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To: New Zealand Productivity Commission
www.productivity.govt.nz

Subject: **LOCAL GOVERNMENT FUNDING AND FINANCING DRAFT REPORT SUBMISSION**

Submission from: Ruapehu District Council
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Council does not wish to speak in support of its submission.

1 INTRODUCTION

1.1 Ruapehu District Council (RDC) would like to thank the New Zealand Productivity Commission for the opportunity to submit on the draft report regarding Local Government Funding and Financing. Investigating and responding to pressure points and ways that Councils cost pressures can be managed is critical in delivering for our communities.

1.2 Background of Ruapehu District

The Ruapehu District is one of New Zealand's largest districts by land area, of which, 36% is Crown owned. It has a small population of approximately 13,000 scattered throughout a wide geographical area of 6,730 square kilometres, of which 40% of residents identify as Māori. Per capita, the Ruapehu District has one of the highest visitor numbers in Aotearoa. The area is predominantly rural and includes the Tongariro and Whanganui National Parks, a large portion of the Whanganui River and many tributaries cementing

the District's rich natural environment and history as pivotal in Aotearoa's identity.

2 COMMENTS

2.1 The Productivity Commissions Draft Report is thorough and RDC is pleased to see that the draft report acknowledges the unique challenges that smaller Councils with widely dispersed populations, aging infrastructure, community challenges and high visitor demand face. The final report however will need to ensure that this acknowledgement is maintained and in some parts of the report strengthened. The details of which follows.

2.2 This submission is presented in support of RDC's earlier submission on the commission's issues paper. This iteration is intended to be brief and supplementary to the earlier submission. It is intended to provide comment directly on some of the questions, recommendations and findings contained in the draft report and emphasises the areas that, from RDC's view, require further articulation in the final version.

2.3 RDC would like to thank the commission for picking up on Councils suggestion that visitor numbers must be discussed in the per capita context to have any real meaning. Despite that, RDC's development of this proposition was not recognised in the draft report. RDC is heartened to see that there was recognition that bed nights do not adequately address the impact and scale visitor numbers have on local communities and infrastructure.

2.3.1 RDC believes that this point needs to be more clearly articulated and form a much more critical part of the discussion in the final report. A brief reference is not enough. Without finding a means to reflect all visitor numbers, including day visitors, Councils with limited ratepayers such as Ruapehu, who likely have one of the highest visitor numbers per capita, outside of bed nights in the country, will continue to miss out on an equitable share of vital national funding and investment for the sector.

2.3.2 This is no small matter. Technology already exists which would enable better data gathering in this respect. The government should be more strongly encouraged in the report to prioritise investing in technologies (such as block chain), to ensure that decisions are just and proportionate and based on accurate data.

2.4 Additionally, the report references on several occasions the importance of better funding for infrastructure in high growth areas. By comparison, the report largely remains silent on increasing funding for areas with slower growth and therefore lower rate payer numbers, where infrastructure is not always instep with central government expectations.

2.4.1 In less densely populated Districts with proportionately larger territorial landmasses, this results in a greater infrastructure cost burden per capita and is an important part of the conversation which needs better discussion in the report. This is compounded in Ruapehu because of spikes throughout the year in visitor numbers, which effectively represents an unrecognised population 'growth', because it is not 'stable' in the usual sense of measures. Simply because the population is not traditionally a stable one, does not mean the District should be left out of the conversation on better infrastructure funding as is the case with the draft report.

2.5 In terms of the propositions articulated in the draft report, some specific commentary follows.

2.5.1 Regarding question 3.1 in chapter 3, given that Councils face different challenges and pressures, Local Government Cost Index may be a useful approach to forecasting.

Although Councils carry out the same functions, the context in which those functions must be undertaken vary greatly. What is required within a large territorial zone with widely dispersed smaller rural populations with proportionately high visitor numbers as that in Ruapehu, will not be the same for a much more compact territorial area with a concentrated urban population and lower visitor number ratio.

2.5.2 In respect of question 4.1 in chapter 4, as Councils need to increasingly evolve to help facilitate Te Tiriti o Waitangi settlement outcomes, meaningful consideration, support and guidance needs to be provided to local authorities by the Crown. This is of special importance when considering Councils with smaller staffing capacity and significant numbers of iwi and hapu. The relationships need to be professionally approached by Councils in order to ensure any challenges are appropriately nurtured.

2.5.3 In response to question 5.2 in chapter 5, if a long-term plan has in built inflation as part of its assumptions as a proxy for rising prices of doing business, it would flow that known forecast costs should also reflect inflation as part of rates strike.

2.5.4 Also, given the complexity of Local Government business, it can be a challenge to perfectly and stringently plan for. Including inflation in rates would allow extra money to be available for covering some of the uncertainties in council business. However, this would also mean that rates could go up 50% over 10 years based on inflation alone.

2.5.5 Regarding a tax on vacant land in question 6.1 of chapter 6, although on the face of it may have merit and appear to be based on a principle of fairness, in the context of Ruapehu it would more likely lead to the accumulation of more abandoned land. This is because land is abandoned in many instances on the basis of unaffordability or unprofitability. For smaller Councils, this would further compound the amount of rates already being written off and in turn transfer the cost to remaining rate payers.

2.5.6 RDC would strongly encourage a portion of the GST raised from visitor expenditure tourist card spend to be returned to the area in which the goods and services are purchased as touched on in chapter 6 and findings 6.10, 6.16 and 6.17. This recognises the value that those areas contribute to the New Zealand tourism industry. The funding would be used in supporting local government visitor impact as noted in the draft report. It would provide a ‘new’ source of funding for local government that would have a clear purpose in addressing key visitor related challenges.

2.5.7 Not only would this approach support the principle of ‘those who have benefit pay’, it would add a much needed element of flexibility through tax buoyancy. Visitor impacts are of a moving and somewhat cyclical nature, and as such, cannot be amply supported by a traditional static property based tax solution – particularly where this is limited by slower population growth.

2.5.8 Furthermore, Councils would perhaps be more incentivised to invest in growing their local economies if there is an ability to capture some of the fiscal benefit of investments through greater taxation receipts. Buoyancy can bring a level of funding uncertainty, but if it is used as a form of ‘bonus’ funding in addition to more stable modes, this would be welcomed by Councils as it would help relieve the increasing pressure on communities and Councils to finance and deliver higher and higher levels of service.

2.5.9 The Council would also encourage the commission to discuss looking towards new technologies like blockchain to help facilitate the disbursement of revenues collected in the final report. This would ensure a more direct method of disbursement and ensure

more of what is collected finds its way to where it should go. A large amount of revenue collected ends up going towards the administration process of handling revenues collected and not used for what it should be.

2.5.10 In terms of recommendation and finding 7.6 in chapter 7, although the Rates Rebate Scheme (RRS) could be improved, RDC does not recommend replacing the RRS with a rates postponement scheme. In areas where there are lower numbers of rate payers and high levels of fixed income households, postponing or differing rates places an immediate burden on the remaining rate payers to meet the deficit.

2.5.11 In more densely populated areas there are likely enough rate payers to absorb the immediate impact of deferment. As it stands, with the RRS and other means available to Councils to assist those struggling to pay rates, postponement as a broad-brush approach is not always an appropriate solution. A rates postponement scheme however would be more favourably viewed by RDC if offset by Central Government.

2.5.12 In respect of removing the 30% cap that is currently applied to rates under finding and recommendation 7.4 in chapter 7, it would allow for greater Council and community autonomy to decide what rating formula works given their unique population needs.

3 RECOMMENDATIONS

3.1 RDC recommends that the Commission’s final report gives more weight to using technology to move beyond visitor bed nights to instead talking about number of visitors per capita.

3.2 That a local share of GST is more strongly encouraged by the Commission – not as a silver bullet but as an additional new tool to help alleviate localised challenges.

3.3 The Council also encourages the Commission to discuss the use of new technologies such as block chain to ensure that more of the revenue collected ends up where it should go.

3.4 The removal of a 30% cap on rates be considered as local Councils know what works best for their communities.

3.5 RDC is uncomfortable with the suggestion of replacing the Rates Rebate Scheme with a Postponement Scheme and believes the proposal in the draft report be questioned in the context of smaller Councils.

3.6 Small Councils have exceptional skills and expert knowledge of areas and needs. RDC wishes to reemphasize the importance of a system that acknowledges this and reflects the additional funding challenges experienced within these environments. This includes but is not limited to the emergent challenges that come with Te Tiriti o Waitangi settlements, climate change, reemphasis on the wellbeing’s sitting alongside traditional BAU and significant visitor numbers.