

Mayors support LGNZ plan

A PLAN to address funding shortfalls in district councils has received strong support from Waitomo and Otorohanga's mayors.

Earlier this year, Local Government New Zealand (LGNZ) released a funding review discussion paper followed by a 10-point plan which was launched at the group's annual conference on July 21.

The two stage plan details the findings of LGNZ's major funding review which began in 2014.

It proposes central government funds certain projects and that councils be able to use a wider range of funding mechanisms other than rates including local income taxes, local expenditure taxes and regional fuel taxes.

If approved, many of the proposals would first be tested in 'special zones' – such as Northland and West Coast where specific changes would have the most impact.

LGNZ president Lawrence Yule says the reason for the review is that there is a significant shortfall between revenue and spending by councils given they spend about 10.5% of all public expenditure and raise only 8.3% of all public revenue.

"As a result, a growing number of councils face financial challenges at a time when demand for infrastructure and services is greater than ever.

"Local government is also an important contributor to economic growth but the right incentives and resources must be in place to drive this growth."

To address the problem, LGNZ is proposing a principles-based partnership model with the Government that includes the Government considering the costs and benefits of decisions for local communities, and co-funding costs where projects had significant national and local benefit.

"The goal is not to increase the overall tax burden for New Zealand, but rather to determine whether a different mix of funding options for local government might deliver better outcomes for the country," says Mr Yule.

"The sustainability of local government funding has become an increasingly important policy issue in the face of demographic and economic change.

"Some metropolitan councils are having to invest heavily in infrastructure to

accommodate growth, while others have to maintain and renew infrastructure in the face of declining populations and funding bases.

"This is alongside increasing community and central government expectations, and increasing impacts from natural hazards and environmental challenges."

Mr Yule says the discussion paper identifies options to sit alongside a property tax (rates) system that councils depend on. These include local income tax, local expenditure tax, selective taxes, regional fuel taxes and transaction taxes.

"It is vital that we raise public and government awareness about the factors contributing to the funding gap," he says.

"An appropriate funding mix includes the greater use of tools already available to local government, such as user charges where appropriate and a prudent use of debt for assets that have an intergenerational benefit."

LGNZ is now developing a strategic advocacy and implementation plan for its key proposals.

MAYORS' VIEW

Waitomo mayor Brian Hanna supports a number of the proposals including government support for council-driven projects.

"If government wants us to carry out local alcohol policies and other projects which all add costs to ratepayers we're saying if there is a national good in it how about some funding to go with it."

Mr Hanna also supports removing mandatory rating exemptions for Crown land.

"At the moment all Crown land is not rateable such as DOC reserves, hospitals and schools. So we're saying okay if the capital rating is unfair in that property value dictates how much you pay, let's look at who else should be sharing in the cost. If we're maintaining roads and other things in DOC reserves then why shouldn't they contribute even if it's valued at a lower level?"

He says the aim of LGNZ's review is to continue putting rational, solid arguments to the Government that can't be ignored.

And when it comes to joining forces with other Waikato councils, Mr Hanna

is open to the idea.

"My personal view point is that I'm not hidden in four walls.

"If our community is better off as part of larger entity then let's explore it.

"To ignore the idea and put your head in the sand is not serving your community well."

RIGHT MOVE

Otorohanga mayor Max Baxter says the 10-point plan is a step in the right direction for district councils throughout the country.

"A good example is a lot of the building policies and legislation requirements around building standards, whereas a council we have had to employ another fulltime staff member just to fulfil the obligations of new legislation that's been imposed on the building department by the Government.

"So there are lot of costs there we would love to see offset."

Mr Baxter highlights the issue by pointing out a few overseas examples.

"Lawrence Yule spoke to us about the different percentages of share between councils and central government across the world and there were only two countries that are more controlled by central government than New Zealand and they are Greece and Ireland.

"That really painted a picture for us that we get a lot of cost imposed upon us but we don't get the revenue of which to fulfil the obligations.

"With those costs being shared, we could then make deeper inroads into looking after our district."

REMITTS VOTE

Four remits were also voted on at the conference including a ban on smoking outside restaurants and bars, a levy on plastic shopping bags, a government subsidy for water and wastewater schemes and rating on crown property.

All received strong support (between 70%-100%) however, Mr Hanna and Mr Baxter both voted against a ban on smoking outside restaurants and bars saying local establishments are struggling enough as it is.

The results of the vote will be presented to the Government for consideration.



FINDING FUNDS: Waitomo mayor Brian Hanna supports Local Government New Zealand's 10-point plan to address funding shortfalls in district councils. FILE PIC

Local Govt NZ's 10-point plan

LGNZ's 10-point plan is advocating for the following proposals:

1. An agreed priority and action plan to advance 'special zones' for growth to test new ideas and drive economic prosperity.
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.
3. Mandatory rating exemptions should be removed.
4. The application and administration process of the rates rebate scheme should be simplified to increase uptake.
5. Better guidance is needed to assist councils make decisions on trade-offs about whether to fund services from prices (user charges) or taxes.
6. Road user charges, targeted levies and fuel taxes should be allowed where it is economically efficient.
7. Councils should be able to retain a share of any value uplift arising from additional economic activity related to local intervention and investment.
8. Local authorities should receive a proportion of any mineral royalties attributed to local activities.
9. Allow councils to levy specific charges and taxes on visitors where economically efficient.
10. Reconsider the decision to limit the range of community amenities funded through development contributions.

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