

15 February 2019

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Dear Sir/Madam

**NELSON CITY COUNCIL'S SUBMISSION ON THE PRODUCTIVITY COMMISSIONS REVIEW OF LOCAL GOVERNMENT FUNDING AND FINANCING**

Thank you for the opportunity to provide a submission on the Productivity Commission's Review of Local Government funding and financing.

Nelson City Council supports the submission made by LGNZ, with the following additional comments:

1. Question 2

*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? If so, what changes are needed?*

Council agrees with LGNZ's comment that "the amount accounted for depreciation will differ from the amount spent, since depreciation is accounted for annually but expenditure can be extremely lumpy" and notes that this is particularly the case for renewing assets as the expected "life" of some assets are in excess of 100 years.

2. Question 5

*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?*

LGNZ's submission makes reference to the Tourism Infrastructure Fund. Our view is that these types of funds, while helpful, may not be the most effective way in which to distribute financial support. This is due to the strict qualifying criteria and rules of the funds, or in some cases, limited application. This also applies to other funding provided by central government e.g. the Housing Infrastructure Fund which is limited only to high growth councils. A more effective method might be to simply distribute financial assistance and then allow the recipient councils to decide how to best to apply the funds within their regions.

3. Question 6

*Is an expansion of local government responsibilities affecting cost pressures for local government?*

There has been an increase and extensions in responsibilities for local government in recent years including, those listed in the LGNZ submission; drinking water standards, water quality standards, Resource Management Act changes, and biodiversity management. Although these additional responsibilities have generally had positive outcomes for communities, the model of funding local government is still heavily dependent upon the rating system to implement increased service levels. Continuing to extend local government responsibilities, without new funding sources, is not sustainable in the long term.

4. Question 46

*To what extent are financing barriers an impediment to the effective delivery of local infrastructure and services? What changes are needed to address any financing barriers?*

We note that it is the Local Government (Financial Reporting and Prudence) Regulations 2014 which preclude councils from including development contributions as revenue. Accordingly, this means that development contributions cannot be used to off-set council debt.

Please note that due to scheduling issues this submission has not yet been approved by Council and should be considered as pro forma.

Yours faithfully

**Cr Ian Barker**

Chair Nelson City Council Governance Committee