### Questions and Answers

### Costs and funding of Local Government – Morrison Low, 2019

**Why was this report commissioned?**

In August 2018, the Government announced it would ask the Productivity Commission to undertake an inquiry into local government costs and revenues. The Commission will report back to Government with its findings in November 2019.

The Department of Internal Affairs is the Government’s lead advisor on Local Government Policy and will be offering advice to Government on its response to the inquiry. The Department commissioned Morrison Low to provide a picture of Local Government Finances now and into the future. This allows the Department to start preparing its thinking on the issues facing the sector and the appropriate response from Government.

**What is the relationship between this report and the Productivity Commission’s work?**

There is no relationship between the Productivity’s Commission’s Inquiry and this report other than they can be expected to canvass similar issues. The Productivity Commission is an independent Crown entity that provides advice to the Government on improving productivity. When it delivers its report, the Department will provide its own advice to Government on an appropriate response.

 **What are the main findings of the report?**

Local Authorities are wrestling with a range of significant challenges which are driving rate increases, including:

* Changing populations and demographics
* Tourism
* Climate change
* Seismic strengthening
* Roads in rural areas

The report also identifies:

* Growing affordability issues for some population groups;
* Rates, for councils included in the study, growing faster than council Long Term Plans predict;
* depreciation and asset service requirements are significant factors in councils cost structures

**What are the implications of these findings?**

The report points to systemic affordability challenges for local government in New Zealand and identifies areas for further consideration and investigation by the Department.

**What happens next?**

The Department has shared a copy of its report with the Productivity Commission. The Department will continue to gather its own evidence, and talk with the local government sector and a range of stakeholders to understand the challenges and opportunities around local government affordability. This will position the Government to offer an informed and constructive response to the Productivity Commission’s report when it is published towards the end of 2019.

If you would like to discuss the report further please email Michael.Lovett@dia.govt.nz.