

LOCAL GOVERNMENT FORUM

19 April 2007

David Shand
Chairperson
Local Government Rates Inquiry
PO Box 10916
WELLINGTON

Dear David,

The Local Government Forum welcomes the opportunity to make a submission to the Independent Inquiry into Local Government Rates. Please find attached a copy of our recently released position paper *Democracy and Performance: a Manifesto for Local Government*. This paper should be treated as a submission to the Inquiry.

Although *Democracy and Performance* has a specific section on local government funding, we also consider that the wider issues covered and solutions suggested have relevance to the funding debate (notwithstanding the Inquiry's relatively narrow terms of reference).

Many of the individual Forum members will be making their own submissions to the Inquiry. We acknowledge their submissions.

The Local Government Forum comprises organisations that have a vital interest in the activities of local government. Its members include Business New Zealand, the Electricity Networks Association, Federated Farmers of New Zealand, New Zealand Business Roundtable, the New Zealand Chambers of Commerce and the New Zealand Forest Owners Association.

The Forum was established in 1994 to promote greater efficiency in local government and contribute to debate on policy issues affecting it. The Forum's members are each significant representatives of ratepayers in their own right and the Forum's perspective is to advance community welfare through the advocacy of sound public policy. We believe that local government can best serve the interests of the community and ratepayers by focusing on the efficient provision of public goods at a local level.

Forum members enjoyed meeting with the Inquiry Panel on 22 February. The following comments expand upon the discussion we had at the meeting. They should be read in conjunction with *Democracy and Performance*.

The Forum notes that the Inquiry's Terms of Reference excludes consideration of the structures and functions of local government. However, we reiterate that the Inquiry is required to identify the drivers of local government expenditure and rates and we believe that this requirement enables consideration of structures and functions.

The Inquiry should take account of the Government's priority for increasing New Zealand's sustainable rate of economic growth and thereby an improvement in New Zealanders' living standards relative to other OECD countries. As a major player in the economy, a properly focused local government sector should have an important role to play in any credible growth strategy but we are concerned that its current performance (including the way it funds its activities) is not making as positive contribution as it could be.

The starting point for rating should be a matter of ratepayer consent but we are concerned that democracy at the local level is weak (e.g., low voter turnouts and poor participation in consultative processes) and we question whether the consultation processes are meaningful. This requires greater guidance from central government, including a Fiscal Responsibility Act for local government.

Councils should not be in the business of income redistribution. Unlike central government (with the information it has through income tax), local authorities have no information on the incomes of their residents so any decisions they make to assist people in this regard have the potential to be flawed. The objective of the Rates Rebate Scheme would be better pursued through the general welfare system.

Consistent reporting and the use of benchmarking are very important for allowing ratepayers to assess council performance but councils have not been keen to make this happen. Indeed, Forum members have been frustrated that many council annual plans do not show the current year's figures, making it difficult to make comparisons with the upcoming year. We strongly support the use of itemised rates assessments to help ratepayers see exactly how much they are paying for certain council activities, but the practice of providing itemised rates assessments has been slow to catch on.

Councils should be encouraged to make greater use of the flexibility under the Local Government (Rating) Act to use tools like targeted rates. However, the land exemptions contained in that Act should now be addressed. The Forum can see no good reason for Crown land to be exempt especially when that land imposes significant costs on councils (e.g., pest control, roading, flood protection, etc).

The funding of local roads and public transport will be a key issue for the Panel. Rates are a poor proxy for road use and we believe that road users should pay for local roads through petrol taxes and road user charges, just as they do for state highways. The Forum believes that reform of road funding should accompany a more commercial approach to the management of roads. We are also concerned that much of the recent large increases in public transport spending have been wasteful and not subject to rigorous cost-benefit analysis.

The Forum notes that much has been made of central government requirements being imposed on local government without funding ('the unfunded mandate') and that this

has implications for rates. Although we have sympathy for this concern we have yet to see quantification of the problem and we would like the Inquiry to take a close look at the issue.

The Local Government Forum would welcome the opportunity for further discussions after the closing of submissions. Our next meeting is to be held in Wellington on the afternoon of Thursday 31 May and you are most welcome to attend. Please contact Nick Clark (ph 03 357 9459, e-mail nclark@fedfarm.org.nz) to make the appropriate arrangements.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Don Nicolson', written in a cursive style.

Don Nicolson
Chairman