

LOCAL GOVERNMENT FORUM

9 April 2014

BUSINESS GROUPS WELCOME FUNDING REVIEW

Local Government New Zealand's announcement that it is reviewing local government funding will be welcome news for ratepayers, said Michael Barnett, Chair of the Local Government Forum, a group of business organisations with a keen interest in local government policy.

Mr Barnett was commenting on LGNZ's announcement at its first quarterly briefing on Local Government Performance and Outlook.

"The business community has long been concerned about the over-reliance of property value rates to fund local government.

"Modern local government is broadly empowered in terms of its role and responsibilities yet it is restricted to a narrow, archaic funding base made up of property value rates and per property charges.

"Property value rates bear no relationship to either a person's relative ability to pay, or use of a service. Rates prevent communities from truly assessing the costs and benefits of council activities. For many businesses, this means a heavy tax on a key asset to pay for all manner of community services many of which they may rarely, if ever, use and have very little say over.

"The last serious attempt to look into local government funding was the 2007 Independent Inquiry into Local Government Rates, also known as the Shand Inquiry. It was an honest effort but few of its recommendations have been adopted either by central or local government.

"We acknowledge that the Government's *Better Local Government* should result in a more efficient local government sector and slower growth in council spending, rates, and debt than might otherwise have been the case. However, the reforms have not addressed the funding of local government in a meaningful way and rates will continue growing as a proportion of local government income, especially as demographic change creates intense pressures on councils.

"It is therefore timely to take another look at how best to fund modern local government and we congratulate LGNZ on its initiative. The business community is very keen to be part of the conversation", concluded Mr Barnett.

For more information:

Michael Barnett, phone 027 563 1150

ABOUT THE FORUM

The Local Government Forum comprises organisations that have a vital interest in the activities of local government. Its members include BusinessNZ, the Electricity Networks Association, Federated Farmers of NZ, NZ Initiative, NZ Chambers of Commerce, and NZ Retailers' Association. The Forum was established in 1994 to promote greater efficiency in local government and to contribute to the debate on policy issues affecting it.

For more information on the Forum, see www.localgovtforum.org.nz