



## **SUBMISSION TO THE INQUIRY INTO LOCAL GOVERNMENT FUNDING AND FINANCING**

**TO** The Productivity Commission

**FROM** Kawerau District Council  
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Thank you for the opportunity to have input into this Inquiry.

### **BACKGROUND**

Built in 1953 to house workers from the Tasman integrated pulp and paper mill, Kawerau has the distinction of being one of the youngest towns in New Zealand. At the 2013 Census the population of the Kawerau District was 6,363, which represented a decline of around 1.2 percent per annum over the previous 10 years. Statistics NZ predicted that this trend would continue with the population projected to be 5,640 by 2023.

Kawerau has a higher number of older people and a higher proportion of young people when compared to the rest of New Zealand. Over the 10 years from 2018 to 2028, the number of young people (under 20) is projected to reduce by 9.4% while the proportion aged over 60 will increase by 13.5%. The unemployment rate in Kawerau was just over 12 percent in 2013, but the proportion of people receiving Work and Income benefits was considerably higher.

Over the last 15 years the Kawerau District Council has been attempting to reverse these trends with economic development interventions such as facilitating industrial development and employment opportunities in the district and by promoting Kawerau as a desirable place to visit and to live. The investment is now starting to pay dividends with increased activity in industrial and residential development. Statistics New Zealand population projections provided in February 2018 put the population at 6,840, an increase for the first time in at least a decade.

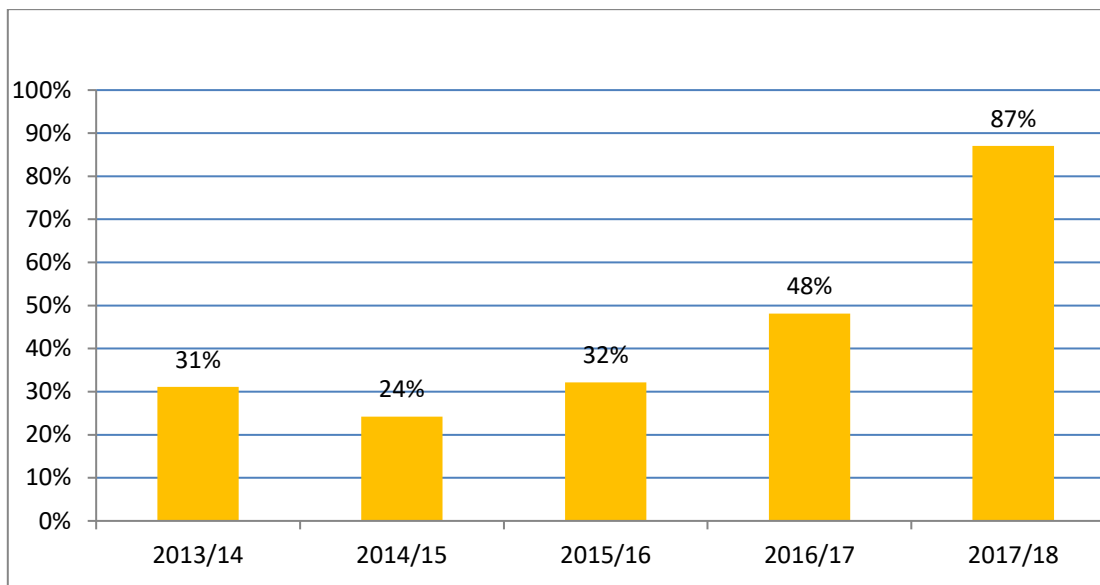
### **KEY FUNDING AND FINANCING TRENDS**

The Commission has identified size, population growth and population decline as key drivers of cost increases for councils. Another factor which can both limit council funding

from ratepayers and the wider community and increase council costs is the wealth profile of the community. A low socio-economic profile can mean there is a limited ability to pay and a greater need for council services.

## Depreciation

Kawerau District Council supports the LGNZ response that expenditure from depreciation funding can be extremely “lumpy”. To illustrate, over the last five years this Council has increased capital expenditure as a proportion of depreciation on network services, as shown below:



The town of Kawerau was built over a period of about 35 years from 1953 to 1987, with asset lives of up to 80-100 years. Additionally, a new district wastewater treatment plant was vested in Council from local industry. The majority of planned renewals will not occur for another eight to 30 years.

## PRESSURE POINTS

### Climate Change

Kawerau's geographical location means that climate change has manifested in the form of extreme weather events. While in the past, rainfall would be quickly absorbed by the pumice soil of this area, the intense rains we have started experiencing have caused localised flooding. The increased incidence of such events has resulted in plans to increase the capacity of the district stormwater network.

Another effect has been caused by strong winds. Kawerau boasts a higher than average number of reserves with many attractive trees. Over the past two years a significant number have been damaged or lost as a result of intense winds.

### Population Ageing

Kawerau has a higher than average proportion of older people and this is expected to increase further. This is increasing the levels of service required in activities such as footpaths and buildings and facilities. In a low socio-economic district an increase in the

number of superannuitants means that a higher proportion of the community are on fixed incomes. This limits the ability of the community to fund these higher service levels.

### **Rural Community**

Being a rural community located some distance from centralised services creates a greater need for Council involvement as a funder, deliverer and/or advocate for services such as public transport, education, even banking.

### **Community Expectations**

Community expectations of both the scope and standard of council services are constantly growing. In addition to core infrastructure, regulatory and community services, the community expectation is now that council will routinely deliver economic development, events and marketing and community development activities. Year on year, expectations for the level of Council services also increase. Public halls need to have video and sound systems, the swimming pool needs a splash pad for children, the library should deliver more adult programmes and so on. These activities require new and additional funding.

### **Inflation**

Council supports the LGNZ and SOLGM submissions that local government costs have increased faster than CPI. In our experience an additional reason for the increases has been a shortage of trades and other specialist services.

### **Traditional Core Business**

The majority of Council spending is still on infrastructure and environmental services. Also significant are:

#### *1. Economic Development*

- Council is attempting to encourage economic growth so as to turn around the status quo of high community deprivation and need
- Work could be and is also co-delivered by other agencies
- Funding still tends to be predominantly from local government and central government sources.

#### *2. Leisure and Recreation (includes reserves, swimming pools, public library)*

- A low socio-economic community demographic generates higher demand for these services while at the same time restricting the level of cost recovery

#### *3. Community Wellbeing*

- The Mayor and Councillors become engaged with various forums and activities relating to social and health issues affecting the community.
- Costs arise primarily from staff time spent supporting their involvement

## **MANAGING COST PRESSURES**

### **Efficiency Gains**

Council has entered into a number of shared service arrangements with the regional and neighbouring district councils. Being a small staff, these have augmented the range of

skills to include for example people specialised in Human Resources, communications and IT. The arrangements have been very effective.

## **FUTURE FUNDING AND FINANCING**

### **Rating Tools**

Council considers that current rating tools provide flexibility and fit for purpose allocation of funding. We would however like the 30% cap on targeted rates to be removed. This would increase the flexibility available to councils.

### **Property Rates**

Rating on the basis of property value is premised on the assumption that property is a proxy for wealth. While in this may be true in general, in districts such as Kawerau where property values are lower, top end properties do not necessarily indicate wealth. Council have applied a cap on residential rates to ameliorate this.

Thank you for your consideration

A handwritten signature in black ink, appearing to be 'Russell George', written in a cursive style.

Russell George CA; MBA  
**Chief Executive Officer**