Date: Tuesday 20 November 2018
Time: 9.30am
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

Komiti ā Pūtea, ā Mahi Hoki / Finance and Performance Committee

OPEN ATTACHMENTS

ADDITIONAL ATTACHMENTS UNDER SEPARATE COVER

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14 Finance and Performance Committee - Information Report - 20 November 2018
B. 23 October 2018 – Workshop – Council Controlled Organisations letters of expectation, statements of intent and quarterly reporting 3
C. 23 October 2018 - Workshop – Rating of Religious Premises 19
D. 6 November 2018 – Memorandum – Council submission on Tax Working Group – Interim Report 37

Note: The attachments contained within this document are for consideration and should not be construed as Council policy unless and until adopted. Should Councillors require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.
Minutes of the workshop of the Finance and Performance Committee held on Tuesday, 23 October at 1.08pm in the Reception Lounge, Level 2, Auckland Town Hall, 301-305 Queen Street, Auckland.

Attendees

Chairperson
Cr Ross Clow

Deputy Chairperson
Cr Desley Simpson, JP
Cr Josephine Bartley
Deputy Mayor Bill Cashmore
Cr Linda Cooper, JP

Members
Cr Chris Darby
Cr Alf Filipaina
Cr Hon Christine Fletcher, QSO
Mayor Hon Phil Goff, JP
Cr Richard Hills
Cr Penny Hulse
Cr Daniel Newman, JP
Cr Greg Sayers
Cr Sharon Stewart, QSM
Cr Wayne Walker
Cr John Watson
Cr Paul Young

From 1.38pm

Apologies

Members
Cr Dr Cathy Casey
Cr Fa’anana Efeso Collins
Cr Mike Lee
IMSB Member Terrence Hohneck
IMSB Chair David Taipari
Cr Sir John Walker, KNZM, CBE

From 1.12pm
Purpose: To workshop Council Controlled Organisations letters of expectation, statements of intent and quarterly reporting.

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<tr>
<td>1</td>
<td>Apologies</td>
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<td></td>
<td>Apologies from Cr E Collins, for absence on council business; Cr C Casey, Cr M Lee and Cr Sir J Walker for absence were noted.</td>
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<td>2</td>
<td>Declaration of interest</td>
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<td></td>
<td>There were no declarations of interest.</td>
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<td>3</td>
<td>Council Controlled Organisations letters of expectations and statements of intent</td>
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<tr>
<td></td>
<td>Alastair Cameron, Manager – CCO/External Partnerships; Claire Gomas, Principal Advisor; Sarah Holdem – Principal Advisor and Ed Siddle, Principal Advisor gave a PowerPoint presentation on CCO letters of expectation and statements of intent. A copy of the PowerPoint presentation is attached to these minutes.</td>
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<td>Mayor Goff left the meeting at 1.35pm</td>
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<td></td>
<td>Cr C Darby joined the meeting at 1.38pm</td>
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<tr>
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<td>Council Controlled Organisations quarterly reporting</td>
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<td></td>
<td>Robert Irvine, Head of Group Financial Planning gave a PowerPoint presentation on Council Controlled Organisations quarterly reporting. A copy of the PowerPoint presentation is attached to these minutes.</td>
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The workshop ended at 2.46pm.
CCO Letters of expectation, Statement of Intent and quarterly reporting

Workshop – Finance and Performance Committee 23 October

Agenda

- Letters of Expectation
- Statement of Intent review
- Quarterly reporting template revisions
Item 14

CCO Accountability Framework

Letters of Expectation
CCO letters of expectation

Purpose:
The letters guide CCOs in drafting their SOI and provide direction on:
   a. issues of importance for the council to inform CCO’s behaviours, operations and service delivery
   b. the development of the CCO’s statement of intent for 2018-2022.

We are seeking your views on issues for possible inclusion in the letters of expectation for FY19/20.

Process:
   • Workshop to identify issues to inform letters
   • FAP 20 November to review and confirm draft LOE key messages
   • The Mayor/Chair delegated to sign off final letters and to send first week of December
   • Some general expectations in the revised CCO accountability policy

Context setting

   • Note updated accountability policy and common expectations
     (providing value for money and building a group approach)
   • Reiterate no surprises policy and improved engagement
   • Note SOI review and participation required
   • Note board performance review process
Suggested common expectations

- Note council’s focus on transformational investment, supported by new funding tools (targeted rates – RFT, water quality and environmental, accommodation providers)
- Focus on getting ready for Americas Cup and Apec in 2021 and continue to pursue savings, efficiencies and alternative financing options
- Note continued focus on climate change
- Maori outcomes
- S17a implementation

Proposed content - ATEED

- Show value for money for APTR
- Leverage key events (APEC and America’s Cup in 2021)
- Encourage sustainable growth of Auckland’s visitor economy through the lens of destination management alongside destination marketing
- Continue to narrow focus on increasing investment in quality jobs, particularly in Auckland’s south and west
- Support council family, business and government agencies to find opportunities to attract investment and grow business and employment
- Provide evidence of new economic activity developed by ATEED – ensure performance measures tell that story
Proposed content - AT

- Regional Fuel Tax and the related $4.3 billion transport programme
- Review performance measures
- Improving safety outcomes
- Improving community engagement and strong a customer focus
- Public realm – recognise importance of place making
- Climate change – consider environmental impact
- Collaborative procurement

Proposed content - Panuku

- Improve relationships and build confidence with central government
- Influence central government around council urban redevelopment priorities
- Implement transform and unlock programme and work on improving capex delivery
- Work with ATEED and other CCOs on the Auckland investment programme and preparing for America’s Cup and APEC
- Strengthen relationships with Māori through better opportunities for engagement that deliver mutually beneficial outcomes for iwi and council
Proposed content - RFA

- Work closely with council on plans for strategic redevelopment of assets
- Actively engage with the council and arts & cultural institutions in the co-design of a strategy for the sector, and supporting governance and funding arrangements
- Deliver on capital redevelopment programme and manage the business through these works to deliver strong results.

Proposed content - Watercare

- Acknowledge possible changes in three waters review; possible inter-regional work
- Collaborative procurement
- Western Isthmus programme
- Climate change and resilience
- Pricing signals
Statement of Intent review

Committee resolution and previous review


I request that staff undertake a review of the Statement of Intent process for substantive Council-controlled Organisations.

Last review was in 2014. The key areas for improvement were identified as:

- greater alignment to the budget and priority decision making through the long-term plan and annual plan processes
- consistency in documentation
- greater understanding of the CCO governance documents.

Review resulted in:

- SOI being approved by the then budget committee to ensure performance measures, priorities and funding decisions were aligned in the LTP and SGL
- a shift to a more strategic focus, primarily to ensure alignment to council strategies, key priorities and an outlook of performance
- development of CCO Governance Manual to replace Shareholder Expectation Guide and the Board Appointments Policy
SOI Purpose

- The SOI is an essential part of the accountability regime for CCOs
- Required under Local Government Act, s 64(1). Schedule 8 of the LGA relates to statements of intent and clause 1 sets out purpose

The purpose of a statement of intent is to:
- state publicly the activities and intentions of a council-controlled organisation for the year and the objectives to which those activities will contribute; and
- provide an opportunity for shareholders to influence the direction of the organisation; and
- provide a basis for the accountability of the directors to their shareholders for the performance of the organisation.

SOI current process

[Diagram showing the process of SOI from start to adoption, indicating key dates and stages such as final SOI, Shareholder Feedback, etc.]
Issues

- Legislative process – timing of submitting draft and final does not align with LTP process
- Understanding of the purpose of SOIs is not common
- SOI's vary in quality and scope
- Lengthy process from LOE development to SOI adoption
- Dispute resolution / SOI modification – no clear thresholds or process
- Limited opportunity for engagement between board and councillors
- SOI is not vehicle for operational performance, but what is?

CCO Feedback – issues and options for improvement

- Long process – desire to compress the process
- Too much emphasis placed on LOE - perception that every word has to be adhered too
- Focus is on business as usual not strategic issues
- Seeking a more collaborative process

Options suggested for improvement:
- Workshops and / or face to face conversation before LoE is drafted
- Direct sharing of shareholder feedback with Boards to ensure issues raised are clearly understood
- Board presence at the final approval of the SOIs to ensure there is a clear understanding of issues raised and how shareholder feedback has been addressed
- AT suggested specific process given different legislative requirements
Discussion on issues

Next steps

- Develop terms of reference of review
- Report to F&P 13 December 2018
- Undertake review Jan/Feb 2019
- Report to F&P in March 2019
- Institute changes 2019/2020
F&P Committee Workshop
Quarterly Performance Reporting
Discussion on whether changes are required
23 October

Re-cap on current state
Quarterly reports for Group, Council and CCOs
Information on key risks and issues, status of operating and financial performance
Reports received from Council organisations

Statistics
- Total 250 pages
  - 53 pages for CCOs
  - Average 30 pages per CCO
  - 40 pages for council
  - 58 pages group and others

- 6 committee hours for presentation & discussion
Serving F&P Committee better

- Quality and consistent information on performance reporting
- Standardised structure
- Mandated inclusion of key sections
- Historical performance
- Enables reporting of key KPIs for benchmarking
- Facilitates focused discussion on key issues
- Allows understanding of performance over time
- Simplified financial structure
- Capital delivery into
- KPI metrics
- SP & SO initiatives
- Mission outcomes
- Key risks
- Expenditure against key performance measures

Dashboard drafts in progress

- Consistent format across CCOs and Council with a group summary
- Presented at the beginning of reports
- Supplemented by CCO's other reports
Reporting alignment with other committees

Feedback on F&P desired key requirements for performance monitoring

Currently in draft dashboard
- Key highlights
- Performance of key LTP and LoE initiatives
- Historical trends
- Key risks
- Other focus areas from LoE
- Māori outcomes
- Financial (opex + capex)
- Non-financial information
Minutes of the workshop of the Finance and Performance Committee held on Tuesday, 23 October at 2.54pm in the Reception Lounge, Level 2, Auckland Town Hall, 301-305 Queen Street, Auckland.

Attendees

Chairperson
Cr Ross Clow
Cr Desley Simpson, JP
Cr Josephine Bartley
Deputy Mayor Bill Cashmore
Cr Chris Darby
Cr Alf Filipaina
Cr Hon Christine Fletcher, QSO
Mayor Hon Phil Goff, JP
Cr Richard Hills
Cr Penny Hulse
Cr Daniel Newman, JP
Cr Greg Sayers
Cr Sharon Stewart, QSM
Cr Wayne Walker
Cr John Watson
Cr Paul Young

Deputy Chairperson

Members

Apologies

Members

Cr Dr Cathy Casey
Cr Fa’anana Efeso Collins
Cr Linda Cooper, JP
Cr Mike Lee
IMSB Member Terrence Hohneck
IMSB Chair David Taipari
Cr Sir John Walker, KNZM, CBE

Minutes
Purpose: To workshop rating of religious use properties.

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<thead>
<tr>
<th>ITEM</th>
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</table>
| 1    | Apologies  
Apologies from Cr E Collins, for absence on council business; Cr C Casey, Cr L Cooper, Cr M Lee and Cr Sir J Walker for absence were noted.  
Subsequent apologies were received from Cr J Bartley and Cr C Darby for early departure on council business. |
| 2    | Declaration of Interest  
There were no declarations of interest. |
| 3    | Rating of religious use properties  
Debbie Acott, Head of Rates Valuations and Data Management; Manager Financial Policy; Aaron Matich, Principal Advisor – Financial Policy and Meredith Webb, Senior Solicitor gave a PowerPoint presentation on the rating of religious use properties. A copy of the PowerPoint presentation is attached to these minutes.  

Cr P Hulse joined the meeting at 3.02pm.  
Cr C Fletcher left the meeting at 3.30pm.  
Cr C Fletcher returned to the meeting at 3.36pm.  
Cr C Darby retired from the meeting at 3.57pm.  
Cr J Bartley retired from the meeting at 4.02pm.  
Cr R Hills retired from the meeting at 4.18pm  
Cr C Fletcher retired from the meeting at 4.39pm. |

The workshop ended at 4.40pm.
Rating of religious use properties

Finance and Performance Committee Workshop – 23 October 2018

Deborah Acott
Meredith Webb
Andrew Duncan
Aaron Match

Overview

• Process
• Non-rateability - legislation
• Findings
• Options for making changes
• Next steps
Non-rateable review

Prior to undertaking review

- $2.3m rates collected from religious use properties
- Council information on use was out of date
- Rating treatment reflected differing legacy council approaches
- Inconsistent application of legislation and policy
**Review process**

- Identified all land with religious use
- Sought legal advice
- Requested property use information from ratepayers
- Assessment undertaken by valuers
- Quarterly progress updates to Finance and Performance Committee
- Wrote to all ratepayers advising outcome
- Resulted in consistent application of legislation and policy

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**What is non-rateable land?**

- All land is rateable – except where specifically excluded
- Exclusions that apply to religious use properties
  - solely or principally as a place of religious worship
  - a Sunday/Sabbath school, or other form of religious education (non-profit only)
  - theological training up to 1.5 Ha
  - cemetery, crematorium, or burial ground up to 2 Ha
  - integrated school
  - early childhood education under Education Act
- Rates can be assessed in parts where different parts have different rating treatment
Information sources to determine use

- Usage forms supplied by ratepayer
- Existing building consent plans
- Website information
- Inspections by valuation team
- Information supplied as result of objection

Review results and current status

- Some large rates increases
- Highlights issues of rating religious use properties
- All affected ratepayers have been contacted
- Rates payments deferred until council has considered the issue
- 2\textsuperscript{nd} instalment invoices due to be issued in November
Review findings

Shape of analysis

- Review context
- Non-rateable land
- Types of rateable land
  - business
  - residential
  - farm/lifestyle
  - no clear classification
**Context**

- Rateability determined by legislation
- Council decides what rates apply to rateable land
- Religious organisations play important role in community
- Some religious owned land clearly used for business or residential purposes
- Non-religious community organisations also pay rates
- Some rates increases driven by revaluation

**Non-rateable land**

- Solely or principally used for religious worship or religious education
  - cathedrals, churches, mosques, temples, synagogues, etc
  - leased parts of commercial buildings
  - some halls
- Parking associated with religious worship
- Some childcare operations
- Cemeteries
- 390 properties fully non-rateable
- 45 properties where non-rateable portion increased more than 5%
Rateable land - business

Rateable land - business and no religious use

- 30 part used retail, commercial or industrial purposes
  - clearly used as a business operation
  - residual land where part leased to a religious organisation
  - owned by religious organisation and leased for business operation
  - rated as business - $910k
- 16 no longer used for religious worship
  - fully rated - $240k
  - rating treatment based on actual use – mostly business
Rateable land - residential

- 226 residential
  - dwellings, dormitories, friaries, convents, hostels, retirement village, etc
  - clear residential use
  - may be used with associated religious organisation activity
  - rated as residential - $747k
Rateable land – vacant/unused land & farm/lifestyle

- 7 vacant/unused
  - not currently used for religious purposes
  - may have a potential future religious use
  - rating treatment for vacant/unused land determined by zone
  - current rates - $64k
- 8 farm/lifestyle
  - balance of land not used for religious worship
  - on rural boundary or in rural areas
  - clear farm or lifestyle use
  - rated as farm/lifestyle - $27k
Rateable land – car parks

- 8 car parks
  - paid parking in place
  - used for church parking outside of business hours
  - rated as business - $243k
  - mostly from 1 large parking operation in the city centre
Rateable land – halls and gymnasiums

- 91 halls
  - not solely or principally used for religious worship or religious education
  - provide a community service for the benefit of the community
  - rated as residential $290k
- 124 other halls owned by non-religious community organisations rated as residential - 632k

- 2 gymnasiums
  - provide a community service for the benefit of the community
  - rated as residential $5k

- Potential option
  - community grants
Rateable land - cafés

- 8 cafés
  - operating as a café – selling refreshments to the public
  - not canteens
  - varying scale of operation
  - rated as business - $25k

Rateable land – childcare

- 26 childcare operations
  - either operating for profit or not operating under the Education Act
  - residential where not for profit for the benefit of the community
  - business where operating for profit or not open to the general public
  - current rates - $138k
Rateable land – Op Shops

- 22 Op Shops
  - carry out retail of second hand goods
  - scale of operations varies considerably
  - revenue funds religious organisation
  - non-religious organisations (SPCA, Hospice) also run Op Shops - rated as business
  - rated as business - $68k

Rateable land – offices

- 257 offices
  - many have no commercial purpose
  - usually a small part of the property
  - currently classified as business (default system coding for offices) - $1m

- Potential option
  - do not charge rates where minor part of property and no other business activity (136 properties)
  - residential where large part of the property and no other business activity (91 properties)
  - business where there is another business activity on the property (30 properties)
Rateable land – libraries

• 10 libraries
  • libraries used for educational and research purposes
  • other libraries are non-rateable – council/tertiary institutions/schools
  • currently classified as business (default system coding) - $37k

• Potential option
  • do not charge rates – shift to zero rating differential

Rateable land – large rates increases

• Rates increases
  • 216 properties between $1,000 and $5,000
  • 89 properties more than $5,000

• Sudden changes in rates can be difficult to manage
• Some change driven by revaluation – not review
• Potential option
  • rates transition - grants
Considerations

Applying options

• Current year
  • unbudgeted grants

• Future year
  • changes to FIS differential descriptions – zero rate
  • budgeted grants
Next steps

- Finance and Performance Committee report – 20 November
- Follow up communications with ratepayers
- Payment arrangements for outstanding rates
- Consult on FIS amendments as part of Annual Budget 2019/20
Memo

6 November 2018

To: Finance and Performance Committee members
cc: Matthew Walker, Chief Financial Officer
    Jacques Victor, General Manager Auckland Plan Strategy and Research

From: Sarah Johnstone-Smith, Lead Strategic Advisor, Auckland Plan Strategy and Research

Subject: Auckland Council submission on Tax Working Group interim report

Purpose
1. The purpose of this memo is to provide Finance and Performance Committee members with a copy of Auckland Council’s submission to the Tax Working Group on its interim report, which was lodged on 1 November 2018.

Background
2. At its meeting on 23 October 2018, the Finance and Performance Committee (the committee) considered a report regarding the Tax Working Group (the Group)’s Interim report. The Group had called for public submissions by 1 November 2018.

3. The committee report recommended that the council make a submission on the Group’s interim report and that the submission should focus on topics of most relevance to council, namely, environmental and ecological outcomes, and housing affordability. The report highlighted the key issues discussed by the Group in these areas, along with recommendations and other important discussions from the interim report.

4. Given the submission deadline, the committee approved a delegation to the Chair of the Finance and Performance Committee, the Mayor, the Chair of the Independent Māori Statutory Board and the Chief Financial Officer to finalise and approve the council’s submission [FIN/2018/158].

Discussion
5. Following the committee meeting, staff worked with the delegation to finalise and approve the submission.

6. The council’s final submission was sent to the Group in accordance with the submission deadline and is provided for information at Attachment 1.

7. A key message of the council’s submission is that the Group should satisfy itself that its recommendations are supported by robust evidence, drawing on lessons and experience from other jurisdictions – what has been effective, and what lessons have been learned – whilst being cognisant of any perverse impacts and/or costs.

Next steps
8. The Group will consider the submissions received and work to produce its final report to the Ministers of Finance and Revenue which is due in February 2019.

9. Any legislative change arising from the final report will not come into force until 1 April 2021.
Submission to the Tax Working Group on its Interim Report

1 November 2018
Auckland Council submission on the Tax Working Group’s Interim Report

Introduction

1. This is Auckland Council’s submission on the Tax Working Group’s interim report (the interim report) that was released on 20 September 2018.

2. Auckland Council welcomes the opportunity to submit on the Tax Working Group’s interim report.

3. Auckland Council makes this submission as the unitary authority for a region that is New Zealand’s largest commercial centre, is home to around a third of the country’s population and contributes almost 40 per cent to the nation’s gross domestic product.

4. The council is committed to help tackle Auckland’s key challenges of high population growth, shared prosperity, and environmental degradation. Our comments in this submission reflect that.

5. Auckland Council recognises the importance of a well-functioning tax system and the role it can play in incentivising certain behaviours and disincentivising undesirable behaviours.

6. Given the submission deadline of 1 November 2018 and the broad spectrum of topics in the interim report, this submission focuses on the topics of most relevance to Auckland Council, primarily:
   • environmental and ecological outcomes
   • housing affordability.

7. The council notes the interim report contains a mixture of recommendations and further proposals/commentary. This submission addresses both aspects where relevant. In some instances, the council did not consider there was sufficient information in the interim report to provide a definitive response.

8. A key message of this submission is that the Tax Working Group should satisfy itself that its recommendations are supported by robust evidence, drawing on lessons and experience from other jurisdictions – what has been effective, and what lessons have been learned – whilst being cognisant of any perverse impacts and/or costs.

9. The interim report indicates that the Tax Working Group is considering whether to recommend the introduction of new taxes. Auckland Council submits that where councils are required to help implement and/or administer these taxes, they should be adequately compensated.

10. This submission has been approved by a delegation of Auckland Council’s Finance and Performance Committee and includes the views of the Auckland Independent Māori Statutory Board.

11. Given the broad nature of the interim report, the discussion/recommendations contained within it, and the wide cross-section of views that councillors represent from
across Auckland, not all points raised in this submission were unanimously supported by all councillors.

12. The address for service is Auckland Council, Private Bag 92300, Victoria Street West, Auckland 1142.

13. Please direct any enquiries to Matthew Walker, Chief Financial Officer, at matthew.walker@aucklandcouncil.govt.nz and/or on 021-229-4094.

Discussion
Environmental and ecological outcomes

**Tax Working Group’s statements/comments in its interim report**

There is significant scope for the tax instruments to play a greater role in delivering positive environmental and ecological outcomes in New Zealand. Environmental tax instruments can be a powerful tool for ensuring people and companies better understand and account for the impact of their actions on the ecosystems on which they depend.

Taxes are not well suited to all environmental problems and regulation will still be a better approach for dealing with some issues. The Group has prepared a draft framework that identifies a range of criteria and design principles for environmental taxes to be effective.

Environmental taxation and regulation should be considered together for positive outcomes.

14. Auckland Council supports in-principle these conclusions, noting any environmental taxation tools would need to be part of a broader response which could include (but not limited to) regulations and non-regulatory incentives.

15. The council suggests that a success measure for environmental taxation tools could include the degree by which revenues from that tax reduce over the long-term, as behaviours change (as per the intent of any such tax) and environmental externalities decrease.

**Tax Working Group’s statements/comments in its interim report**

In the short term, there may be benefits in expanding the coverage of the waste disposal levy, and for reassessing waste and landfill disposal externalities to see if higher rates are warranted. There could also be benefits from strengthening the Emissions Trading Scheme (ETS) and advancing congestion charging.

**Tax Working Group’s assessment in its interim report**

A reformed ETS should be the centrepiece of New Zealand’s emission reduction efforts but should provide greater guidance on price, and become revenue raising by auctioning of New Zealand emission units. The Tax Working Group has further recommended the ETS be subject to periodic review to ensure it is fit for purpose.
Waste disposal levy

16. Auckland Council supports the recommendation regarding the waste disposal levy. The council is a member of the New Zealand Waste Levy Action Group which commissioned the Eunomia report referenced in the interim report.

17. The council recently adopted its 2018 Waste Management and Minimisation Plan (WMMP). It includes a priority action to advocate for an increased levy and a review of the waste levy structure.

18. It is considered a priority because the council has little influence over commercial waste which makes up around 80% of all waste sent to landfill in Auckland. A higher waste levy may incentivise diversion of waste from landfill to productive use, and investment in resource recovery technologies.

19. The WMMP cautions that a careful approach is required to ensure any levy changes are signalled well in advance, introduced gradually and do not undermine the financial viability of bona-fide recycling activities (for example, car dismantlers who produce waste as a result of their activities).

20. Funding from the levy will need to be made available to local authorities to support education and enforcement activities to address any short-term impacts, national recycling initiatives, along with nationally implemented product stewardship schemes to provide long term solutions for problem items such as tyres.

Emissions Trading Scheme

21. The above recommendation and discussion by the Tax Working Group generally aligns with the council’s submission of September 2018 on Improvements to New Zealand’s Emissions Trading Scheme (NZ ETS).

22. While the Tax Working Group notes that the ETS could be a significant source of revenue it does not discuss how any revenue should be spent. The council’s submission on Improvements to New Zealand’s Emissions Trading Scheme (NZ ETS) recommends ETS revenues be targeted to:
   - support local government to reduce greenhouse gas emissions while ensuring communities are prepared for climate change impacts
   - support environmental biodiversity in face of climate change
   - support technological innovation to increase climate adaptation and mitigation.

Congestion charging

23. As a member of the Congestion Question project, Auckland Council supports the investigation of a congestion charging scheme for Auckland to improve the performance of the transport network and more accurately reflect the cost of certain trips.

24. The council notes this is a complex area, and that before the introduction of any scheme, the economic, social and environmental effects will need to be understood
and appropriately addressed. For instance, the introduction of congestion charging on
top of a regional fuel tax would be particularly burdensome for low-income
Aucklanders.

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<tr>
<th>Tax Working Group’s statements/comments in its interim report</th>
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<tr>
<td>Over the medium term, there could be benefits from greater use of tax instruments to address challenges in both water pollution and water abstraction. Addressing Māori rights and interests in fresh water should be central to any changes.</td>
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<tr>
<td>In the longer term, new tools could allow for an expanded role for environmental taxes to address other challenges such as biodiversity loss and impacts on ecosystem services.</td>
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25. Auckland Council submits that improving water quality requires a comprehensive multi-pronged approach in which environmental taxes could feature.

26. Any environmental taxes developed to improve water quality need to be integrated with, and be complementary to, the National Policy Statement on Freshwater Management and other aspects of Central Government’s Essential Freshwater Programme. The council notes that the Three Waters Review is underway.

27. We understand the three main objectives from the Essential Freshwater programme are:
   - stopping further degradation and loss
   - reversing past damage
   - addressing water allocation issues.

28. The council notes that while there is greater understanding and modelling capability for nitrogen and phosphorus pollution dynamics, a large array of pollutants affect fresh water from a range of sectors.

29. Further, the council would consider supporting greater use of tax instruments to address water pollution and water abstraction, though matters relating to Māori rights and interests in freshwater would first need to be resolved (assuming revenue from any such tax(es) would be allocated to the government and/or councils, or for mana whenua led rehabilitation or planting programmes for rivers and streams, or biosecurity/pest eradication activities).

30. The council submits that where councils are required to help implement and/or administer taxes, they should be adequately compensated.

31. It should be noted that as part of Auckland Council’s 2018 10-year-Budget, Aucklanders prioritised spending to protect our natural environment and improve water quality across the region. The council has ring-fenced $452 million raised through a water quality targeted rate for projects that will ensure cleaner beaches, streams and harbours. The $311 million natural environment targeted rate will help protect our natural environment and tackle the pests, weeds and diseases that are threatening our native species.
Tax Working Group discussion – tax concessions

The Tax Working Group acknowledges the practical difficulties involved in applying fringe benefit tax to employee car parks.

In recognition of this constraint, the group suggests Central Government examine the possibility of allowing employers to subsidise public transport use by employees without incurring fringe benefit tax.

At the moment, the provision of free car parking to employees is not subject to fringe benefit tax, yet any contribution made to an employee’s public transport costs is taxed. This has the perverse impact of discouraging the use of public transport.

32. Auckland Council supports the suggested introduction of an exemption from fringe benefit tax for public transport.

33. As set out in in the New Zealand Transport Agency research report 474 Company cars and fringe benefit tax – understanding the impacts on strategic transport targets, “employees who receive significant parking subsidies (through [fringe benefit tax] exemptions) are more likely to drive than use alternative modes of transport”.

34. This outcome runs contrary to the strategic urban and transport policy objectives of both the council and the government. Allowing employers to subsidise employee public transport use in a similar fashion to employee car parking would help mitigate or remove this distortion.

35. Auckland Council also notes the rise of different forms of personal mobility which can be used as means of transport to and from employment (for example, bike share). The council suggests that the Tax Working Group explore the extent to which employers make contributions to their employees’ transport costs via other transport modes and consider whether this should also be excluded from fringe benefit tax.

Housing affordability

Tax Working Group’s statements/comments in its interim report

The Tax Working Group’s work on housing affordability is closely linked with its work on the taxation of capital income. The group will have particular regard to housing market impacts as it finalises its recommendations regarding capital income.

36. Auckland Council notes that the Tax Working Group is aware that any recommendation(s) it ultimately makes in respect of extending the taxation of capital income could have significant impacts for assets held by Māori in collective ownership.

37. Exempting Māori land (freehold collective and commercial redress land) from capital income tax would likely support Māori entities to achieve economic and social development outcomes without further taxing their land, bearing in mind that Māori owned land is generally held inter-generationally and much less likely to be sold for capital gain compared to other land. And in the event such land was subsequently sold, it would then become liable for a capital income tax, just as non-Māori land.
38. The council notes the Tax Working Group intends to use the period between the interim and final reports to better understand this asset base and explore potential implications with Maori stakeholders. Auckland Council supports these discussions taking place.

**Tax Working Group discussion**

The Tax Working Group identifies three options that could release some additional supply:

1. Restoration of depreciation on multi-unit residential buildings. (New Zealand abolished depreciation deductions for buildings in 2010, with effect from 2012). The group is considering whether there is a case to reinstate depreciation deductions for certain types of buildings and will provide recommendations on this in its final report.

2. Introduction of a tax on vacant residential land or on empty homes in residential areas.

3. Removal of the ‘ten year rule’² (rule would need to be reconsidered if capital income taxation is extended further).

39. Auckland Council submits that there is no single solution to resolving the housing crisis and improving housing outcomes (whether people rent or own the home they live in). The use of multiple levers is required.

40. The council is supportive, in principle, of initiatives that will:
   - make more serviced/developable land available for housing and commercial activities (particularly in brownfield areas) in accordance with the Auckland Development Strategy and Future Urban Land Supply Strategy
   - help resolve the current housing crisis and result in better housing outcomes.

41. As stated earlier, the Tax Working Group should satisfy itself that its recommendations are supported by robust evidence, drawing on lessons and experience from other jurisdictions whilst being cognisant of any perverse impacts and/or costs.

**Tax on vacant residential land and empty homes in residential areas**

42. Auckland Council notes any such tax would be in addition to rates already levied on the land/property.

43. Any such tax may be financially burdensome to property owners unable to make their land available for housing purposes. Equally there may be other reasons/issues why the land is not suitable for development (for example, contamination, topography, leftover land from development, or not meeting the minimum section size threshold) or has not yet been developed (for example, lack of capital or unavailability of bulk infrastructure).

² Land affected by changes in zoning, consents or other specified changes may be taxed on sale, if the sale is within 10 years of acquisition. If at least 20% of the gain on disposal can be attributed to the change, the whole gain is taxable; however, the taxable amount is effectively reduced by a deduction equal to 10% of the gain multiplied by each year the taxpayer has owned the land.
44. The administration of a tax on empty homes is likely to be contingent on access to utility company and other evidence about utilisation.

45. In the absence of detailed analysis in the interim report, the council submits that in considering its final recommendations, the Tax Working Group should consider matters such as (but not limited to):
   • thresholds (for example, size of land parcels to target, whether land parcels meet feasible development tests and whether they are infrastructure ready)
   • how empty homes and vacant land are defined (for example, a time bound measure)
   • how the system would be implemented, and by whom
   • whether there is discretion to account for individual circumstances
   • whether taxation of empty homes could be combined with other incentives.

46. If the council is required to assist in the implementation of any such tax, the council would need to at least be compensated.

Removal of the 'ten year rule'

47. Auckland Council understands that in the current situation, land affected by zoning changes, consents, or other specified changes may be taxed on sale, if the sale is within ten years of acquisition.

48. In the interim report, the Tax Working Group states that the ten year rule "creates an incentive for landholders on city fringes to withhold land from development until ten years have passed from a change in land use regulation."

49. On the face of it, the council observes that the ‘ten year rule’ would have the opposite effect of the intent of a vacant land tax. While a vacant land tax would incentivise a landowner to release land for development (by taxing them for holding land), the ten year rule would appear to tax them for doing exactly that where land has been, say, rezoned from rural to mixed housing urban zone (that is, taxing the landowner for releasing land for development).

50. The council is unaware of the extent in practice to which landholders are incentivised to withhold land from development by the ten year rule. It is suggested that this be further explored, taking into consideration how removal of this rule might incentivise development at the urban fringes versus in brownfields, noting the infrastructure costs for brownfield areas are substantially less than for greenfield areas.

51. We envisage that the Tax Working Group’s final recommendation(s) in this regard will be supported by robust evidence.
Restoration of depreciation on multi-unit residential buildings

52. Auckland Council notes that Central Government abolished depreciation deductions for buildings in 2010, with effect from 2012.

53. The council notes that the Tax Working Group is considering recommending the restoration of depreciation deductibility for multi-unit residential buildings.

54. The council supports the restoration of depreciation deductibility for multi-unit residential buildings. We are encouraged by the Tax Working Group’s assessment that the restoration would support greater intensification in urban areas.

55. The restoration of depreciation deductibility for multi-unit residential buildings could be of benefit to Māori community housing providers and some forms of papakainga.

56. The council notes that the group is considering whether to recommend restoration of depreciation deductibility for commercial and industrial buildings as well. The council supports this in principle (subject to further Tax Working Group analysis and exploration of any unintended consequences). The Tax Working Group would also need to be confident that any realised gain in excess of the depreciated value would be taxed as appropriate. Auckland has a large commercial and industrial base. The interim report states that commercial and industrial buildings depreciate faster than other types of residential buildings. Restoration of depreciation deductibility may therefore help with asset renewal decisions.

Other matters

Tax Working Group recommendation
- Retain the 17.5% rate for Māori authorities.
- Extend the 17.5% rate to the subsidiaries of Māori authorities.
- Consider technical refinements to the Māori authority rules, as suggested by submitters, in the Tax Policy Work Programme. ²

57. In the process of preparing its submission, the council advised mana whenua of the Tax Working Group’s interim report and highlighted key topics that may be of particular interest to them.

58. The council notes that the 17.5% tax rate for Māori authorities is lower than the standard company tax rate of 28% in recognition of the marginal tax rate likely to be applying to the ultimate economic owners of Māori authorities. The interim report concludes that the 17.5% rate remains appropriate and recommends that more entities

² Submitters have also suggested a number of technical refinements to the Māori authority rules. The main suggestion is to apply a default 17.5% resident withholding tax rate for distributions from Māori Authorities. The default resident withholding tax rate is currently 33%, so Māori authority members on the 17.5% rate will be subject to additional taxation of 15.5% if they do not provide their IRD numbers and file a tax return. Since few members do so, this income is effectively overtaxed. The Group recommends the Government investigate this and other suggestions through the Tax Policy Work Programme.
should qualify for this tax rate, in particular, subsidiaries of Māori Authorities. This would reduce compliance costs and simplify business structures for such entities.

**Tax Working Group discussion**

The interim report’s executive summary notes that the Tax Working Group is currently working with stakeholders to develop a framework to support the future evolution of the tax system that reflects principles from Te Ao Māori, alongside the four capitals of the Living Standards Framework and the principles of tax policy design. This includes exploring concepts of waiora (wellbeing), manaakitanga (care and respect), kaitiakitanga (stewardship), whanaungatanga (relationships and connectedness), and āhanga (prosperity).

59. The council looks forward to seeing the outcome of this work and its application to the detailed design changes to the tax system.

**Conclusion**

60. Auckland Council thanks the Tax Working Group for affording us the opportunity to submit on this important topic.

61. Our submission highlights a number of matters that the Tax Working Group should take into consideration before making its recommendations.

62. The council would welcome the opportunity to discuss the matters raised in this submission.

63. Auckland Council wishes the Tax Working Group well in its endeavours and we look forward to the group releasing its final report.