

# Auckland local elections 2022

Candidate request for information – proactive publication

19 September 2022 – 13:02:57



**This request for information from a candidate in the Auckland local elections is proactively published as public information relating to the 2022 Auckland local elections.**

## Question received

Is the Consumer Price Index (CPI) the right measure to align rates with? If not, why not and what is the right measure?

## Answer provided

- Rates make up about 40 per cent of Council revenue and generally fund public and merit goods.
- Rates are set by councillors, as part of the overall budgeting process. This process takes into account a number of factors, including:
  - changes in the costs to deliver existing services (of which inflation plays a part)
  - levels of investment required in new infrastructure for the city
  - improvements to service levels
  - ensuring long-term financial sustainability
  - the acceptability and/or affordability of rates levels to the community.
- The CPI provides a helpful indicator of price movements in the wider economy and therefore pressures on our cost to deliver existing services. Recent price increases are contributing significant pressure to our base budgets.
- Council's overall funding requirement, however, is quite different from the basket of goods used by Statistics New Zealand to calculate CPI. So simply indexing rates changes against the CPI would not be "right" based on the process we have to set our budget and fund it.
- The record levels of capital investment made by the council over recent years have resulted in rapid increases in interest and depreciation costs that have required funding from operating sources including rates.
- A key measure of the sustainability of our debt is our debt-to-revenue ratio and therefore consideration of the level of rates revenue should take into account the level of borrowing it enables.
- It is probably also worth noting that legislation requires that funding decisions must be reasonable in relation to costs imposed or benefits received – so it is right to consider all of these things when setting rates.