

14 February 2019

Local Government Funding and Financing Inquiry  
New Zealand Productivity Commission  
PO Box 8036  
The Terrace  
Wellington 6143

Dear Sir/Madam

### **Submission on the Local Government Funding and Financing Issues Paper – November 2018**

Thank you for the opportunity to make comment on the above issues paper. To provide context and answer the questions raised, Council staff submit the below background and comments in relation to each question.

#### **Background**

The Southland District Council covers a total of 30,753 square kilometres, around 15,800 rating units covering the bottom of the South Island and Stewart Island. It has a turnover of \$70 million and is responsible for administering some \$1.4 billion of public assets. Much of this asset base (\$1.2 billion) is represented by the District's extensive roading network. A further \$160 million is invested in core infrastructural assets such as wastewater, water, stormwater and reserves.

Roading is the largest activity undertaken by the Council, representing 67% of capital expenditure and nearly 41% of Council's operating expenditure. The District has approximately 5,000 kilometres of road maintained by Council; 1,962 kilometres sealed and 3,005 kilometres unsealed.

Council provides wastewater collection and treatment systems to some 8,000 properties in 18 communities. The communities served include Te Anau, Winton, Monowai, Wallacetown, Lumsden, Tuatapere, Nightcaps, Riversdale, Edendale, Wyndham, Gorge Road, Manapouri, Riverton, Otautau, Balfour, Tokanui, Browns, Ohai and Stewart Island. It also provides water supplies to some 7,400 properties in some 12 communities. It also manages some 27 stormwater schemes.

Through its 2015 Long Term Plan Southland District Council has indicated its commitment to maintaining and further developing the infrastructural assets needed by its communities. In total the 2015-45 Infrastructure Strategy has a capital expenditure budget of \$1.15 billion.

Between 2006 and today the level of Southland District rating has increased by some 79% as compared to a movement in the level of the consumer price index over this timeframe of 20%. The main drivers of the increases in Southland District rating over this period include:

- Implementation of new reticulated wastewater schemes in Edendale and Wyndham, Wallacetown and Tuatapere;
- Implementation of new reticulated water schemes in Edendale and Wyndham;

- Provision of ratepayer loans to fund the ratepayers contribution to new/extended water and wastewater schemes;
- Improvements to the District's roading network to ensure that it is being maintained to a reasonable standard; and
- Implementation of household rubbish and recycling through a wheelie bin service.

**Q1. What other differing circumstances across councils are relevant for understanding local government funding and financing issues?**

Council's financial strategy (Appendix 1) outlines in section 3 the key issues affecting Council. These include issues around our changing community, affordability of rates, sustainability of services and core infrastructure, increasing environmental and regulatory standards, community resilience and other external factors.

**Q2. What explains the difference between the amount that councils account for depreciation and the amount spent on renewing assets? Are changes needed to the methods councils use to estimate depreciation?**

Renewal of assets is cyclical not annual. Depreciation represents the 'a measure' of the annual consumption of an asset. There is a need to be cautious about placing too much reliance on depreciation being the "perfect" measure. It is only a surrogate measure and needs to be looked at over a long term timeframe. The renewal of assets, especially significant infrastructure, will occur after a long period of time, often 60 years plus in a number of cases and the replacement asset will often be significantly different. Hence, one needs to be cautious about the extent to which reliance is placed on it as a measure of whether asset capacity is being maintained.

The attached graph shows the expected renewal of Council's water, wastewater and stormwater networks over a 100 year period based on current expected life to illustrate this (Appendix 2). Additionally Appendix 3 outlines in graphical form the 30 year Infrastructure Strategy Project Map and estimated cost.

Council uses a standard rate of depreciation for each type of asset based on established engineering standards by the National Asset Management Steering Group. This does not necessarily reflect the conditions the asset exists in or the usage it sustains, both of which affect its life. As part of the 2018-2028 LTP, Council has recognised the need to further gather and analyse the asset data to assist both in improved asset management and ensuring the depreciation calculated is as fair as possible of the annual consumption.

**Q3. In what ways are population growth and decline affecting funding pressures for local government? How significant are these population trends compared to other funding pressures?**

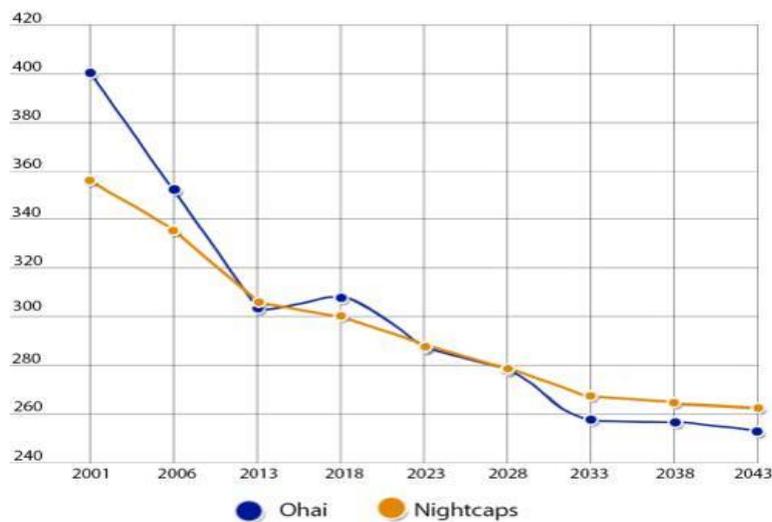
We are experiencing decline in a number of our smaller residential communities, where this occurs the cost of replacing infrastructure increases the rate burden amongst those remaining. Ohai and Nightcaps are examples of two Southland communities in which Council faces significant challenges with the right-sizing of infrastructure over time and ensuring that the infrastructural services that it does provide remain affordable over time.

As part of a consultation process that Council had with the community in 2016, a discussion paper was prepared and handed out to inform the community. This paper is attached in Appendix 4.

The paper outlines the range of issues facing these communities. These include issues relating to a declining population, low residential property values, low household incomes and a high level of capital investment (approximately \$11 million through until 2044) being needed to maintain the existing infrastructural services.

The \$11 million investment through to 2044 equates, based on the number of properties which exist today, to an investment of approximately \$28,000 per property in Ohai and Nightcaps. This would likely be sufficient to enable on site wastewater disposal systems to be developed, which would have a lower overall cost.

The following graph provides an overview of the projected population changes in the resident population for Ohai and Nightcaps through until 2043:



The \$11 million of capital investment required in water and wastewater infrastructure for these communities does not take into account any significant increases in expenditure that might be needed to meet new environmental standards that might be set through new resource consents required as a result of the Southland Water and Land Plan.

The Local Government Rates Inquiry Panel 2007 suggested that an approximate threshold of where rates are not affordable is where rates exceed 5% of gross household income. As part of the 2018 Long Term Plan Council is looking to use this benchmark as a measure of whether its current level of rating is affordable within individual communities.

The following table gives an overview of current rating levels (excluding Environment Southland rates) for a number of its urban communities relative to 5% of the median household income in these communities:

<b>Community</b>	<b>Rates % of Average Household Income</b>
<b>Ohai</b>	6.2%
<b>Nightcaps</b>	5.26%
<b>Tuatapere</b>	4.83%
<b>Wyndham</b>	4.8%
<b>Riverton</b>	4.63%
<b>Manapouri</b>	4.45%
<b>Balfour</b>	4.37%
<b>Te Anau</b>	4.13%
<b>Otautau</b>	4.09%
<b>Lumsden</b>	4.04%
<b>Edendale</b>	3.71%
<b>Winton</b>	3.63%

The fact that the current level of rating in these two communities (Ohai and Nightcaps) already exceeds (before adding in Environment Southland rates) the 5% affordability threshold means that there is a need for the Council to be mindful of the impact of the financial cost of meeting increased environmental standards in the future.

The loss of NZTA funding would potentially be greater than the funding pressure of declining communities however it is hard to quantify as population declines result in the review of levels of service or the spreading of costs across the wider community, which overall affects the overall ability to pay.

**Q4. What are the implications of demographic changes such as population ageing for the costs faced by local government?**

An older population has the potential to require Council to provide different services, such as assessing the additional needs of a safe roading/transport network but with potentially less disposable income from which to pay for the services.

Additionally as part of Council's review of its revenue and financing policy it has over past years gone from recognising the cost of providing some activities as local to district funding eg: water and wastewater. As part of the next Long Term Plan, Council will review activities such as footpaths, stormwater and local parks and reserves and consider whether it is appropriate to change the funding approach from community to district wide. At this stage however a number of communities have questioned what is the purpose of local democracy if a lot of this decision making is district. To date, this council has often aligned decision making and funding together.

**Q5. To what extent is tourism growth resulting in funding pressures for local government? Which Councils are experiencing the greatest pressure, and how is this manifesting?**

The increased pressure is not only from more tourism, but also the varied needs of how those visitors are travelling. Freedom Camping has resulted in increased regulatory requirement as well as additional infrastructure around toilet/bathing facilities. Recently Council undertook a \$9million roading project on the Southern Scenic route to provide additional safety for those unfamiliar with gravel roads.

On Stewart Island providing safe and fit for purpose, now and the future, wharfing has been critical to allow for the safe transportation of passengers from cruise ships and general tourists visiting an offshore sanctuary. Additionally to support this we need to ensure that the wharfing has the appropriate footpaths, carparks and toilet facilities nearby to support it. The Stewart Island community is fortunate in that it has a visitor levy that provides significant assistance to the funding of tourist related expenditure on the island. However there is considerable policy and reporting needs in justifying the funds collected. So although the visitor policy is a valuable tool it is not the panacea in itself.

Within Milford Sound, which is in the National Park, run by the Department of Conservation (DOC), several key operators have joined together to form a company that looks after key infrastructure relating such as public toilet facilities and rubbish collection. This is self-funded from boat levies collected and provides an opportunity as a new tool to be implemented elsewhere where DOC support can be got. Additionally the Milford Opportunities project is underway with a variety of key players in the Milford area to work out the best way forward to deal with increased numbers of visitors to the area and how they can continue to be serviced safely.

These projects all have an element that is above the requirements of the local community and the District. Council will apply for government funding where it is available however any shortfall is borne by Council's ratepayers.

As we noted previously a number of activities were paid for locally, as tourism and the type of tourism increases, a number of these communities are approaching council to reconsider how it funds these activities noting the significant burden it is placing on them. An example is Mossburn and Garston, both small communities on the travel route from Queenstown to Milford. Tour buses regularly do comfort stops in both localities. Both have upgraded the toilet facilities and Mossburn has noted that they cannot continue to absorb the increased cost of rubbish removal within their community.

**Q6. Is an expansion of local government responsibilities affecting cost pressures for local government? If so, which additional responsibilities are causing the most significant cost pressures and what is the nature of these increased costs?**

Road funding, regulatory requirements and statutory changes are all additional responsibilities Council has had to deal with. One of the largest impacts is any change made to the co-funding of road costs given the size of Councils network. After this the increasing regulatory requirements are significantly increasing costs. The administration process to obtain resource consents as well as the cost of improving the level of service as a result of obtaining the consent. An example of this is the small community of Tokanui, where the cost of obtaining the wastewater discharge consent to date for 67 residential properties is \$84,425. Changes in Government policy as a result of changing in direction from different governing parties means that Council is often in a state of flux about the activities and responsibilities around these activities. Community outcomes and well-being is an example of the changing statutory requirements.

**Q7. How is the implementation of treaty of Waitangi settlements’, including the establishment of ‘co-governance’ and ‘co-management’ arrangements for natural resources, affecting cost pressures for local government?**

Council has had for over 25 years a very constructive relationship with Ngai Tahu which means that it has limited issues in this area. This includes engaging with representatives regularly to discuss issues that are arising.

**Q8. How are local authorities factoring in response and adaption to climate change and other natural hazards (such as earthquakes) to their infrastructure and financial strategies? What are the cost and funding implications of these requirements?**

Council recognises climate change and other natural hazards are an issue. They are acknowledged in both the infrastructure and financial strategy with both recognising there is a need to do more work in this area. To better inform Council’s future strategic direction on climate change, Council has commissioned (along with Environment Southland, Invercargill City Council and Gore District Council) a regional climate change study by NIWA which has recently been completed. This can then be factored into any asset renewal programme.

Since the writing of both strategies Council is collaborating with a number of other of its neighbouring local authorities in seeking to obtain Provincial Growth fund support ( along with local contributions) to undertake a detailed LiDAR (light direction and ranging) survey of the Southland Region, which will provide much more detailed topographical information for future infrastructure and hazard planning. From this it will be able to develop and see the impact of various scenarios on the District and the network to develop more fully its understanding and response. Any knowledge it has will start to be reflected in the coming LTPs.

In the meantime within its existing financial strategy it is noted that Council will make decisions about climate change on a case by case basis and has acknowledged that it needs to ensure continued capacity within its debt facility to allow for any costs incurred from these hazards. Council has also attempted to mitigate the cost of this risk by ensuring appropriate insurance policies.

**Q9. Why is the price of goods and services purchased by local government rising faster than the consumer price index? To what extent is this contributing to cost pressures for local government?**

The CPI is not an index that covers the goods and services of Council. CPI looks at consumer goods and services, food, clothing etc. These markets have strong competition in both supply and demand. The goods and services of Council often have a smaller supply and demand market because of the specialised nature of the products and components involved. Bitumen for example is the product of oil, ltd in supply and subject to intense processes of refinement before being incorporated into the end product. Additionally for infrastructure replacement, you need a set of specialist skills to undertake the roles, these skills are not widely available and so long as the workforce is limited the costs will potentially be higher than CPI. The cost of undertaking services outside the main urban areas also add to costs.

The majority of Council’s costs (excl. depreciation) are related to infrastructure either from a maintenance or capital nature. The balance of costs are employment, vehicle, IT etc related. The increasing costs leads

greatly in the increasing rate requirement which is 70% of Councils revenue. If household incomes are more in line with CPI then of course it adds to the affordability concerns.

**Q10. Do the prices of goods and services purchased by local government vary across councils? If so, what are the reasons for these differences?**

Southland District Council often experiences higher costs than other councils, based on its locality from supply markets and the costs of delivery but also the increased costs of a smaller market base of suppliers such as experienced roading contractors. Stewart Island is the extreme, it has added supply costs from having to ship or fly goods and service delivery across the strait.

**Q11. Is local government expenditure shifting away from traditional core business into activities such as economic development, sport and recreation and community development? If so, what is the rationale for this shift and could these activities be better provided by other parties?**

Section 10 of the Local Government Act states that the purpose of local government is (a) to enable democratic local decision making and action by and on behalf of communities and (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost effective for households and businesses.

Councils comply with the Act, which states local public services, the definition for this Council includes those you note in the question as well as community housing, electricity, an airport and some wharves. All are services our communities have asked we be involved in. If central government has a different picture it needs to ensure it is reflected in the Act.

We also see community leadership as being an important role for local authorities. It is recognised there are two key pillars that support the community governance concept looking to be implemented within the Southland district. These are

- A community led development pillar which is about 'place' being at the centre with Council being one of a number of agencies supporting the development of each place or local community.
- A representative leadership pillar which is based on the more traditional role of the elected representatives being the identified political leaders within their community.

This Council has been asked to be involved in these activities as the community has identified a need for the provision of these services but where there have not been any other parties undertaking or looking to undertake. The reason generally is that for small communities these services are necessary to ensure they are vibrant both now and in the future, there is generally not seen to be a profit element that encourages private investment. In some circumstances we have seen large community facilities being undertaken by a charitable trust and in these instances they do so as they can often access funds from community funding agencies unavailable to local government. But we have also had a number of halls and museums that have become separate charitable organisations that after a few years come back to Council seeking contributions to ongoing operational costs due to the lack of sustainable funding to maintain these facilities. As you will appreciate often external funders provide capital for building but nothing for ongoing operations, constant fundraising does enable sustainable activities.

**Q12. Does the scope of activities funded by local government have implications for cost pressures? If so, in what ways?**

It adds to the overall affordability of rates so definitely adds to the prioritisation question that councils need to consider. The important element is the level of community consultation in making decisions. If the purpose of local government is to enable democratic local decision making then there will never be a one plan fits all, what should be questioned is what has been the level of community consultation and input into the decision making and does this represent the community views.

**Q13. What other factors are currently generating local government cost pressures? What will be the most significant factors in the future?**

- Regulatory costs of compliance and delivery.
- The supply and cost of key materials such as bitumen.
- The number of specialised contractors available in the market to deliver key infrastructure projects
- Climate change implications
- Maintaining current levels of service and potentially recognising additional needs such as from an aging population.

**Q14. How will future trends, for example technological advances and changes in the composition of economic activity, affect local government cost pressures?**

Hopefully technological advances are both environmentally good and cost effective but it will vary. One pressure on Southland roads was the decision to allow heavier vehicles. This is leading to increased operational and capital costs, both in timing and the cost to maintain the level of service.

Council owns and runs the electricity supply on Stewart Island, for many years it has explored alternative energy options than the current diesel generators. Over this time technological improvements have seen more cost effective generators but the hope is for other cost effective sustainable options such as solar.

Council has embraced the use of a drone which has enabled some jobs to be undertaken faster and more cost effectively, currently one is being used by this council to get the scope of slips and to undertake initial evaluations of bridge wear and tear without this, scaffolding and two person teams would be required.

**Q15. How effective is the Long Term Plan process in addressing cost pressures and keeping council services affordable for residents and businesses.**

The process itself doesn't necessarily result in addressing cost pressures that just exist such as price changes.

As inflation has to be incorporated into the LTP there is a concern that this information adds to cost pressure from contractors recognising this allowance within tender prices.

The process does however contribute to the level of engagement with communities on relevant issues and options. To make the most of the process we have identified you do need to start the planning process early, identifying the issues you plan to consult on and undertake "community consultations" as soon as possible to define their expectation around the level of council involvement and the level of service they

would be looking for to then present the options of these and the costs for discussion and agreement within the consultation document.

**Q16. How effective are councils' Long Term Plan consultation processes in aligning decisions about capital investments and service levels with the preferences, and willingness and ability to pay, of residents, businesses and other local organisations?**

As noted in Q15, the LTP is an end result, the effectiveness or not is in the consultation and how you use this or other practices to obtain the community input into key decisions that form the basis on which you are seeking final input as part of the LTP consultation process.

**Q17. Is there scope to improve the effectiveness of Long Term Plan processes? If so, what, if any, changes would this require to the current framework for capital expenditure decision making?**

This Council started to plan the 2021-2031 Long Term Plan as soon as it had finished the 2018-2028 LTP. As it recognised the points raised in Q15 and Q16. Three years however is still a short time frame when you factor in the amount of effort to research issues and provide options and undertake consultation. One possible improvement may be around the extension to a four or five year period between plans to allow for this work to occur.

**Q18. How much scope is there for local government to manage cost pressures by managing assets and delivering services more efficiently?**

We would like to think that we are doing this but there will always be opportunities. Q19 outlines some of the processes and practices currently being used. Discussions with other Councils, contractors often lead to other ways but there is always scope.

**Q19. What practices and business models do councils use to improve the way they manage their infrastructure assets and the efficiency of their services over time? How effective are these practices and business models in managing cost pressures? Do councils have adequate capacity and skills to use these practises and business models effectively?**

A mixture of practices are in use, within roading, a drone is used to identify the extent of issues in both slips and bridge conditions, in the case of bridges without the drone, scaffolding and two man crews would be needed for inspections at considerable cost. Additionally RoadRoid is used to gather valuable roading wear and tear data for desktop analysis of needs as well as valuable data for ongoing comparisons of condition.

Within water and wastewater schemes, contractors are tracking faults and repairs on handheld devices for fast tracking and identification of larger long term issues. This is supported by Council's need to maintain assets to a high standard to minimise contract costs. One way we do this is that we have built into our water and wastewater contracts a \$5,000 clause where any repair over this is invoiced outside of the standard monthly contract rate. This incentivises Council to drive capital renewals when it is identified maintenance is not the best long term solution financially.

Council has also been undertaking a project to identify water leaks within its network to eliminate waste as well as minimise ongoing repair costs from water damage.

Business models used involve the use of an asset system that enables business decisions to be made in a robust manner as well as valuation systems that track assets, their location, cost, expected life etc

Council has recognised that it does not have the capacity to undertake a full review of the asset data it has in one go. It also recognises that at times it also does not have the skills. Both are due to cost pressures, availability of appropriate skilled workforce as well as acknowledging that it is hard to identify a lot of the asset data given it is underground.

**Q20. How do councils identify and employ new technologies to manage their infrastructure assets and produce services more efficiently? How effective are councils in using new technologies to manage cost pressures? Please provide specific examples of the use of new technologies to manage cost pressures.**

Identification of new technologies comes from discussions with contractors, other councils, suppliers and training events. As noted above this Council has embraced new technologies and different ways of using technology to attempt to manage cost pressures. Examples are noted in Q19.

**Q26. What measures do councils use to keep services affordable for specific groups, and how effective are they?**

A differentiated land value rate is applied to recognise the impact that different land uses, and the heavy vehicle movements that they create, have on Council's roading network. A summary of the model used for collecting the rates to fund roading is included in Appendix 5.

Council's roading rate model is an example of where considerable effort has been employed to understand the impact of exacerbator and benefactor. Appendix 5 outlines how the model works but basically the roading rate is a differential rate, of the total roading rates to be collected approx. 10% is charged as a fixed charge applied to each rating unit as recognition of the ability to access the network. The remaining 90% is allocated to sectors based on estimated transport usage on the roads by sector eg: dairy, mining, residential. Once the sector rating share is established rating units within that sector are charged based on capital value based on the theory that higher capital value reflects greater usage.

The rates rebate scheme definitely assists ratepayers, however it is hard to gauge how many more are entitled that have not applied. The restriction of a limit to the current year disadvantages many who are entitled but were unaware. It also requires considerable resource to administer with councils assisting customers with forms, collating and checking, sending to DIA then councils get back and credit to ratepayers and deal with all queries.

Council's rates remission policy is of benefit to community groups and schools etc but potentially less effective from individual ratepayer's perspective.

The Rating Act outlines the 30% cap on fixed rates excluding service rates, appendix 6 outlines around 51% of Councils rates are a fixed amount per rating unit.

**Q27. How do councils manage trade-offs between the ability to pay and beneficiary pays principals? What changes might support a better balance?**

From using tools such as a rate in the dollar on some rate types versus a fixed rate per property. Fixed rates of cause effect everyone evenly with a rate in the dollar being a more assigned to estimation of wealth, which it is recognised is not always the way. Additionally Council has chosen to change its

revenue and financing policy in the past to district fund an activity versus the traditional approach for many of Council's services which was community of interest funding. An example is Council's water and wastewater scheme costs were-by each scheme was funded by the benefactors of each community. These costs are now pooled as part of a total district cost and shared amongst all benefactors.

So if the outcome is equity based modelling rather than equality based modelling then is it not an income based method of rating.

**Q28. Do councils currently distribute costs fairly across different groups of ratepayers? If not, what changes to funding and financing practices would achieve a fairer distribution of costs across ratepayers?**

Council has a limited number of tools it can use to rate both in terms of kinds of rates it can set and the factors it can use in setting these. This Council has potentially approached this question by trying to look at the costs of activities and the best kind of rate to use and the factor to apply it. As such it has 154 rate types. Appendix 6 is an analysis of these rate types and the basis on which they are rated. This shows that 51% is a fixed amount per rating unit, this is a mixture of service rates such as water and wastewater (23%) and a portion of the general rate, local rates, regional heritage and waste management (28%). 21% is based on capital value, with 1% on land value, the remainder is 27% which is the balance of the roading rate collected by capital value within each activity as described in Q26.

To answer the question of fairness you really need to define what fair is? It is where you have equality based on everyone paying what they should base on cause and benefit or where you have equity where everyone can receive the same benefits but pay on ability?

Council is very proud of the model it has established for roading rates and although it is not perfect, as some assumptions still have to be made on the data making up the model, it is a genuine attempt to understand the drivers of the key Council activity and recognise this with an appropriate tool.

**Q29. Do councils currently distribute the costs of long lived infrastructure fairly across present and future generations? If not, what changes to funding and financing practices would achieve a fairer distribution of costs across generations?**

Council like many, attempts to fairly distribute costs across all generations by heading towards the full funding of depreciation. Currently Council is in year five of the transition so currently funding 50% of the annual depreciation. We recognise however that we will always be in a learning cycle of our assets and their consumption.

Any model needs to take into account any loan payments and interest that are being paid on initial borrowings and the potential increasing repairs and maintenance as the asset ages to ensure that fair allocation.

**Q30. What principles should be used to appraise current and potential new approaches to local government funding and financing, and how should these be applied? What are appropriate trade-offs across these principles?**

Potentially an outcomes based principal, what exactly is trying to be achieved. Is it equality or equity that are being sought? Does any model need to quantify cause and benefit. Trade-offs can be considered after establishing principles.

**Q31. How effectively is the existing range of local government funding tools being used?**

We are extensively using the Rating Act tools available to us, but that administratively comes at a cost when it comes to understanding, training staff and explaining to ratepayers. The more complex the system, the more likely for mistakes or misunderstandings. There is potential to streamline the rating processes included in the Local Government (Rating) Act 2002 so that they are, for example, not so prescriptive. Additionally it would also be good to standardise some of the terminology within the Rating Act rather than each Council defining, such as “separately used or inhabited part”.

**Q33. What is the rationale underlying councils approach to levying rates? What are the costs and benefits of shifting from a capital value system to a land value system?**

Fairness as far as is possible with the tools possible recognising that it has to balance equality and equity.

We shifted away from land based modelling within the roading rate model as Council felt that the sharing of costs was better based on capital values. The reasoning was that capital value better reflected movement, for example, it was agreed that dairy has more truck movements than pastoral but land value did not show this as well as capital value which reflected a higher value when adding in the additional investment on dairy farms.

Therefore the use of either capital or land based depends on the type of rate being collected.

**Q34. In addition to restrictions on how targeted rates are applied and the types of services where user charges can be levied, do any other restrictions on existing funding tools unduly limit their uptake or usefulness?**

The current 30% cap on the Uniform Annual General Charge may be a limiting factor for some. We have the farming sector who argue that we need to use 30% and more if possible because capital/land value unfairly treats them.

**Q37. Under what circumstances (if any) could there be a case for greater central government funding transfers to local government? What are the trade-offs involved?**

There is always a case for this to occur, particularly if government has a current revenue generating method that could be used and is deemed appropriate for funding local government activities. The trade-offs are that government operations are generally very distant from the taxpayers whereas Council operations are required to be very close to ratepayers. As such Government appears to not understand why we don't get on with it when in fact they within their legislation state that relationship is critical and by default takes longer and has more compromises than central government. As such the trade-off is the additional political interference that potentially will occur, with easy access of the community with the Council and its representatives.

**Q40. Are there other options available? Such as new delivery models that could help councils respond to funding pressures associated with a declining population? What conditions or oversight would be required to make these tools most effective?**

There is potential to use partnership arrangements with other entities as well as community devolution of assets. These will definitely develop more and more over time. Within the Southland landscape the South Catlins Trust is an example whereby it leased a camping ground from Council which it situated along the Southern Scenic Route by the sea. As part of the lease the Trust undertakes the day to day management of

the reserve that Council would normally undertake. As part of this the local community saw an opportunity to develop the tourism aspect further by building a \$4.8million information centre, incorporating a café, museum, public toilets and car park in conjunction with DOC and Council. The establishment of this facility enabled local residents to invest in and let out accommodation to the increased number of visitors to the area.

**Q44. How can the transition to any new funding models be best managed?**

Would be good to incorporate with Long Term Planning processes including allowing sufficient time to complete any required investigation and consultation.

Once again thankyou for the opportunity to comment, if you have any queries please do not hesitate to contact the writer.

Yours faithfully

A handwritten signature in black ink that reads "Anne Robson".

**Anne Robson**  
Chief financial officer