



29 August 2019

**New Zealand Productivity Commission**

Via Email: [info@productivity.govt.nz](mailto:info@productivity.govt.nz)

**Re: Local Government Funding and Financing – Draft Paper**

The Whanganui District Council (Council) supports the local government funding and financing inquiry with the work undertaken by the Productivity Commission (Commission).

Rating system

Council agrees with the Commission's finding that the adaptation to climate change will place the local government funding system under further strain and that these costs will be disproportionately spread across councils (F6.3). Council notes that the inequality of this burden is also highly inequitable, with higher costs falling on smaller provincial Councils with low annual incomes. Council recommends that forestry, strengthening of earthquake prone buildings and the protection of heritage buildings be added as matters placing a significant, unequal and inequitable strain on the fiscal adequacy of local government (F6.3).

Council is concerned that in considering the effectiveness of local government funding system, the Commission has given insufficient consideration to the fact that local property rates are a tax. As a tax, local authority property rates are not a fee for service and there is not a direct link between the level of rates and benefits accrued to the owner. Council considers that the Commission should review its findings and recommendations in Chapter 7 in light of this. In particular, Council strongly recommends that the Commission delete its findings and recommendations relating to removing the statutory cap for uniform charges (F7.4 and R7.4), as a higher reliance on uniform charges would make the rating system more regressive in nature, which affects affordability for lower income households.

Rates rebate scheme

The affordability of rates is not just a question of the quantum of rates and charges, but also the ratio of rates and charges relative to income. Council considers that an efficient and effective rates rebate system is essential if rates are to remain the main source of Council income. Over time the Rate Rebate Act has not kept pace with the changing nature of tenure or technology and this should be addressed through a substantive review of the act. Council considers that the Commission should delete its recommendation (R7.6) to phase out the Rates Rebate Scheme and instead recommend a first principles review including purpose, level of assistance and delivery.

### Climate Change

Council agrees with the Commission that there is a need for an agency to undertake a data and science centre role and to provide specialist policy, planning and risk management advice. Council considers that the Commission should amend recommendation R8.1 to assign these tasks to the Climate Change Commission. A further recommendation should also be included to increase the baseline resourcing for the Climate Change Commission so as to allow it to undertake these two additional roles without risk of distraction to its roles preparing risk assessment and advising the Government on climate change matters.

Council considers that the Commission should amend recommendation R8.6 to make the Climate Change Commission responsible for the Local Government Resilience Fund.

### Forestry impacts on Roothing

Council is pleased to see that the Commission has highlighted funding of forestry harvesting and the impacts on local roading networks. As the Commission identified, the affected Councils are frequently in relatively socioeconomically deprived areas and cannot sustain the level of rate increase required to fund the substantial forestry related roading costs. Council agrees with the Commission's finding that the allocation of Road User Charges should be re-examined to ensure that affected Councils are adequately funded (F4.14). Council considers that a strong case exists for greater central government transfers (hypothecated GST) to meet the cost of infrastructure and to better reflect equalisation principles, as identified in the Shand Report. Additionally, Council considers that the Commission should recommend that a working group be set up to move forward with the implementation of the required changes, as many affected Councils are currently already in a significant forest harvest cycle.

### Wastewater charging

Council agrees with the Commission's finding that volumetric wastewater charges would be a useful funding tool for councils (F6.7). Council considers that the Commission should add a recommendation that Council be given the ability to set targeted rates for wastewater and trade waste discharges on a volumetric or unit basis, in line with the provisions currently available for water under section 19 of the Local Government (Rating) Act 2002.

### Frequency of long-term plans

Council supports retaining the requirement to review long-term plans every three years. The three year review cycle fits well with the local government election cycle and allows each term of Council to review and set its own priorities. Furthermore, a longer timeframe is likely to see a greater number of amendments to long-term plans as forecasting and targets diverge from the actual real world situation. Council considers that the Commission should abandon any further work on changing the frequency of long-term plans to five years (Q5.1).

Yours sincerely,



Hamish McDouall  
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**Whanganui District**



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