

Local Government Funding Review

10 point plan: incentivising economic growth and strong local communities

LGNZ has distilled four key themes which summarise what New Zealand communities want from local government, and specifically from a local government funding regime.

1. An effective partnership between local and central government

around shared goals and strategies, pragmatic testing of new ideas, and strong incentives for both arms of government to perform;

2. Recognition of the value of the private sector and community

by recalibrating relationships with those sectors to incentivise partnerships and the achievement of shared goals;

3. A local government which is open to innovation

in service delivery, funding and financing; (within an environment of strong fiscal discipline); and

4. A diverse set of funding tools for New Zealand communities

to respond to the different challenges they face, with property rates as a cornerstone supplemented by revenue sources that equip local communities to meet current and future opportunities.

LGNZ is advocating for the following key proposals:

1 >

An agreed priority and action plan to advance “special zones” for growth to test new ideas and drive economic prosperity:

a flexible regime to allow innovative ideas and approaches to be trialled in some areas should be considered. Such an approach allows a policy to be tested in a location or region without consequent results affecting the entire country.

2 >

When new centrally imposed costs are considered (and particularly where national benefit applies) a cost benefit analysis and agreed cost sharing with central government should be mandatory:

local government shares an interest with central government in meeting and exceeding standards, environmental or otherwise, which benefit the nation as a whole. However, the cost of new standards often outstrips local benefit and communities may be required to carry a cost they cannot afford.

3 >

Mandatory rating exemptions should be removed: although there is considerable economic diversity across local councils, legislation prescribes that specific categories of organisations are exempt from rates. All beneficiaries of council infrastructure and services should pay their fair share and any exemptions should be the responsibility of individual councils and made only after consultation with their communities.

4 >

The application and administration process of the rates rebate scheme should be simplified to increase uptake: rates rebates are designed to enable low income households to meet the cost of local authority rates. However, the existing system does not have a high uptake primarily due to the complexity of the application process.

5 >

Better guidance is needed to assist councils make decisions on trade-offs about whether to fund services from prices (user charges) or property taxes: local authorities are regularly faced with making difficult choices between affordability and the provision of services - choices made onerous by limited resources. Such guidance and 'best practice' can be shared across councils.

6 >

Road user charges, targeted levies and fuel taxes should be allowed where it is economically efficient: population growth can place extreme pressure on council infrastructure, undermining traditional approaches to funding development and maintenance. Councils facing such challenges need a wider range of tools.

7 >

Councils should be able to retain a share of any value uplift arising from additional economic activity related to local intervention and investment: we need to provide additional incentives that will encourage councils to invest in growth, whether through investment in new infrastructure and amenities or different planning rules.

8 >

Local authorities should receive a proportion of any mineral royalties attributed to local activities: some councils are faced with managing the disproportionate impacts of boom and bust activities, such as mining. While the financial benefits of such activities are limited, the community retains responsibility for growth and ongoing maintenance of the resulting infrastructure.

9 >

Allow councils to levy specific charges and taxes on visitors where economically efficient: some communities make a significant economic contribution to the country as a whole but have to deal with dramatic population changes due to seasonal visitors. Providing services to visitors increases the demand on local infrastructure, which is currently met by residents.

10 >

Reconsider the decision to limit the range of community amenities funded through development contributions: growing communities must have the flexibility to ensure continued economic development without unfairly burdening existing residents.

We look forward to a productive and constructive discussion between local and central government, business and communities, to address the proposals and to implement the solutions that we as communities need. For more information visit www.lgnz.co.nz