



Generation Zero



association of
consulting and
engineering

Hon Grant Robertson
Minister of Finance

Hon Nanaia Mahuta
Minister of Local Government

Tēnā kōrua Ministers Robertson and Mahuta,

At a time when local governments were already requiring rates to increase much higher than inflation, COVID-19 has created further hardship among our communities.

We call upon the government to ensure local governments can access the financial capital required to endure this crisis without reducing current levels of service and capital expenditure.

Our concerns

In the current situation, we are concerned that local governments will overlook some issues and push the costs and consequences onto tomorrow's communities. Climate change, in particular, is looming over us, and we now have less than ten years before our 2030 emission reduction commitment is due. COVID-19 has shown us what forced change feels like and every delay in reducing our emissions reduces the options available to tomorrow's communities. While we acknowledge there is an urgency to this response, communities must continue to be consulted, and Te Tiriti o Waitangi must be honoured. We consider this is best achieved by supporting and empowering local governments.

Cash flow and debt ceilings

Local governments are suffering from a reduction in revenues on two fronts - community services and facilities have not been generating their regular income due to Alert Level restrictions. There have also been varying short-term responses to assist ratepayers struggling with rates bills, where revenues may be delayed or not received at all.

While borrowing costs have been reduced by the RBNZ's quantitative easing program (via, in particular, purchases of LGFA bonds), this will not be sufficient to ensure smooth cash flow in the medium term. Local governments' debt is bound by debt ceilings relative to their revenue, so at the same time as their income reduces, so does their borrowing capacity. Further, while some subsidiaries of local government will be eligible for the wage subsidy, the Department of Internal Affairs believes most local governments will not.

In the short to medium term, most local governments will be faced with a decision to either raise rates markedly or cut spending dramatically.

Reduced expenditure consequences

Local government makes up 11% of all public spending in New Zealand. Almost all of this spending goes back to the local economy - straight into the pockets of people working directly for local government, people working in community facilities or people in the private sector partnering with local government. A reduction in expenditure means a decrease in employment resulting directly from lay-offs or indirectly from postponing or eliminating future hiring.

There are consequences to today's communities as reduced operational expenditure forces levels of service to be lowered. This means less frequent public transport, more potholes and burst pipes, and life becomes more difficult for critical community organisations, such as sports clubs and libraries.

Reduced capital expenditure impacts tomorrow's communities by reducing future investment. Priorities such as emissions reductions, waterway quality and housing affordability all require significant capital expenditure to make up for past inaction and ensure we leave future generations a world at least as good as the one we live in today.



Without your assistance, local governments will be left in an untenable position, and both today's and tomorrow's communities will pay the consequences. This assistance could come in several different forms, which we would be happy to discuss with you in more detail. However, Generation Zero, representing tomorrow's communities, and ACE New Zealand, representing critical industry expertise, urge you to act now.

Ngā Mihi,

Cameron Bradley

Generation Zero

Paul Evans

ACE New Zealand



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About Generation Zero

Generation Zero is a climate action organisation that collaborates with communities to help them engage with decision making. We use our relationship-based network to campaign for intergenerational climate justice.

www.generationzero.org.nz

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About ACE New Zealand

ACE New Zealand represents over 200 consulting and engineering firms who are on the front lines of delivering critical services, construction and infrastructure in Aotearoa. The expertise of our members is vital as we navigate the current crisis and transition to recovery.

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