Long-term Plan 2024–34

Respondent No. 239

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Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Personal information

First name	Dennis
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I'm providing a submission (choose one):	as an individual
Please let us know what ward you live in	Paekākāriki
Do you want to speak to Council about your submission at our public hearings on 2 May?	No
Are you happy for your name to be published with your feedback:	My name can be published with my feedback

Submission

Proposal 1: Three waters funding
Which option should we choose? (select one option)

Option 1: Fund $4.7 million shortfall with an additional 5% rates increase in Year 1.

Would you like to expand on your answer for option 1?

I choose Option 1. Clearly, we should be funding depreciation from revenue and not from borrowing, but there is a case for tapering the adjustment over a couple (possibly three) years rather than making the adjustment in a single year. The implied 4.35% rates impact contributes to the very large 17% overall increase in 2024/25.

I note that Option 2 implies a fundamental misunderstanding of depreciation. Owners of public assets should, over the expected life of the asset, put aside funds that can be used towards its replacement in due course. Depreciation reduces the need for future borrowing.

Proposal 2: Proactively reduce Council's debt
Which option should we choose? (select one option)

Option 2: Apply average rates increases of 7% per year from 2025/26 to 2033/34

Would you like to expand on your answer for option 2?

Option 2 is the best of the three on offer, but I am disturbed by the offhand dismissal of the important question of affordability. On Page 18 of the Consultation Document, you justify using 7% of household income as your affordability proxy "on the basis that 5% was established 17 years ago". But your next sentence states "Currently, our median rates represent 4.7% of median household income in Kapiti." That's not 17 years ago, that's now.

Affordability is a question of judgement. There is no exact science on this but looking back at the Shand Report (Funding Local Government, page 12), one finds the following.
"The Panel has spent considerable time analyzing the affordability of rates. ….. With rates overall averaging less than 3% of gross household income it is difficult to say there is an overall affordability problem. ….. As a rough benchmark affordability problems arise where rates exceed 5% of gross household income."

Shand's 5% refers to the boundary at which problems arise rather than to a target level.

I suggest an alternative modelling approach to your reliance on choice between three scenarios each of which uses a constant annual rate of change in average rates.

I suggest exploration of possible time-paths to determine consistent target values for:
(1) affordability: stable rates to household income ratios (say 4, 5 and 6%)
(2) and the associated ratios of net debt to total operating income in 2033/34.

Affordability and net debt to operating income are normative measures that the community can form a judgement on. They would provide a much better focus than setting decade long alternative rates of growth in average rate payments.

On the targets themselves. I like living in an area well serviced by its local authorities, but different people have different preferences and circumstances. You need to feel for where the balance of opinion lies. On debt I agree that it is sensible to create headspace for future borrowing to enable recovery from eventualities such as seismic and climatic shocks.

Proposal 3: Transfer Council's housing for older people
Which option should we choose? (select one option)

Option 1: Transfer our older persons' housing assets to a new Community Housing Provider

Would you like to expand on your answer for option 1?

I strongly support Council provision of housing services for old people (and would favour wider provision for other people in need). Budgetary constraints are tight, but we should not rule out possible growth in this portfolio. So, I reject Option 3 as worded.

I prefer Option 1 because it keeps Council involved in what I think should be a core activity.

Options 1 and 2 offer the attractive possibility of central government funding for growth in the housing stock and for income related rent subsidies. But two caveats.
(1) Central government policies are subject to change and change s in policy can deliver shocks to Councils, as recent experience shows.
(2) It seems odd that income related rent subsidies are available to CHPs, but not to tenants in local authority provided older persons housing. Has this issue been discussed with government?

New climate action rate
Which option should we choose? (select one option)

Option 1: Introduce a new targeted climate action rate based on a property's capital value rather than the current land-value based general rate

Would you like to expand on your answer for option 1?

I agree to consolidation of climate action activities and funding with a targeted rate, preferably on capital value, but I would not rule out possible recourse to land values.