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

**OPEN MINUTE ITEM ATTACHMENTS**

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**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.
In the absence of measures to limit growth, anticipated economic and population booms will drive up emissions levels significantly over the coming decades. Figure 5 shows the modelled results for a Business as Usual (BAU) emissions trajectory of C40 cities, broken down by region. As the graph shows, if no further climate action is taken, and expected trends continue for population and GDP growth, with similar improvements to energy efficiency, we can expect annual emissions to increase by more than seven times by 2050. Importantly, in the context of C40 cities, those East Asia and South and West Asia, with their particularly large populations, are expected to contribute the greatest to BAU emissions out to 2050. This demonstrates the need to focus efforts and support on these regions, while recognising that some of these cities may be the least well-equipped to deliver the scale of action required.

Defining the Business as Usual (BAU) trajectory

This study defines the BAU scenario as the case where C40 cities’ population and GDP growth to 2050 continue as projected, with similar improvements to energy efficiency as have been observed historically. At the same time, the carbon intensity of consumed energy is not assumed to improve beyond existing levels. As such, the BAU scenario can be thought of as a “no further climate action” scenario. That is, a worst-case view. Consistent with concepts used in the Intergovernmental Panel on Climate Change’s (IPCC) Fifth Assessment Report (AR5), this method is discussed further in Appendix A and the accompanying methodological paper for this research.
19 February 2019

Chair and Members,
Finance and Performance Committee
Auckland Council
Private Bag 92521
Wellesley Street
Auckland 1141

Submission to Finance and Performance Committee: Letters of Expectation concerning climate change

The Waitemata Low Carbon Network (WLCN) welcomes the opportunity to make this submission to the Finance and Performance Committee. The WLCN is a diverse community of residents, groups and businesses passionate about making low carbon living, working and playing part of the distinct identity of central Auckland.

Auckland's Climate Crisis

The climate crisis is with us now. It is not something far off into the future.

We only have 11 years to act to avoid overshooting 1.5°C.¹

Beyond this, even half a degree will significantly worsen the risks of drought, fires, floods, extreme heat and poverty for hundreds of millions of people, including people living in Auckland.

The effects of the climate crisis are being felt close to home. The recent fires in Nelson and Wellington were reportedly due in part to climate change. Scientists also say that the marine heatwaves and record-hot temperatures are a taste of our possible future under climate change. Marine heatwaves are pushing sea surface temperatures to between 2.5°C and 4°C above average, with some localised spots off the West Coast reaching between 4°C and 6°C above normal. The record temperatures are also causing record-ever ice melt on the Southern Alps.

These are not one-off weather events, but an increasing and accelerating pattern.

Bold and urgent action

¹ Global Warming of 1.5 °C: an IPCC special report on the impacts of global warming of 1.5 °C
In 2018, the Auckland Council Chief Sustainability Officer carried out an assessment of Auckland’s “business as usual” emissions projections to 2050. As can be seen from the below graph, bold action is needed to close the gap between targets and actual emissions.

![Graph showing Auckland's GHG trends, projections and targets](image)

**Letters of Expectation**

Last year Auckland Council made a commitment to keep emissions to a level needed to cap warming at 1.5°C (Resolution ENV/2018/149, Nov 2018).

The proposed priorities common to all CCO’s on the subject of climate change in the Letters of Expectation are as follows:

**Climate Change**

21. Addressing the challenges that climate change presents for Auckland is a priority for council. The impacts of climate change will require the application of new ideas and approaches to ensure that as a council group we respond to, mitigate and adapt to the effects of climate change.

22. We expect the CCOs to outline how they plan to address climate change in their areas of responsibility, including the development of any measures to assess their performance in this area.

Our concern is that nowhere do the LOEs talk about actually **reducing Auckland’s contribution to climate change** or meeting the Council’s 1.5°C Commitment. While “respond to, mitigate and adapt to the effects of climate change” gives the impression of comprehensive coverage of the issue, it fails in the most important aspect: reducing Auckland’s contribution, or even just the CCO’s own contribution. It also omits a requirement for the CCO’s to establish feedback loops to inform their processes. Without these, success will be a hit-or-miss affair.
Here is what it needs to say:

**Climate change**

1. Addressing the challenges that climate change presents for Auckland is the top priority for council. Council’s targets for GHG emissions reductions will be set out in the Climate Action Plan. However, Council has already made a commitment to 1.5°C maximum temperature rise (‘the 1.5°C commitment’).³

2. The impacts of climate change will require the application of new ideas and approaches to ensure that as a council group we take action to **radically reduce Auckland's contribution to climate change**, and that we respond to, mitigate and adapt to the effects of climate change.

3. We expect the CCOs to outline their own action plan how – in their areas of responsibility – they will reduce Auckland’s carbon emissions to meet the 1.5°C commitment and address the effects of climate change. This will include details of:

   a. the continuous performance measurements they will use to track their progress; and
   b. how these performance measurements will inform immediate changes to their action plan; and
   c. how they will evaluate their strategy.

4. We expect to see measurable mechanisms in place that will rapidly reduce carbon emissions to meet the 1.5°C commitment, with targets established for 2030 and 2040.

5. In the forthcoming financial year we expect at least a completed plan to be reported back to us by 30 December 2019 by each CCO on (1) how their own organisation will reduce its GHG emissions to net zero within 10 years (by 2030) to meet the 1.5°C commitment; and (2) how – in their areas of responsibility – they will reduce Auckland’s GHG emissions to meet the 1.5°C commitment and the Auckland Climate Action Plan.

Please contact us if you have any questions or would like to discuss this further.

Yours sincerely

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Memorandum

To: Chair, Finance and Performance Committee
Desley Simpson, Deputy Chair, Finance and Performance Committee

Cc: Sandra Gordon, Governance Advisor
All Waitematā Local Board members

Subject: Feedback on the Productivity Commission Issues Paper - Local Government Funding and Financing

From: Waitematā Local Board

Purpose
To provide Waitematā Local Board’s feedback on the Productivity Commission Issues Paper – Local Government Funding and Financing for consideration by the Finance and Performance Committee

Summary
- The levels of homelessness across the Auckland region continues to increase. Auckland Council plays an important role in responding to homelessness, which needs to be recognised and funded by government through interest free loans and, where a good business case has been submitted, by capital grants towards council and council-supported housing projects. The policy of only providing assistance where council has given majority shareholding to a community housing or private provider should cease.
- An increasing population brings diversity and interest to Waitematā, but also places pressure and demand on resources, infrastructure, community facilities and the environment.
- Central government, local residents, businesses and residents continue to have rising standards and new interests that need to be responded to. This inevitably leads to higher local government spending.
- Climate change also brings two sources of extra costs. One is moving and rebuilding infrastructure along our coast, particularly the expensive coastal infrastructure in the central city. The second is encouraging and enabling a low carbon economy and society through a range of advisory and implementation measures.
- Appropriate environmental taxes need to be available as potential sources of income for local authorities.
- Wide implementation of rates remission and postponement is essential so the asset rich but income poor do not suffer and rates levels can be set at the appropriate levels to maintain the quality of life in all communities.
- There is considerable scope for Value Capture to be introduced in New Zealand to enable the whole of the community to gain benefit from significant investments in infrastructure that provide a financial benefit to private landowners such as the development of Central Rail Link in Auckland City Centre.
- Through the creation of jobs, providing advice, co-ordination and working with businesses to get through regulations and access markets, councils contribute towards achieving sustainable local economic development. Local government should be recompensed and rewarded for this from relevant central government funds such as a share of taxation or grants.
Central Auckland is one of many areas that provide infrastructure and events for tourists and visitors. Councils should be able to obtain a contribution from them through a bed tax, airport arrival levy and a share of GST.

Issues and Options Paper Key Topics

Local government in New Zealand

Homelessness is complex and results from multiple factors. However, a key driver and therefore consideration when reviewing the differing circumstances that are relevant for understanding local government funding and financing issues includes a substantial lack of social and affordable housing.

The levels of homelessness across the Auckland region increased by 28 percent between the 2006 and 2013 censuses. According to the 2013 census figures, 20,296 people were homeless in Auckland and 29 percent were aged between 15 and 24 years. Based on the average increase between censuses, and excluding all other factors, homelessness could stand at 23,409 in 2017, and 26,522 by 2021.

The findings of Ira Mata, Ira Tangata: Auckland's Homeless Count show that on 17 September, at least 336 people were living without shelter and 2,874 people were in temporary accommodation. It is estimated that we have 800 people living without shelter based on a validation exercise.

Auckland Council plays an important role in responding to homelessness, including leading and coordinating development of a regional, cross-sectoral homelessness plan and funding a range of initiatives that support people who are experiencing homelessness. Future investment is required to support an operational response to homelessness in Auckland.

Auckland Council has provided advice and financial guarantees for social service agencies, community housing providers and iwi to assist and enable them to provide affordable and social housing.

Local Government in New Zealand has historically been a major provider of social and affordable housing, partly to prevent and combat homelessness. This has been particularly the case with providing pensioner housing for older residents with low income and assets. Some councils have also provided rental housing for low income workers, particularly their own staff.

The advantages of council provision of pensioner and other rental housing includes local knowledge of the needs and wants of individual tenants and of local communities; speed of provision, flexibility and innovation. It is important that such housing is close to vital health, community and social services, which is the case for the Waitakere Local Board area.

These vital roles should be funded by government by interest free loans and, where a good business case has been submitted, by capital grants towards council and council-supported housing projects. The policy of only providing assistance where council has given majority shareholding to a community housing or private provider should cease.

How funding and financing currently works

Exacerbator pays, polluter pays and appropriate environmental taxes need to be available as potential sources of income for local authorities.

Auckland's current fuel tax is a very good example of this. It is readily and equitably charged on those who use the transport network and enables valuable improvements to be paid for at the time of provision. It ought to be a tool available for any other region that wants to use it. Congestion charging and road pricing should also be an available option once technically feasible.
Provision for financial contributions should be retained on the same basis as is also the use of weight-related and volumetric charges for waste and volumetric charges for water supply.

Borrowing is appropriate for building or restoring long-term assets as it enables time-appropriate provision and affordability and appropriately applies intergenerational equity for the users of the assets concerned.

**Pressure points**

Statistics New Zealand forecasts that the Waitēmatā Local Board 2017 population of 108,500 will hit 130,200 by 2033, a 21 per cent increase. The increasing population brings diversity and interest to Waitēmatā, but also places pressure and demand on resources, infrastructure, community facilities and the environment.

Growing ethnic diversity in the Waitēmatā Board area has, for example, generated a substantially increased demand for providing indoor sports and recreational facilities for people who prefer to take part in badminton, table tennis, squash and basketball more than for rugby and netball. The aging population has made it compelling that public facilities are fully accessible and safe for all age groups and abilities.

As the city’s employment hub, Waitēmatā provides 188,000 jobs. The city centre alone accounts for one in seven jobs in Auckland. It is estimated that we have 100,000 commuters coming into the city centre, with approximately half of these using public transport, cycling or walking.

Auckland is both New Zealand’s main international gateway (by air and sea), and an ever stronger standalone destination. For example, the city centre is expected to receive 127 cruise ship visits during the 2018/2019 season, an increase of 17 compared to the previous year.

These factors put substantial pressure on the transport network, infrastructure and local community facilities e.g. there is limited provision of public amenities in the city centre to cater for the large number of daily workers, visitors and rough sleepers.

Waitēmatā features many of Auckland’s earliest buildings and suburbs. This historic legacy gives our suburbs their unique character; one that varies across the local board area and creates distinctive urban villages such as Parnell, Ponsonby and Grey Lynn.

We know the value our community places on our public and private heritage assets. Good stewardship of heritage buildings, including finding long-term uses, will provide a viable and sustainable future for many of these prized assets but investment is required to achieve this.

The new national system for managing earthquake-prone buildings is now operative. Waitēmatā Local Board area has 50% of all earthquake prone buildings with 795 buildings already assessed as ‘earthquake prone’. Of these a number are valued public community facilities, which will require significant investment to meet the national standards over the next 10-30 years.

Central Auckland, like Queenstown, has a large and increasing number of tourists and visitors accessing accommodation, hospitality and Council services like community buildings, events, roads and public transport. These visitors do not make a contribution to the substantial costs that they incur. As the Shand Committee recommended issues of fairness generate a strong case for new funding systems derived from tourists and visitors. These include a levy on temporary accommodation providers (Bed Tax); a larger airport arrival tax; and a fair share of GST.

The Waitēmatā Local Board also has to respond to rising standards expected from central government, local residents, businesses and residents. The higher minimum standards required by...
Government and Parliament have been well documented and we agree they are a major source of demands for higher local government spending. However, as with consumers of private goods and services, our people and businesses request and sometimes demand higher standards and variety. They want all weather playing surfaces, more variety and better quality play equipment, more exciting and engaging events, better equipment in recreation centres, safer roads and footpaths, more public transport and more responsive and supportive regulatory services. They also make it clear they want council to support economic development and jobs, stadia and health services in rural areas and community development in urban areas. Some of these resource intensive requests are related to increased diversity but others are natural expectations from the community.

Councils are needing to pay more as they contribute to the implementation of Treaty of Waitangi settlements.

Climate change also brings two sources of extra costs. One is moving and rebuilding infrastructure along our coast, particularly the expensive coastal infrastructure in the central city. The second is encouraging and enabling a low carbon economy and society through a range of advisory and implementation measures.

For those who are asset rich but income poor rates remission and, more importantly, rates postponement must be implemented more closely to universality for those who qualify. This is so that councils can charge the fair property value rates, which should continue to be the main source of Council revenue. Property values are closely related to the provision of local government infrastructure and services to those properties.

New Zealand taxes income relatively heavily, while having relatively low taxes on wealth, assets and property. This imbalance is a major contributor to wealth and income inequality and poverty in New Zealand. So wide implementation of rates remission and postponement is essential so the asset rich but income poor are not excessively disadvantaged and then rates levels can be set at the appropriate levels to maintain the quality of life in all communities. The Shand Report found these provisions at that time provided only 0.3 to 0.7% of total rates revenue. It should be at least 10 times higher.

Future Funding and Financing

As the Productivity Commission has already concluded in its 2015 and 2017 reports there is considerable scope for Value Capture to be introduced in New Zealand, as already applies in many United States cities. This would enable major increases in land values generated by public action, such as investments in infrastructure that directly benefit private landowners, to have part of the windfall gains returned to councils. This could be achieved by directly levying this uplift in land values. At the core of the Waitamata Local Board area the Central Rail Link is costing billions in public investment and all the businesses along the route will consequently gain billions in value uplift. The whole of the community should be enabled to gain benefit from that windfall.

A similar case can be made for allowing local authorities to utilize tax increment funding. This would enable a local authority to forecast the increase in revenue or in capital value that would result from its infrastructure investment and to be able to borrow against that future income without this resulting in a credit downgrade.

There ought to be public financing to encourage, enable and respond effectively to councils that seek to provide appropriate infrastructure and sustainable economic development. Development
contributions need to be extended to cover all useful infrastructure. It also needs to be recognised that such contributions are only received well after the capital costs are incurred. Councils can do a lot to contribute effectively to sustainable local economic development and job creation through advice, co-ordination and working with businesses to get through regulations and access markets and they should be recompensed and rewarded for this from relevant central government funds such as a share of taxation or grants.
MANUREWA LOCAL BOARD COMMENTS: AUCKLAND COUNCIL’S SUBMISSION ON THE PRODUCTIVITY COMMISSION’S ISSUES PAPER ON ITS LOCAL GOVERNMENT FUNDING AND FINANCING INQUIRY

1. Our board supports the Auckland Council submission to the Productivity Commission. However, we note that it does not specifically address the question of local board funding. We believe that it is essential that the commission understands the unique governance structure of Auckland Council, and in particular the relationship between the governing body and local boards, and the implications of that relationship for the funding of services in Auckland.

2. The Local Government (Auckland Council) Act 2009 established the current governance structure of Auckland Council. Section 7 of that act sets out that the decision-making power of the council is shared between the governing body and the local boards.

3. However, in practice the shared decision-making model is inherently unequal because the decision as to how local boards are funded is made by the governing body. Auckland Council’s 2016 Governance Framework Review found that “The funding policy is highly paternalistic, the governing body sets the budgets for each local board and directs where the majority of funding can be spent”. Additionally, it noted that “local boards lack clear accountability to their voters for their decisions. … Ultimately any decision-making role is undermined where the decision-maker does not have the responsibility for funding those decisions.”

4. The council submission notes that there is an increasing delegation from central government to local authorities in the delivery of services, particularly in the areas social and environmental services. It is reasonable to expect that local authorities who are being delegated these increased responsibilities should expect an increase in funding in order to provide the required services.

5. The relationship between the local boards and the governing body is similar. The governing body has delegated functions to the local boards, and any formula to equitably fund local boards needs to ensure that boards have sufficient funds to deliver the required services.

6. Our board’s view is that any consideration as to how Auckland Council should be funded to deliver services in the future also needs to address how that funding is distributed to local boards. A part of that consideration should be to address the question of whether the funding of local boards should be decided by the governing body, or if local board funding levels should be set out in legislation.
7. Our board recommends that the commission consider the Governance Framework Review in order to fully understand the Auckland governance model and its implications for the funding of services.


Angela Dalton
Chairperson, Manurewa Local Board
26 February 2019

Mr Steven Bailey
Inquiry Director
New Zealand Productivity Commission
Steven.bailey@productivity.govt.nz

Dear Steven

**Auckland Council’s response to Local government funding and financing: Issues Paper.**

Auckland Council appreciates the opportunity to respond to the Productivity Commission’s Local Government funding and financing: Issues paper.

In this submission the Council identifies the key challenge facing the council is financing investment in infrastructure to respond to the demands of growth and restrictions on our funding sources including the community’s strong preference for low rates increases. The draft submission proposes further partnering with the Crown and the private sector to make additional finance available and legislative change to facilitate these arrangements. In addition, changes are also sought to improve the flexibility and effectiveness of our key funding sources; rates, development contributions and New Zealand Transport Authority (NZTA) grants.

Both the Crown the Council have key roles in addressing the growth challenges confronting Auckland. Last year the Government and Council agreed on a package of transport investments and funding sources through the Auckland Transport Alignment Project (ATAP). We also recently entered into an agreement with Fulton Hogan and Crown Infrastructure Partners (CIP) to facilitate housing development in Milford. Further cooperation of this nature in the areas of economic development and housing is necessary to deliver the solutions required to address the wider policy goals of both arms of government.

Council staff have engaged with officers from Auckland Transport and the Independent Māori Statutory Board and have considered their views in developing the submission.

Feedback from the Waitemata Local Board and the Manurewa Local Board is attached to this submission. Please give independent consideration to their feedback.

I am happy to discuss our submission on the Issues paper or to further assist the inquiry team. Auckland Council appreciates the opportunities to engage with the Commission throughout the inquiry and looks forward to the Commission’s draft report in June 2019.

Yours sincerely

Ross Clow
Chairperson, Finance and Performance Committee

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