

29 August 2019

New Zealand Productivity  
Commission  
PO Box 8036  
Wellington 6143

Our Reference: A497170

Dear Sir

***Environment Southland response to the Draft Productivity Commission Report  
“Local Government Funding and Financing” Recommendations and Findings***

Environment Southland thanks the Productivity Commission for the opportunity to comment on its Draft Report (July 2019) into “Local Government Funding and Financing”.

Environment Southland supports the comments and responses to the Commission’s report and recommendations from Local Government New Zealand and the Society of Local Government Managers. Environment Southland does not intend to repeat or duplicate the various points made in those agency’s responses, but has a number of specific points it wishes to make in addition.

**Funding Pressures**

In making any changes to the Commission’s report, Environment Southland recommends that the Commission keeps in mind that certain aspects of its report will suit territorial authorities but may not be as equally suited to regional councils.

The recommendations or findings need to be suited to the whole local government sector rather than just a part of it, or there must be specific funding provisions related to the core business of regional councils. For example, there is an extensive focus on 3 Waters, which is, in the main, a territorial authority issue. There is no such consideration or recognition of the regional council sectors’ expenditure and efforts on water management behalf of the community, catchments and waterways – water quality and quantity management is not costless. The amount of expenditure that regional councils are applying to the freshwater issue is hugely significant to the point that other regional council obligations are being side-lined or halted in order to funnel the limited available funding into water management.

The funders are the ratepayers – the same ratepayers that are also paying for the 3 Waters infrastructure upgrades and renewals.

### **Unfunded mandates**

While this issue is recognised in the Commission's report, it is a legacy issue from numerous previous Governments – it is a major legacy issue that applies right across the sector and is effectively setting up the local authorities to fail. The cumulative effect of the increased number of unfunded mandates over time is that the sector is at that point of failure because of incapacity to deliver and a lack of funding from a resistance to pay (as opposed to an ability to pay).

There needs to be some national collaborative work undertaken on the number of mandates imposed on local government and identify which of those are unfunded, only partly funded, or rely on local government rating its communities to undertake the tasks. A national cost of those unfunded mandates should be ascertained to show the full effect of the Government's impositions. Regulatory Impact Statements provided to Cabinet at the time these mandates are agreed to are usually underdone in terms of financial impacts and resilience on communities across the country. The "one size fits all" approach will be unaffordable in some communities, but that is not recognised or thought about at the time of Cabinet consideration.

### **Government agencies not paying rates**

52% of the land area in Southland is Crown owned or managed, with a majority of those lands fronting the region's coastline. There needs to be a funding arrangement or formula for the various categories of Crown land to contribute to their respective local regional economies. The Crown generates revenue out of its lands through various reasons and activities including tourism but none of those revenues or contributions from them are applied directly back into the regional economy.

### **Audit and Risk Committees**

Environment Southland agrees to requiring an independent member on Audit and Risk Committees (as Environment Southland currently does) but requiring an Independent Chair for those Committees should be an option rather than mandatory. One size will not fit all circumstances, as we are sure that not all Audit and Risk Committees are created equal.

Yours sincerely



R A Phillips  
**Chief Executive**