

LOCAL GOVERNMENT BUSINESS FORUM

27 June 2018

Murray Sherwin
Chair, New Zealand Productivity Commission
PO Box 8036
WELLINGTON 6143
Email: info@productivity.govt.nz

Dear Mr Sherwin

LOCAL GOVERNMENT FUNDING INQUIRY

Funding of local government is becoming an increasingly critical issue. Rates are continuing to rise considerably faster than consumer price inflation and even the annual increase of the local government cost index. If this year's draft long-term plans are anything to go by there are some big rates increases on the way.

Some councils are struggling with infrastructure pressures caused by rapid population growth and others are struggling with ageing infrastructure and static or even shrinking populations. Record tourism numbers, while an economic boon, is also putting pressure on councils, especially those with small rating bases. The reliance councils have on property value based rates is becoming increasingly problematic.

The Forum comprises business organisations that have a vital interest in the activities of local government. Its members are BusinessNZ; Federated Farmers of NZ; NZ Chambers of Commerce; NZ Electricity Networks Association; NZ Initiative; and Property Council NZ. Our members will collectively be significant ratepayers and stakeholders of local government.

The Forum is pleased that the Productivity Commission will be undertaking an inquiry into local government funding. This a great opportunity to find sustainable solutions to the problems with how local government is funded. We would like the terms of reference to allow a wide ranging inquiry which looks at drivers of council spending as well as options to fund its future spending.

I have attached a copy of research the Forum has commissioned on the funding of local government, which includes discussions on various options. Some involve better use of current tools but others would see new funding sources for councils. All however also require councils to have a strong focus on value for money and efficiency. We will be publicly releasing this research on Thursday 28 June.

The Forum would welcome the opportunity to meet with you to discuss this work as you begin your work on this inquiry. Please contact Nick Clark at nclark@fedfarm.org.nz to arrange a meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. A. Barnett', written in a cursive style.

Michael Barnett
Chair, Local Government Business Forum