

Municipal Rate Capping

I have read and listened to some of the arguments being put in relation to capping of Municipal Rate increases.

The present government has proposed that increases be capped and that the measure used be the consumer price index (CPI). Proponents of a cap argue that past increases have significantly exceeded increases in other costs and income measures for rate payers. More importantly, rates have, reportedly, increased at twice the rate of the local government cost index (LGCI) which measures costs of those things provided by councils.

It would appear that rates are increasing beyond the capacity of ratepayers to meet them which is unsustainable in the longer term.

However, I would argue that the CPI is an irrelevant measure in this debate. A cap is proposed in order to ensure rates remain affordable - the price of tomatoes does not offer a measure of a ratepayer's ability to meet increases in rates. A better measure might be average weekly ordinary time earnings (AWOTE) since this does correlate to some degree with the amount of money a ratepayer has available to spend.

On the other hand, if ratepayers want councils to provide services, the money has to come from somewhere so perhaps the Essential Services Commission should be considering ways in which municipal councils can be made to consult, in a meaningful rather than tokenistic way, about what is to be included in each budget. If the community agrees that the services proposed are desirable or necessary then council should prepare a budget to deliver those things. If that budget requires a rate increase in excess of either AWOTE or LGCI, the consultation process should include an opportunity for ratepayers to re-prioritise the budget.

Murray Nicholas