

29 August 2019

New Zealand Productivity Commission  
[www.productivity.govt.nz/make-a-submission](http://www.productivity.govt.nz/make-a-submission)

Dear Commission Members

## **Submission on Local Government Funding and Financing Draft Report**

The South Taranaki District Council (the Council) thanks the New Zealand Productivity Commission for the opportunity to provide a submission on the Local Government Funding and Financing Draft Report. The Council has not responded to all the Commission's recommendations only those that we particularly wanted to endorse or oppose.

### **Improved Decision Making – Recommendations in Section 5**

5.1-5.2 – The Council supports the recommendation that the Department of Internal Affairs (DIA), Local Government New Zealand (LGNZ) and the New Zealand Society of Local Government Managers (SOLGM) should work together to improve basic governance, including financial governance, skills and knowledge across elected members.

5.3 – The Council does not agree that all councils should be required to have an Audit and Risk Committee (ARC). It is apparent that most councils already have an ARC and accordingly we consider that regulation requiring one would appear to be unnecessary. The Council does support the SOLGM recommendation that the Office of the Auditor General maintains a list of appropriately skilled and qualified people who are available to act as independent people on public sector audit committees.

5.4 – The Council supports a 'first principles review' of the Local Government reporting framework including the financial disclosures, Funding Impact Statements and performance measures for service delivery.

5.7 – The Council agrees with the recommendation to clarify and streamline the required content of the Long-Term Plan as this document has become repetitive, is too long and has become difficult for ratepayers to read.

### **Future Funding and Financing Arrangements – Recommendations in Section 6**

6.1 – The Council does not support the development of mandatory Development Contribution templates. We agree with the SOLGM submission that guidance from SOLGM and the industry sector should be enough.

6.3 – The 'benefit principle' and the 'ability to pay principle' are already considered by this Council as part of our decision-making process in choosing amongst funding tools. The two-step funding process set out in section 101 (3) of the Local Government Act 2002 involves consideration of a set of funding principles and consideration of the impact on the community during the development of the Revenue and Financing Policy. Accordingly, there is no necessity to enshrine this in the Local Government legislation and the Council agrees with the SOLGM submission in this regard.

6.6 – Review of Three Waters - The Council supports an approach that gives councils flexibility as to how they meet health and environmental standards.

6.9 – 6.10 - The Council supports the recommendation to adopt a “Partners in Regulation” protocol to support the shift towards genuine partnership between central and local government, one that encourages meaningful engagement and dialogue, cooperative approaches to solving problems and developing regulation and the sharing of knowledge and expertise.

### **Equity and Affordability – Recommendations in Section 7**

7.1 – 7.2 - The Council does not support the recommendation to remove rates differentials and uniform annual general charges (UAGC) as this would cause the incidence of rating to change drastically. The size and materiality of the shift in funding from the removal of the UAGC would have severe consequences for our ratepayers. While the Commission is proposing a five-year phase in period, this will only postpone the impact. Councils currently have the ability to determine the level of use of these funding tools, in consultation with their communities, and this power and discretion needs to be retained. The UAGC can be considered a tool to enable a fairer cost sharing of the Council’s costs, better reflect actual consumption of council services and provides the “best fit” where the public benefits of a service accrue to each property in the district uniformly e.g. funding the democratic activity. UAGC’s are the simplest rating tool and incur the lowest transaction costs because they do not require information on property values and are also more stable because they do not depend on property values. UAGCs are more transparent than value-based rates which are not well understood. Differentials are often used to either increase the load on business properties or decrease the load on rural properties or ease the burden on high-value properties. The Council supports the status quo in respect of rating powers.

7.4 – The Council agrees with the removal of the statutory cap on uniform annual charges for the same reasons as detailed in 7.1 above.

7.5 – The Council does not support a national Rates Postponement Scheme. This is in effect an equity activity that is working in the private sector and should be left in the private sector.

7.6 – The Council supports the retention of the Rates Rebate Scheme and does not agree with this recommendation. The Council does support an updated, streamlined and electronic approval process to make this scheme more efficient.

The Council would like to commend the Commission on the thoroughness of the draft report. We have not responded to all the Commission’s recommendations or questions in a point by point manner but have confined our responses to those we particularly wanted to endorse or oppose.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ross Dunlop', written over a large, faint circular watermark or stamp.

Mayor Ross Dunlop  
**South Taranaki District**