

15 February 2019

New Zealand Productivity Commission

www.productivity.govt.nz/make-a-submission

Dear Commission Members

Submission on Local Government Funding and Financing Issues Paper

The South Taranaki District Council (STDC) thanks the New Zealand Productivity Commission for the opportunity to provide a submission on the Local Government Funding and Financing Issues Paper.

1.0 SUPPORT SOLGM SUBMISSION

STDC supports the Society of Local Government Managers' (SOLGM) submission to the New Zealand Productivity Commission.

SOLGM's submission refers to the shared services arrangements in the Taranaki Region by the four councils under the section on Efficiency Gains, page 85). Further detail is available in the document "*Regional collaboration and shared council services in Taranaki – May 2015*" – accessible at <https://www.southtaranaki.com/Council/Plans-and-Reports/Taranaki-Councils-Shared-Services/>

2.0 DEMUNICIPALISATION AND REDUCTIONS IN LEVELS OF SERVICE

STDC supports the commentary provided by SOLGM on Demunicipalisation and Reductions in Levels of Service (pages 87-88).

Our experience of engaging the community in a discussion about reductions in levels of service is set out below for the Commission's information.

In 2010 the STDC proposed some rationalisation of duplicated facilities and consulted the public on the possibility of reducing the level of service or discontinuing some services. However during the consultation process the public soundly rejected the proposals preferring to keep the model the same as it was and therefore pay a bit more for the services they received. STDC has seven urban settlements each with its own facilities (LibraryPlus, hall, swimming pool, transfer station, parks, cemeteries etc.) and services (kerbside rubbish and recycling collection). With only 14,800 rateable properties it is inherently a higher cost model than a city/urban area. However this relatively higher cost model is offset by the annual rates subsidy which the Council's Long Term Investment Fund provides to the ratepayers.

3.0 PRUDENT MANAGEMENT OF DEBT – QUESTION 29

STDC gets a mention in the Productivity Commission's Paper on page 24 for debt increasing by 230% between 2000 and 2017 despite experiencing population decline. While this is a factual statement it failed to explain that the Council has invested \$253 million over that time in renewing and upgrading the district's key infrastructure.

The STDC is now in the enviable position of having completed most of the upgrades that many other councils are yet to face. While the Council's debt as at 30 June 2017 was \$124 million we also had \$137.4 million worth of investments which means the Council's net debt was effectively zero and we have fit for purpose infrastructure assets in place.

Using debt to fund investment in our infrastructure is a deliberate part of our financial strategy so the costs of paying for these upgrades are not unfairly put onto just today's ratepayers, but spread over many generations who will get to use and benefit from them. STDC believes that is the only fair and equitable way i.e intergenerational equity.

Yours sincerely



Waid Crockett
Chief Executive
South Taranaki District Council