

PART ONE: INTRODUCTION

The two introductory chapters give a brief account of the catalyst for the establishment of the Local Government Rates Inquiry, the major studies and reviews (both completed and continuing) that contribute to the subject, and the processes of our inquiry. Further detail is provided in Appendices 1–3.

1 BACKGROUND TO THE FORMATION OF THE INQUIRY

1.1 The publication of long-term council community plans (LTCCPs) by councils throughout New Zealand in the winter of 2006 prompted public debate over the level of rates increases projected over the next 10 years.

1.2 The Hon Mark Burton, Minister of Local Government, announced the establishment of an independent inquiry into local government rates on 23 August 2006.

1.3 Prior to the announcement of the Local Government Rates Inquiry the most recent response of Government to rates issues was a Joint Central Government/Local Authority Funding Project established by the Central/Local Government Forum in 2003 to gather accurate statistics on local authority rating levels and the extent and nature of any affordability problems. This project published three major reports.

1.4 There have been a number of previous inquiries into local government funding in New Zealand (see Chapter 6 for further details) and overseas. The contribution of this inquiry is to independently review, and extend in many areas, recent work by the Local Authority Funding Project. The Rates Inquiry adds value to the earlier studies by undertaking new and more in-depth analysis, and pulling together the range of previous work undertaken.

Current or planned initiatives

1.5 The Rates Inquiry has been conducted over a period of ongoing or prospective changes and reviews in the policy environment, including

- a regional petrol tax for local authorities announced in May 2007
- a Local Government Commission review, to be completed by June 2008, of operational issues arising from the Local Government Act 2002
- a review of the implementation of the rates rebate scheme by the Department of Internal Affairs, scheduled to report to Cabinet in December 2007

- the Auditor-General's review of long-term council community plans 2006–16, presented to Parliament in June 2007
- the Government's decision in July 2007 that in future all fuel excise duty, road user charges, and motor vehicle registration and licensing fees will be paid into the National Land Transport Fund
- the Government's decision in July 2007 to seek an amendment to the Securities Act to exempt local authorities from the requirement to issue a prospectus when borrowing in capital markets
- the five-year review of the Sanitary Works Subsidy Scheme.