	4,517	6.43
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7.3.3 Dunedin City

Median annual household income \$	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	54,840	74,747	3.50
<i>Couple with child(ren) with/without other</i>	72,596	99,251	3.54
<i>One parent with child(ren) w/out other</i>	31,193	42,249	3.43
<i>Other family household</i>	96,446	131,869	3.54
Total family household	58,868	80,246	3.50
Other multi-person household	37,600	51,039	3.45
One-person household	19,700	26,581	3.38
TOTAL households	43,400	58,610	3.39

Number of households	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	12,126	14,339	1.88
<i>Couple with child(ren) with/without other</i>	11,286	10,128	-1.20
<i>One parent with child(ren) w/out other</i>	4,518	4,677	0.38
<i>Other family household</i>	504	490	-0.30
Total family household	28,434	29,634	0.46
Other multi-person household	3,867	3,783	-0.24
One-person household	11,595	13,088	1.36
<i>Household composition unidentifiable</i>	495	631	2.74
TOTAL households	44,391	47,137	0.67

Annual rates as % of household income	2006/07	2015/16
<i>Couple only with/without other</i>	3.2	3.4
<i>Couple with child(ren) with/without other</i>	2.4	2.5
<i>One parent with child(ren) w/out other</i>	5.6	5.9
<i>Other family household</i>	1.8	1.9
Total family household	3.0	3.1
Other multi-person household	4.6	4.9
One-person household	8.8	9.4
Total	4.0	4.3

<i>Annual rates per rateable property \$</i>	1,742	2,512	4.15
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7.3.4 Tauranga City

Median annual household income \$	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	52,386	70,104	3.29
<i>Couple with child(ren) with/without other</i>	73,192	98,058	3.30
<i>One parent with child(ren) w/out other</i>	31,969	42,511	3.22
<i>Other family household</i>	83,805	111,587	3.23
Total family household	57,197	76,478	3.28
Other multi-person household	57,200	76,562	3.29
One-person household	20,400	27,027	3.17
TOTAL households	45,500	60,704	3.26

Number of households	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	12,687	16,584	3.02
<i>Couple with child(ren) with/without other</i>	10,032	10,422	0.42
<i>One parent with child(ren) w/out other</i>	4,725	5,670	2.05
<i>Other family household</i>	744	828	1.19
Total family household	28,188	33,503	1.94
Other multi-person household	1,836	2,186	1.96
One-person household	9,411	12,035	2.77
<i>Household composition unidentifiable</i>	516	653	2.65
TOTAL households	39,951	48,377	2.15

Annual rates as % of household income	2006/07	2015/16
<i>Couple only with/without other</i>	3.8	4.4
<i>Couple with child(ren) with/without other</i>	2.8	3.1
<i>One parent with child(ren) w/out other</i>	6.3	7.2
<i>Other family household</i>	2.4	2.7
Total family household	3.5	4.0
Other multi-person household	3.5	4.0
One-person household	9.9	11.3
Total	4.4	5.0

<i>Annual rates per rateable property \$</i>	2,013	3,064	4.78
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7.3.5 Hastings District

Median annual household income \$	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	55,464	74,469	3.33
<i>Couple with child(ren) with/without other</i>	69,805	93,842	3.34
<i>One parent with child(ren) w/out other</i>	31,780	42,406	3.26
<i>Other family household</i>	97,039	130,446	3.34
Total family household	58,459	78,438	3.32
Other multi-person household	47,400	63,607	3.32
One-person household	20,200	26,857	3.22
TOTAL households	45,800	60,992	3.23

Number of households	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	6,723	8,295	2.36
<i>Couple with child(ren) with/without other</i>	7,215	6,253	-1.58
<i>One parent with child(ren) w/out other</i>	3,303	3,453	0.50
<i>Other family household</i>	684	873	2.74
Total family household	17,925	18,873	0.57
Other multi-person household	969	969	0.00
One-person household	5,835	6,929	1.93
<i>Household composition unidentifiable</i>	426	559	3.06
TOTAL households	25,155	27,330	0.93

Annual rates as % of household income	2006/07	2015/16
<i>Couple only with/without other</i>	3.7	3.6
<i>Couple with child(ren) with/without other</i>	2.9	2.8
<i>One parent with child(ren) w/out other</i>	6.5	6.3
<i>Other family household</i>	2.1	2.0
Total family household	3.5	3.4
Other multi-person household	4.3	4.2
One-person household	10.2	9.9
Total	4.5	4.4

<i>Annual rates per rateable property \$</i>	2,059	2,664	2.90
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7.3.6 Far North District

Median annual household income \$	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	45,748	63,218	3.66
<i>Couple with child(ren) with/without other</i>	58,920	81,589	3.68
<i>One parent with child(ren) w/out other</i>	27,024	37,353	3.66
<i>Other family household</i>	38,449	53,052	3.64
Total family household	46,464	64,244	3.67
Other multi-person household	35,900	49,649	3.67
One-person household	18,600	25,715	3.66
TOTAL households	37,000	50,607	3.54

Number of households	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	5,550	7,064	2.72
<i>Couple with child(ren) with/without other</i>	4,950	4,400	-1.30
<i>One parent with child(ren) w/out other</i>	2,751	3,057	1.18
<i>Other family household</i>	525	715	3.50
Total family household	13,776	15,236	1.13
Other multi-person household	738	787	0.72
One-person household	4,500	5,774	2.81
<i>Household composition unidentifiable</i>	927	967	0.47
TOTAL households	19,941	22,764	1.48

Annual rates as % of household income	2006/07	2015/16
<i>Couple only with/without other</i>	4.1	4.2
<i>Couple with child(ren) with/without other</i>	3.2	3.3
<i>One parent with child(ren) w/out other</i>	7.0	7.1
<i>Other family household</i>	4.9	5.0
Total family household	4.1	4.1
Other multi-person household	5.3	5.4
One-person household	10.1	10.3
Total	5.1	5.3

<i>Annual rates per rateable property \$</i>	1,888	2,658	3.88
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7.3.7 Tasman District

Median annual household income \$	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	48,940	69,467	3.97
<i>Couple with child(ren) with/without other</i>	64,449	91,159	3.93
<i>One parent with child(ren) w/out other</i>	29,620	41,923	3.94
<i>Other family household</i>	94,960	133,461	3.85
Total family household	53,934	76,421	3.95
Other multi-person household	48,500	68,745	3.95
One-person household	19,500	27,532	3.91
TOTAL households	43,000	60,849	3.93

Number of households	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	5,436	7,248	3.25
<i>Couple with child(ren) with/without other</i>	5,109	4,731	-0.85
<i>One parent with child(ren) w/out other</i>	1,518	1,758	1.64
<i>Other family household</i>	252	325	2.86
Total family household	12,315	14,061	1.48
Other multi-person household	462	528	1.49
One-person household	3,792	4,938	2.98
<i>Household composition unidentifiable</i>	231	88	-10.22
TOTAL households	16,800	19,615	1.74

Annual rates as % of household income	2006/07	2015/16
<i>Couple only with/without other</i>	4.0	4.5
<i>Couple with child(ren) with/without other</i>	3.0	3.4
<i>One parent with child(ren) w/out other</i>	6.6	7.4
<i>Other family household</i>	2.1	2.3
Total family household	3.6	4.1
Other multi-person household	4.0	4.5
One-person household	10.0	11.2
Total	4.5	5.1

<i>Annual rates per rateable property \$</i>	1,948	3,097	5.29
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7.3.8 Rangitikei District

Median annual household income \$	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	49,095	68,589	3.79
<i>Couple with child(ren) with/without other</i>	62,115	86,903	3.80
<i>One parent with child(ren) w/out other</i>	28,244	39,340	3.75
<i>Other family household</i>	73,863	100,679	3.50
Total family household	51,759	72,266	3.78
Other multi-person household	50,300	70,457	3.82
One-person household	19,200	26,771	3.76
TOTAL households	40,500	56,497	3.77

Number of households	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	1,659	1,854	1.24
<i>Couple with child(ren) with/without other</i>	1,563	1,172	-3.15
<i>One parent with child(ren) w/out other</i>	585	585	0.00
<i>Other family household</i>	90	91	0.09
Total family household	3,897	3,702	-0.57
Other multi-person household	201	201	0.00
One-person household	1,404	1,498	0.72
<i>Household composition unidentifiable</i>	138	239	6.30
TOTAL households	5,640	5,640	0.00

Annual rates as % of household income	2006/07	2015/16
<i>Couple only with/without other</i>	3.9	4.0
<i>Couple with child(ren) with/without other</i>	3.1	3.2
<i>One parent with child(ren) w/out other</i>	6.8	7.0
<i>Other family household</i>	2.6	2.7
Total family household	3.7	3.8
Other multi-person household	3.8	3.9
One-person household	10.0	10.3
Total	4.7	4.9

<i>Annual rates per rateable property \$</i>	1,918	2,764	4.14
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7.3.9 Hauraki District

Median annual household income \$	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	43,687	61,851	3.94
<i>Couple with child(ren) with/without other</i>	63,580	90,090	3.95
<i>One parent with child(ren) w/out other</i>	27,070	38,285	3.93
<i>Other family household</i>	78,470	106,941	3.50
Total family household	48,884	69,133	3.93
Other multi-person hosuehold	38,800	54,850	3.92
One-person household	17,700	24,952	3.89
TOTAL households	36,800	51,401	3.78

Number of households	2006/07	2015/16	2007 to 2016 %pa
<i>Couple only with/without other</i>	2,088	2,468	1.87
<i>Couple with child(ren) with/without other</i>	1,686	1,265	-3.15
<i>One parent with child(ren) w/out other</i>	789	701	-1.30
<i>Other family household</i>	111	141	2.70
Total family household	4,674	4,575	-0.24
Other multi-person hosuehold	228	152	-4.41
One-person household	1,695	1,994	1.82
<i>Household composition unidentifiable</i>	69	248	15.29
TOTAL households	6,666	6,969	0.50

Annual rates as % of household income	2006/07	2015/16
<i>Couple only with/without other</i>	5.1	4.7
<i>Couple with child(ren) with/without other</i>	3.5	3.2
<i>One parent with child(ren) w/out other</i>	8.3	7.6
<i>Other family household</i>	2.9	2.7
Total family household	4.6	4.2
Other multi-person hosuehold	5.8	5.3
One-person household	12.7	11.6
Total	6.1	5.6

<i>Annual rates per rateable property \$</i>	2,241	2,893	2.88
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