

## **MEDIA RELEASE**

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### *Additional funding tools urgently needed for local government*

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*Local Government New Zealand* and the Society of Local Government Managers are calling for additional funding tools to the rating system to address council revenue pressures in their joint submission to the Rating Inquiry.

“One of the major drivers in rates rises is the need to upgrade and expand infrastructure, as a result of New Zealand’s period of sustained prosperity and economic growth. Council long-term plans show \$30.8 billion is needed to be spent on capital projects over the next ten years. Investment in infrastructure is a must for economic growth, and, while it addresses local issues, it also carries significant national benefits,” Basil Morrison, President, *Local Government New Zealand*, and SOLGM President, Phillipa Wilson said today.

“The pressure on the rating base means that supplementary tools are needed to ensure our cities, districts and towns are world class. We have recommended to the Rating Inquiry a range of policy and legislation options that Government urgently needs to investigate.

“Our policy options include a number of new funding tools for local government such as local taxes, government compensation for rates exemptions on Maori freehold land and Government land, new funding tools for roading and infrastructure services, recommending the powers to assess development contributions are extended to regional councils, and changes to the way councils can obtain and manage debt.

“Ratepayers have told us that, in principle, they don’t mind paying rates and that they generally receive value for the services they receive from councils.”

We know that ratepayers want to see their money spent locally so they can enjoy the benefits and they want to see an equitable application of the rating system. For example, as it stands now, Crown exemptions alone amount to an annual subsidy of \$130 million from local communities.

“The pressure on council funding also means that all future impositions of functions from central government to local government need to be accompanied by a full cost-benefit analysis and funding, or new tools to raise revenue for these functions. Local government cannot continue to introduce new operational policy without substantial funding from central government.”

“We look forward to the findings of the Rating Inquiry in July and urge the Government to act soon on these recommendations to alleviate the pressure on local ratepayers, “ the two Presidents said.

*Local Government New Zealand* and the Society of Local Government Managers’ submission *Getting Real, Funding the true cost of local communities*, will be available tomorrow at [www.lgnz.co.nz](http://www.lgnz.co.nz).

## **Appendix: Recommendations to the Rating Inquiry**

*Local Government New Zealand* and SOLGM recommend the following:

### **Principles**

1. That the Inquiry adopts the following principles as the basis for assessing options:
  - a. local accountability - that the accountability of local authorities to their communities should not be undermined
  - b. flexibility - the autonomy of local government to respond to community preferences in a flexible manner must be respected
  - c. local contribution to economic transformation - local leadership and the role of local government in the future economic transformation of New Zealand must be respected
  - d. good taxation - local authority funding should be consistent with the principles of good taxation.

### **Purpose of Local Government**

2. That the Inquiry recommends that the purpose of local government set out in the Local Government Act 2002 be retained in its present form.

### **Accountability Requirements**

3. That the Inquiry note concerns about the impact that the current LTCCP requirements are having on levels of participation in the planning and accountability process.
4. That the Inquiry notes that Local Government New Zealand and SOLGM have made a number of recommendations to the Local Government Commission regarding the simplification of LTCCPs.

### **Devolved Functions/Unfunded Mandate**

5. That the Inquiry develops a set of principles for the robust consideration of whether functions should sit with central or local government.
6. That the Inquiry recommend that all future impositions of functions from central government be accompanied by full cost-benefit analyses and accompanying funding.

### **Infrastructural Deficit**

7. That the Inquiry recommend that the level of the financial assistance rate for roading, passenger transport, and public infrastructure be substantially increased.
8. That the Inquiry consider what other infrastructure might also qualify for similar subsidies.

### **National Good**

9. That the Inquiry uses the following criterion as a basis for policy development in the area of identifying and funding national good:
  - a. presence of externality/spill over benefits
  - b. equity of outcomes
  - c. size of the local funding base.

### **Valuation**

10. That the Inquiry considers the merits of valuation averaging, as an option for smoothing fluctuations in values.

### **Alternative Tax Bases**

11. That the Inquiry considers the merits of local energy taxation and so-called versement tax as supplementary sources of funding.

12. That the Inquiry recommends that local authorities with substantial tourism/visitor populations be granted powers to tax visitors.

### **Rating of Maori Freehold Land**

13. That the Inquiry note that the prohibitions on the sale of land for non-payment of rates and the requirements to adopt policies for remission and postponement apply to Maori freehold land alone.

14. That the Inquiry leaves the regime for valuing Maori freehold “as is”.

15. That the inquiry note there was no formal consultation with the public on the Local Government Act provisions relating to Maori freehold land.

16. That the Inquiry recommends that central government pay compensation for rates on Maori freehold land.

### **Uniform Charging Powers**

17. That the Inquiry recommend that the Sections 21 limit on the use of uniform annual general charge and targeted fixed rates be removed.

### **Pricing and Fee Setting Powers**

18. That the Inquiry recommend that the Government give priority to identifying and resolving the policy and implementation issues around the introduction of 24/7 road pricing.

19. That the Inquiry recommends, as an intermediate step, that the Government remove the requirements for Ministerial approval of road tolling in respect of new roading projects.

20. That the Inquiry recommends that local authorities be able to levy volumetric charges for sewage disposal based on the volume of water consumed.

21. That the Inquiry recommend that all legislation and regulations that permit local government to set fees, be reviewed with a view to allowing recovery of actual and reasonable costs, (including reasonable allowance for risk/contingency management) in developing policies and delivering the service.

### **Rates Exemptions**

22. That the Inquiry recommends that all rates exemptions be removed.

### **Development Contributions**

23. That the Inquiry recommends that powers to assess development contributions be extended to regional councils.

24. That the Inquiry recommends the 7.5 percent cap on reserve contributions be removed.

## **Debt**

25. That the Inquiry notes that neither the local government sector as a whole, nor most individual local authorities are heavily indebted.

26. That the Inquiry recommends that local authorities be permitted to borrow in foreign currencies provided the transaction is appropriately hedged.

27. That the Inquiry recommends that local authorities be exempt from the signature and disclosure requirements of the Securities Act.

## **Education**

28. That the Inquiry notes that Local Government New Zealand is developing training packages in financial governance for all elected members and for newly elected members in particular.

29. That the Inquiry recommends that the Government undertake the campaign of public education around planning and rates' issues, that it agreed to undertake in 2003.

## **Rates Rebates**

30. That the Inquiry recommend that, regardless of the agency that administers the Rates Rebate Scheme, the levels of assistance and qualifying thresholds be indexed to movements in the average wage.

Ends

*Local Government New Zealand* is the national voice of all 85 councils of New Zealand.

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