I hereby give notice that an ordinary meeting of the Finance and Performance Committee will be held on:

**Date:** Tuesday, 20 August 2019  
**Time:** 9.30am  
**Meeting Room:** Reception Lounge  
**Venue:** Auckland Town Hall  
301-305 Queen Street  
Auckland

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

**OPEN ADDENDUM AGENDA**

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**MEMBERSHIP**

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<td>Deputy Chairperson</td>
<td>Cr Desley Simpson, JP</td>
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| Members     | Cr Josephine Bartley  
Cr Dr Cathy Casey  
Deputy Mayor Cr Bill Cashmore  
Cr Fa'anana Efeso Collins  
Cr Linda Cooper, JP  
Cr Chris Darby  
Cr Alf Filipaina  
Cr Hon Christine Fletcher, QSO  
Mayor Hon Phil Goff, CNZM, JP  
Cr Richard Hills  
IMSB Member Terrence Hohneck |
|              | Cr Penny Hulse  
Cr Mike Lee  
Cr Daniel Newman, JP  
Cr Greg Sayers  
Cr Sharon Stewart, QSM  
IMSB Chair David Taipari  
Cr Sir John Walker, KNZM, CBE  
Cr Wayne Walker  
Cr John Watson  
Cr Paul Young |

(Quorum 11 members)

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**Sandra Gordon**

Senior Governance Advisor

16 August 2019

Contact Telephone: (09) 890 8150  
Email: sandra.gordon@aucklandcouncil.govt.nz  
Website: www.aucklandcouncil.govt.nz

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**Note:** The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.
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Purpose of the report
1. To obtain approval to dispose of two council-owned properties for disposal. As one of the properties recommended for sale is an endowment property, this report also seeks approval for the allocation of the sales proceeds.

Executive summary
2. For the financial years 2018/21, the Panuku statement of intent requires it to identify properties from within council’s portfolio that are suitable to be recommended for sale to a combined value of $75 million and to sell $72 million of property.

3. 200 Victoria Street West, Auckland Central, is an endowment property that was vested in council by the Crown in 1875 pursuant to the Auckland City Endowments and Reserves Act 1875 (Endowment Act) for the improvement and benefit of the City of Auckland.

4. Auckland Council owns the land only, which has a rating valuation of $8.8 million. The property is subject to two ground leases, held by the same lessee, that together cover the entire site. The leases were granted in 1916 and are perpetually renewable at the lessee’s option. The improvements, being a commercial building with retail and office uses, are owned by the lessee.

5. A sale of the property is not expressly prohibited by the Endowment Act and the property can be sold under section 140(4)(b) of the Local Government Act 2002 (LGA 2002), subject to conditions set out in section 141 of the LGA 2002:
   • The proceeds of sale must be used for a purpose consistent with the purpose of the endowment (in this case, for the improvement and benefit of the City of Auckland); and
   • The council must notify the Minister for Land Information and the Minister in Charge of Treaty of Waitangi Negotiations of the proposal to sell the land.

6. The rationalisation process commenced in March 2019. Consultation with the council and its CCOs, iwi authorities and the Waitematā Local Board has now taken place. Noting that any alternative use or development potential is constrained by the ground leases, no current or future council service use has been identified through the consultation and the feedback received has been supportive of disposal. As such, 200 Victoria Street West is recommended for disposal.

7. Legal advice is that a specific use or uses of the proceeds of sale consistent with the endowment purpose must be identified before the property is sold. This report recommends the allocation of up to $5.5 million of the proceeds of sale from 200 Victoria Street West to the proposed development of a civic space at 254 Ponsonby Road, Ponsonby, which is the Waitematā Local Board’s One Local Initiative.

8. If the proceeds of sale from 200 Victoria Street West are more than the $5.5 million allocated to the development at 254 Ponsonby Road, this report recommends the balance be allocated to the Victoria Street Linear Park project in Auckland Central, provided this project is confirmed as being consistent with the endowment purpose.
9. 15R First View Avenue, Beachlands is a narrow strip of land that has been identified as potentially surplus to council requirements following a purchaser enquiry from the neighbouring property owner. The rationalisation process commenced in November 2017. Consultation with council departments and its CCOs, iwi authorities and the Franklin Local Board has been undertaken. No current or future public work use has been identified for the site through the rationalisation process and the feedback received has been supportive of the proposed disposal. Accordingly, 15R First View Avenue is recommended for disposal.

Ngā tūtohunga
Recommendation/s
That the Finance and Performance Committee:

a) approve, subject to the satisfactory conclusion of any required statutory processes the disposal of:
   i) 200 Victoria Street West, Auckland Central, comprised of an estate in fee simple being Pt Lot DP 11603 (also described as Part Allotment 23 Section 24 City of Auckland) contained in computer freehold register NA263/104 in accordance with sections 140 and 141 of the Local Government Act 2002, subject to confirmation by the Auckland Council Legal Services team that the projects identified as being allocated the proceeds of sale are consistent with the purpose of the endowment pursuant to which this property was vested;
   ii) 15R First View Avenue, Beachlands, comprised of an estate in fee simple being Allotment 90 Parish of Maraetai contained in computer freehold register NA46A/1020;

b) approve the allocation of the proceeds of sale from 200 Victoria Street West, Auckland Central to the following projects, subject to confirmation by the Auckland Council Legal Services team that the projects identified are consistent with the purpose of the endowment pursuant to which this property was vested and are in accordance with sections 140 and 141 of the Local Government Act 2002:
   i) up to $5.5 million to the development of a civic space at 254 Ponsonby Road, Ponsonby; and
   ii) any remaining balance to the Victoria Street Linear Park project, Auckland Central;

c) agree that the final terms and conditions of the disposals be approved under the appropriate delegations.

Horopaki
Context

10. Panuku is required to undertake ongoing review of council’s property assets. This includes identifying properties in the council portfolio that are no longer required for service use purposes and may be suitable for sale, and development if appropriate.

11. Once a property has been identified as no longer being required for current service purposes, Panuku engages with the council and its CCOs to establish whether the property must be retained for a strategic purpose or is required for a future funded service use. After a property is internally cleared of any service requirements, Panuku then consults with local boards, mana whenua and relevant ward councillors.

12. All sale recommendations must be approved by the Panuku Board before a final recommendation is made to Auckland Council’s Finance and Performance Committee. The committee has the delegated authority to approve any proposed disposal.
13. Because one of the properties being recommended for sale is an endowment property, a use of the proceeds of sale that is consistent with the purpose of the endowment must be identified before the property can be sold. The council’s Finance team has made recommendations for allocation of the proceeds of sale from this property.

Tātaritanga me ngā tohutohu
Analysis and advice

14. The proposed disposal of the properties in this report is not deemed to be significant under Auckland Council’s Significance and Engagement Policy. The disposal of surplus assets to repay debt or fund new infrastructure is contemplated in Volume 2 of the council’s 10-year Budget 2018-2028 (long-term plan).

15. Because 200 Victoria Street West is an endowment property with a requirement under section 141(1)(a) of the LGA 2002 that the use of the proceeds of sale must be consistent with the purpose of the endowment, legal advice is that a decision on the use of the proceeds of sale must be made before the property is sold. The projects recommended in this report for allocation of the proceeds of sale from 200 Victoria Street West were identified by council’s Finance team by reviewing existing projects within the 10-year Budget 2018-2028.

16. Additional property specific information is included in attachments A to B to this report.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views

Internal consultation

17. The Panuku-facilitated rationalisation process for the subject properties included council department and CCO consultation to investigate alternate public work requirements or future strategic purposes to retain the properties.

18. No alternative planned or funded public work requirement or future strategic purpose to retain the subject properties was identified through the internal consultation process. Any alternative use or development potential of 200 Victoria Street West is constrained by the ground leases. The disposal of both properties presented in this report is supported by the wider council group.

19. Additional property specific information is included in attachments A to B to this report.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views

20. Local boards are informed of the commencement of the rationalisation process for specific properties. Following the close of the internal consultation period, relevant local boards are engaged with. Panuku attends workshops with the relevant local board and provides information about properties being rationalised in its local board area. A report is subsequently prepared for the local board business meeting so that its views can be formalised.

21. The relevant local boards resolved the following in respect of these properties:
   - The Waitematā Local Board supports the disposal of 200 Victoria Street West.
   - The Franklin Local Board endorsed the disposal of 15R First View Avenue.

22. This report recommends the allocation of up to $5.5 million of the proceeds of sale from 200 Victoria Street West to the proposed development of a civic space at 254 Ponsonby Road, Ponsonby. This project is a high priority for the Waitematā Local Board as its One Local Initiative.
23. Additional property specific feedback received is included in the local board engagement section of attachments A to B to this report.

**Tauākī whakaaweawe Māori**

**Māori impact statement**

24. Māori have an active and specific role in Auckland, including kaitiakitanga (guardianship) of our land and marine resources. Land has a specific role in protecting, enabling and building Māori social and cultural capital. Local marae, kohanga reo, and other Māori entities offer spiritual, cultural, as well as a range of social, educational, health and justice services for the community.

25. The importance of effective communication and engagement with Māori on the subject of land is understood. Panuku has a robust form of engagement with mana whenua groups across the region. Each relevant mana whenua group is contacted independently regarding council-owned land subject to rationalisation and requested to give feedback.

26. Panuku’s engagement invites mana whenua to respond with any issues of particular cultural significance the group would like to formally express in relation to the subject properties. We also request notes regarding any preferred outcomes that the group would like Panuku to consider in our formal reporting to council. Possible outcomes could include commemoration or physical acknowledgment in the form of plaques or other mutually agreed means of recognition.

27. Panuku received no notifications of cultural significance from iwi entities regarding the subject properties.

28. Mana whenua groups are also invited to express potential commercial interest in the subject sites. In the event the sites are approved for sale, all groups will be alerted of the decision, and all groups are alerted once a property comes on the market.

29. Panuku received a notification of commercial interest from Ngaati Whanaunga, who registered an interest in 15R First View Avenue, specifically enquiring whether the site could be an opportunity for a future “Kokiri” development. In response Panuku replied to Ngaati Whanaunga confirming its interests had been noted on the property file and advised that the subject site has limited development potential due its size. No further response has been received. If approved for disposal, Panuku will follow up with Ngaati Whanaunga.

30. Additional property specific information is included in the mana whenua engagement section of attachments A to B to this report.

**Ngā ritenga ā-pūtea**

**Financial implications**

31. Capital receipts from the sale of properties contribute to Auckland Plan outcomes and the 10-year budget (long term plan) by providing the council with an efficient use of capital and prioritisation of funds to achieve its activities and projects. In the 2019/2020 financial year, the 10-year budget (long term plan) has $24 million for the disposal of non-strategic assets. The total value of the properties presented in this report is $8.81 million.

32. As 200 Victoria Street West is an endowment property, the proceeds of sale must be used for a purpose consistent with the purpose of the endowment, which is described as “the improvement and benefit of the City of Auckland”.

33. It is recommended that up to $5.5 million of the proceeds of sale from 200 Victoria Street West be allocated to the proposed development of a civic space at 254 Ponsonby Road, Ponsonby. The proposed development of 254 Ponsonby Road is a two-stage project, with an estimated total cost of $11 million and estimated cost for stage one of $5.5 million.
34. If the proceeds of sale from 200 Victoria Street West are more than the $5.5 million allocated to the development at 254 Ponsonby Road, it is recommended the balance be allocated to the planned works for the Victoria Street Linear Park project provided this project is confirmed by the Auckland Council Legal Services team as being consistent with the endowment purpose.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
35. If the subject properties are not approved for disposal, Auckland Council will not realise the approximate $8.81 million sale proceeds.
36. Additional property specific information is included in the internal consultation section of attachments A to B to this report.

Ngā koringa ā-muri
Next steps
37. Should the Finance and Performance Committee approve the proposed disposals, Panuku will undertake the following:
   - a disposal of 200 Victoria Street West in accordance with conditions set out in section 141 of the LGA 2002, and;
   - a plan change seeking to change the Auckland Unitary Plan zoning of 15R First View Avenue from Open Space - Informal Recreation Zone to Residential – Single House in line with the adjoining properties.
38. The ground lessee of 200 Victoria Street West has expressed interest in acquiring the land. Additionally, both the adjoining land owners of 15R First View Avenue have enquired about acquiring the site. These will all be explored further should the Finance and Performance Committee approve the proposed disposals.

Ngā tāpirihanga
Attachments

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Ngā kaihaina
Signatories

Authors
- Rachel Hume - Portfolio Specialist, Panuku Development Auckland
- Robert Irvine - Head of Group Financial Planning
- Anthony Lewis - Senior Advisor, Portfolio Review, Panuku Development Auckland

Authorisers
- Letitia Edwards - Team Leader Portfolio Review, Panuku Development Auckland
- Marian Webb - Manager Portfolio Strategy, Panuku Development Auckland
- David Rankin - Chief Operating Officer, Panuku Development Auckland
- Matthew Walker - Group Chief Financial Officer
200 Victoria Street West, Auckland Central property information

Executive summary

1. 200 Victoria Street West, Auckland Central was vested in the former Auckland City Council by the Crown in 1875 pursuant to the Auckland City Endowments and Reserves Act 1875.

2. Auckland Council owns the land only, which has a rating valuation of $8.8 million. The property is subject to two ground leases, held by the same lessee, that together cover the entire site. The leases were granted in 1916 and are perpetually renewable at the lessee’s option. The improvements, being a commercial building with retail and office uses, are owned by the lessee. The lessee has enquired about purchasing the land.

3. The property has not been used to deliver a council service since at least 1916 and was identified as a property that could potentially be recommended to the council for disposal. The rationalisation process commenced in March 2019. Consultation with council departments and its CCOs, iwi authorities and the Waitamata Local Board has been undertaken. Any alternative use or development potential is constrained by the ground leases. No current or future council service use has been identified through the consultation and the feedback received has been supportive of disposal. Accordingly, 200 Victoria Street West is recommended for disposal.

4. Sections 140 and 141 of the Local Government Act 2002 require certain conditions to be met before endowment property can be sold. One of the conditions is that the proceeds of the sale must be used for a purpose consistent with the purpose of the endowment. The purpose of the 200 Victoria Street West endowment is for the “Improvement and benefit of the [City of Auckland].”

5. It is recommended that up to $5.5 million of the proceeds of sale from 200 Victoria Street West be allocated to the proposed development of a civic space at 254 Ponsonby Road, Ponsonby. The development of 254 Ponsonby Road is the Waitamata Local Board’s One Local Initiative. It is a two-stage project, with an estimated cost of $5.5 million for stage one. Legal advice received is that this project is consistent with the endowment purpose.

6. If the proceeds of sale from 200 Victoria Street West are more than the $5.5 million allocated to the development of 254 Ponsonby Road, it is recommended the balance be allocated to the Victoria Street Linear Park project in Auckland Central, provided this project is confirmed by council’s Legal Services team as being consistent with the endowment purpose.

Property information

7. 200 Victoria Street West is a prominent 1235m² corner site situated at the junction of Victoria Street West and Wellesley Street West, opposite Victoria Park in central Auckland. The property is located on the landward side of the historical foreshore and was acquired from Ngati Whatua by the Crown in 1840.

8. The property was vested in the council by the Crown in 1875 pursuant to the to the Auckland City Endowments and Reserves Act 1875 (Endowment Act) for the improvement and benefit of the City of Auckland. Because sale of the property is not
expressly prohibited by the Endowment Act, the property can be sold under section 140(4)(b) of the Local Government Act 2002 (LGA 2002), subject to conditions set out in section 141 of the LGA 2002 being:

- the proceeds of sale must be used for a purpose consistent with the purpose of the endowment (in this case, for the improvement and benefit of the City of Auckland); and
- the council must notify the Minister for Land Information and the Minister in Charge of Treaty of Waitangi Negotiations of the proposal to sell the land.

9. Advice from council’s Legal Services team is that, to comply with section 140 and section 141 of the LGA 2002, proceeds from the sale of this property should:

- be used for the improvement and benefit of the City of Auckland, being the geographical area as defined in the Municipal Corporations Act 1867, which includes the current Central Business District, Grafton and Freeman’s Bay areas;
- be used for something that contributes in a positive manner to the social, economic, environmental or cultural wellbeing of the community in the present and for the future;
- be used on something that is enduring or permanent;
- be used on something that benefits the community generally (not just a specific group);
- takes into account the long-term planning goals for the relevant area.

10. A project with budget already approved through the council’s 10-year Budget 2018-2028 (long-term plan) can be considered for use of the proceeds of sale, provided the project is consistent with the purpose of the endowment.

11. Any specific proposal for use of the proceeds of sale should be assessed in detail by the council’s Legal Services team to ensure it meets the requirements set out in section 141 of the LGA 2002. Legal advice is that the use of the proceeds of sale must be identified before the property is sold and be set out in the notification to the relevant Ministers.

12. The Auckland Unitary Plan zoning is Business – City Centre. It has a council rating valuation of $27,000,000 capital value, comprising $8,800,000 land value and $18,200,000 improvement value. Council owns the land only.

13. The property is subject to two perpetually renewable 21-year ground leases that were established under the Auckland City Parks Improvement and Empowering Act 1916.

14. Both perpetually renewable 21-year ground leases are to the same lessee and have been renewed continuously since establishment. A four-level commercial building covers the entire site and is owned by the lessee. Any alternative use or development potential is constrained by the ground leases.

15. The decision to sell the property does not meet the thresholds for a significant decision as set out in the Significance and Engagement Policy, particularly because it does not impact on service levels and does not involve a strategic asset.

16. 200 Victoria Street West is not subject to offer back obligations to the former owners in accordance with section 40 of the Public Works Act 1981.

**Internal consultation**

17. The rationalisation process for this property commenced in March 2019.
18. Council’s Built Heritage team advised there are no known built heritage interests at the site.

19. Council’s Plans and Places team indicated there are no major policy planning issues that directly affect the property and recommended that any future development take into consideration the long term moves in the City Centre Masterplan.

20. Panuku also worked with the wider council group to understand any potential issues for the property and confirmed with departments and CCOs the following mechanisms are available to protect current and future infrastructure requirements:

- The Healthy Waters team advised that a stormwater pipe under the property had previously burst but was repaired and has been monitored without issue for 10 years. A recent CCTV inspection confirmed it has no visible issues to date. Healthy Waters supported disposal of the property, but requested a risk be noted on the title. Panuku is seeking legal advice on an appropriate mechanism to record this risk.

- Auckland Transport initially requested the property be retained to reduce the risk of conflicting sentiments for the future Wellesley Street Bus Improvements Project, while noting that the site itself is not required for the project. However, as this potential risk can be managed through conditions on any sale the property does not need to be retained for this purpose.

- The Engineering and Technical Services team advised that the site is not marked as a contaminated site or closed landfill. It was noted that the site is in near proximity to historical gas works and is surrounded by a significant number of contaminated sites. Should the site be approved for disposal, risk and mitigation reports may be required to confirm any potential contaminated land issues.

- Watercare confirmed it has no ongoing interest in the site but requested that any purchaser be advised of the main sewer line that runs beneath the property and the requirement to obtain works over approval prior to any future construction.

21. No alternative planned or funded public work requirement for 200 Victoria Street West was identified through the internal consultation process and the proposed disposal of 200 Victoria Street West is supported by the council group. Accordingly, the property is now recommended for disposal.

**Allocation of sale proceeds from 200 Victoria Street West**

22. The property at 200 Victoria Street West is owned by Auckland Council under the Endowment Act. The conditions in sections 140 and 141 of the LGA 2002 must be met before the property can be sold. These conditions include that the proceeds of sale must be used for a purpose that is consistent with the purpose of the endowment. The Endowment Act provides that the purpose of the 200 Victoria Street West endowment is for the "improvement and benefit of the [City of Auckland]."

23. The projects recommended for allocation of the proceeds of sale from 200 Victoria Street West were identified by council’s Finance team by reviewing existing projects within the council’s 10-year Budget 2018-2028. The projects recommended will also be assessed in detail by the council’s Legal Services team to ensure the requirements set out in sections 140 and 141 of the LGA 2002 are met.

24. It is recommended that up to $5.5 million of the proceeds of sale from 200 Victoria Street West be allocated to the proposed development of a civic space at 254
Ponsonby Road, Ponsonby. This project is a high priority for the Waitematā Local Board as its One Local Initiative.

25. The proposed development of 254 Ponsonby Road is a two-stage project, with an estimated total cost of $11 million. The estimated cost of stage one is $5.5 million. A business case is currently being developed. The Waitematā Local Board will work with staff on any remaining funding required for the 254 Ponsonby Road project as the final business case is developed. This could be a mix of funding from the One Local Initiative budget and other funding sources such as Service Property Optimisation.

26. Options for the development of 254 Ponsonby Road were reported to the Environment and Community Committee on 4 December 2018. The committee resolved to support the retention of the whole site for the purpose of developing a civic space. The report outlined:

- The site would be well served as a civic space, given the general shortage in the area.
- Ponsonby is a destination for many Aucklanders, so the civic space will service a wider catchment.
- The civic space could support local events and be used in conjunction with regional events.
- The preferred design proposes the re-use of existing buildings and structures and the development of a village green.

27. While the site at 254 Ponsonby Road sits approximately 300 metres outside the City of Auckland as defined in the Municipal Corporations Act 1867, legal advice received is that the project is consistent with the endowment purpose and that the proceeds of sale from 200 Victoria Street West could be used for the development of a civic space at 254 Ponsonby Road.

28. If the proceeds of sale from 200 Victoria Street West are less than $5.5 million, it is recommended the full amount be allocated to the development of a civic space at 254 Ponsonby Road, with funding for any shortfall to be identified through the project business case.

29. If the proceeds of sale from 200 Victoria Street West are more than the $5.5 million allocated to the development of 254 Ponsonby Road, it is recommended the balance be allocated to the planned works for the Victoria Street Linear Park project provided this project is confirmed by the Auckland Council Legal Services team as being consistent with the endowment purpose.

30. The Victoria Street Linear Park is an approved City Centre project with the business case underway. The project will increase the amount of green public space through the midtown area. This will have a benefit for the City Centre with better connections through walking and cycling.

Local board engagement

31. The Waitematā Local Board resolved at its 21 May 2019 business meeting that it supports the proposed disposal of 200 Victoria Street West.

32. The development of a civic space at 254 Ponsonby Road is the Waitematā Local Board’s One Local Initiative (resolution WTM/2018/173) and has had strong community support.

33. The Waitematā Local Board Plan 2017 notes the board’s support for creating a green Victoria Street Linear Park in line with the City Centre Masterplan.
Mana Whenua engagement

34. 15 Mana Whenua iwi authorities were contacted regarding the potential sale of 200 Victoria Street West, Auckland Central. The following feedback was received:

a) **Te Runanga o Ngāti Whatua**
   - No feedback received for this site.

b) **Ngāti Whatua o Kalpara**
   - No feedback received for this site.

c) **Ngāti Whatua Ōrākei**
   - No feedback received for this site.

d) **Te Kawerau a Maki**
   - No feedback received for this site.

e) **Ngāi Tai ki Tāmaki**
   - No feedback received for this site.

f) **Ngāti Tamaoho**
   - No feedback received for this site.

g) **Te Ākitai - Waiohua**
   - No feedback received for this site.

h) **Ngāti Te Ata - Waiohua**
   - No feedback received for this site.

i) **Te Ahiwaru**
   - No feedback received for this site.

j) **Ngāti Paoa**
   - No feedback received for this site.

k) **Ngaati Whanaunga**
   - No feedback received for this site.

l) **Ngāti Maru**
   - No feedback received for this site.

m) **Ngāti Tamatera**
   - No feedback received for this site.

n) **Te Patukirikiri**
   - No feedback received for this site.

o) **Waikato-Tainui**
   - No feedback received for this site.

35. Engagement with Mana Whenua on the two projects recommended for the allocation of the proceeds of sale from 200 Victoria Street West (the development of a civic space at 254 Ponsonby Road and the Victoria Street Linear Park project) will be undertaken within those projects.
Next steps

36. Should the Finance and Performance Committee approve the disposal of 200 Victoria Street West, a disposal process will be undertaken in accordance with the conditions set out in section 141 of the LGA 2002, specifically:

- The proceeds of sale must be used for a purpose consistent with the purpose of the endowment, with identified uses to be confirmed by the council’s Legal Services team as being in accordance with sections 140 and 141 of the LGA2002 prior to disposal.

- The council must notify the Minister for Land Information and the Minister in Charge of Treaty of Waitangi Negotiations of the proposal to sell the land. Panuku will lead this process on the council’s behalf once confirmation is received from the council’s Legal Services team that the identified uses of the proceeds of sale are in accordance with sections 140 and 141 of the LGA2002.
Images

Figure 1. Property outlined in blue.
15R First View Avenue, Beachlands property information

Executive summary
1. 15R First View Avenue, Beachlands is a narrow strip of land that has been identified as potentially surplus to council requirements following a purchaser enquiry from the neighbouring property owner. The rationalisation process commenced in November 2017. Consultation with council departments and its CCOs, iwi authorities and the Franklin Local Board has been undertaken. No current or future public work use has been identified for the site through the rationalisation process and the feedback received has been supportive of the proposed disposal. Accordingly, 15R First View Avenue is recommended for disposal.

Property information
2. 15R First View Avenue is a narrow 123m² strip of land remaining from land vested in the Crown in 1925 as a reserve upon subdivision. The site was later vested with the former Manukau County Council in 1963 as an access way reserve.

3. The reserve status of 15R First View Avenue was revoked by the former Manukau City Council in 1977 for the purposes of sale but no disposal was ever completed.

4. A review was undertaken by Panuku following a purchaser enquiry from the adjoining landowner. It was found that both adjoining landowners have encroached on this site.

5. Council’s Parks and Recreation Policy (PRP) team undertook a review of 15R First View Avenue against council’s open space acquisition policy and open space provision policy. PRP also assessed that this site does not contribute to meeting community open space needs, does not connect to existing open space, nor is there any potential for it to provide a connection. There are no known heritage, cultural or natural values, and the site is not suitable for open space purposes. The rationalisation process subsequently commenced.

6. The AUP zoning is public open space-informal recreation. It has a 2019 desktop valuation of $10,000.

7. 15R First View Avenue is not subject to offer back obligations to the former owners in accordance with section 40 of the Public Works Act 1981.

Internal consultation
8. The rationalisation process for this site commenced in November 2017.

9. Council’s Heritage Team advised there are no built heritage issues associated with the site. Council’s Geotechnical and Geological team (previously the Contaminated Land and Closed Landfill team) advised there are no known pollution incidents associated with the site.

10. No alternative council service uses were identified through the internal consultation and the proposed disposal is supported by the council group.
Local board engagement

11. The Franklin Local Board endorsed the disposal of 15R First View Avenue at its 25 June 2019 business meeting.

Mana Whenua engagement

12. 10 mana whenua iwi authorities were contacted regarding the potential sale of 15R First View Avenue, Beachlands. The following feedback was received:

a) Ngāi Tai ki Tāmaki
   No feedback received for this site.

b) Ngāti Tamaoho
   No feedback received for this site.

c) Te Ākitai - Waiohua
   No feedback received for this site.

d) Ngāti Te Ata - Waiohua
   No feedback received for this site.

e) Te Ahiwaru
   No feedback received for this site.

f) Ngāti Paoa
   No feedback received for this site.

g) Ngaati Whanaunga
   Ngaati Whanaunga advised that it has a commercial interest in the site, specifically that the site could be an opportunity for a future "Kokiri" development.
   Panuku replied to Ngaati Whanaunga confirming its interests had been noted on the property file and advised that the subject site has limited development potential due its size. No further response has been received. If approved for disposal, Panuku will follow up with Ngaati Whanaunga.

h) Ngāti Maru
   No feedback received for this site.

i) Ngāti Tamatera
   No feedback received for this site.

j) Waikato-Tainui
   No feedback received for this site.

Next steps

13. Should the Finance and Performance Committee approve the disposal of 15R First View Avenue, Panuku will undertake a plan change seeking to change the AUP Zoning from open space - informal recreation to residential – single house.

14. There is interest from both adjoining landowners in purchasing the site should it be approved for sale. This will be explored further should the Finance and Performance Committee approve the proposed disposal.
Images

Figure 1. Property outlined in blue.
Submission to the Productivity Commission Local government funding and financing inquiry: Draft report

File No.: CP2019/15424

Te take mō te pūrongo
Purpose of the report

Whakarāpopototanga matua
Executive summary
2. Central government asked the Productivity Commission to conduct an inquiry into local government funding and financing. The Commission has released a draft report as the second stage of their process towards a final report due by 30 November 2019.

3. The Commission finds that the current funding and financing system measures up well against the principles of a good system and is broadly sound. Therefore, the current system should remain as the foundation of future funding and financing for local government.

4. While the present system is sound the Commission considers that new funding tools are required to address cost pressures to:
   - fund infrastructure to support growth
   - adapt to climate change
   - cope with growth in tourism
   - take on additional responsibilities delegated by central government.

5. The Commission has also concluded that councils are not transparently weighing benefits and affordability in determining how the rates burden is shared amongst ratepayers. The commission recommends that councils be required to review their rating systems within five years based primarily on benefits and to remove all differentials and UAGCs. The draft report also supports a national rates postponement scheme and the removal of the rates rebate scheme.

6. The draft council submission identifies the unique challenges of Auckland’s scale and the additional economic and social responsibilities this carries. It asks the Commission to consider options for devolving funding tools to the council, including the return of the GST on rates, to reflect these responsibilities and to allow the impacts of rapid growth to be better managed.

7. The draft submission also addresses the proposed changes to rating and the recommendations for new funding tools made by the Commission. The council’s response to the other questions and recommendations are included in the draft submission as Attachment One: Response to questions and recommendations.

8. Officers consider that new funding tools proposed mostly address the funding pressures identified by the Commission and by the council in its February submission on the Commission’s Issues paper. The draft submission supports these proposals and makes some additional suggestions for the Commission to consider including in their final report.

9. Officers do not agree with the changes proposed to the rating system and the removal of the rates rebate scheme. The draft submission does not support these proposals and sets out the reasons for this position. The draft submission supports a national rates postponement scheme but does not support the proposed removal of the rates rebate scheme.
10. Council staff have engaged with staff from Auckland Tourism, Events and Economic Development (ATEED), Auckland Transport and Watercare Services Limited during the drafting of the submission. Local Board views have been incorporated throughout the submission. The Independent Māori Statutory Board (IMSB) and mana whenua were notified and engaged with when the Draft report was released. Officers understand that the Mana Whenua Kaitiaki Forum is considering making their own submission.

Ngā tūtohunga

Recommendations

That the Finance and Performance Committee:

a) approve the submission on the New Zealand Productivity Commission Local government funding and financing inquiry Draft report (Attachment A of the agenda report).

b) delegate to the Chair of the Finance and Performance Committee and Group Chief Financial Officer to authorise any minor amendments and corrections to the submission.

Horopaki

Context

11. Central Government has asked the Commission to conduct an inquiry into local government funding and financing and, where shortcomings in the current system are identified, examine options for improving the system.

12. Mechanisms for rating Māori freehold land and Crown land, the valuation system and practices, substantial privatisation; and recommendations that would directly affect representation or boundary arrangements for councils are excluded from the inquiry.

13. Hon Grant Robertson, on behalf of the Tax Working Group, recommended in April 2019 that the Commission expand their terms of reference to include in their inquiry whether a tax on vacant residential land would improve the supply of available housing for New Zealanders. The Commission has consequently asked for submissions on this issue so that advice can be provided to the Ministers in the final report.

14. The Commission has released a draft report as the second stage of their process towards a final report due to be presented by 30 November 2019. The council’s submission on the Draft report is due by 29 August 2019.

15. This submission should be read alongside the council’s submission on the Commission’s Local government funding and financing: Issues paper. The February 2019 submission on the Issues paper outlines the growth challenges that Auckland faces.


Tātaritanga me ngā tohutohu

Analysis and advice

Overall conclusions

17. The Commission finds that the current funding and financing system is both simple and economically efficient compared to alternatives. While the system is sound the Commission finds that new funding tools are required to address a range of cost pressures.

18. The commission finds that there is no evidence that rates have become less affordable over time. However, the Commission suggests that legislative changes are required to make the current funding system more equitable and transparent.
19. Auckland’s scale means we are making decisions that have economic, social and environmental impacts on a national level. The council works with multiple agencies to tackle these issues but the current processes are slow. Our size would allow us to accelerate decision-making and investment if we had the right funding tools. The draft submission recommends that the Commission considers options for devolving funding, including options for returning a share of GST revenue to the council, to support the operating and capital costs of infrastructure investment.

**Financing and funding growth**

20. The Commission also finds that councils need new funding and financing tools to help them deal with the specific cost pressures of being required to fund infrastructure to support growth, adapt to climate change, cope with growth in tourism and take on additional responsibilities delegated by Central Government.

21. The Commission makes five recommendations regarding the funding and financing of infrastructure to support growth. The submission mainly supports these proposals and makes some suggestions for change.

22. Officers agree with the recommendation for continued development of a Special Purpose Vehicle (SPV) model that would allow councils to access capital without any impact on their balance sheets. Auckland Council has been working closely with Central Government on the development of the SPV model.

23. The Commission also recommends that the government make a payment to councils to support growth based on completed building work. This payment would have a small positive impact on the council’s ability to access capital for investment in infrastructure to facilitate that growth. The submission supports this proposal and also recommends that the Commission considers other mechanisms for additional central government funding to support growth.

24. Other mechanisms could include additional investment in regional infrastructure like roading in growth areas. This would directly address the constraints debt limits are placing on capital investment. Our infrastructure planning could also be improved by greater certainty around NZTA funding which could be achieved at no cost to the government.

25. Officers consider there are economic and administrative issues with applying an additional tax on vacant land and unoccupied dwellings to encourage growth. A charge set on this basis does not support the Commission’s recommendation that rates be set based on the benefits that properties receive from council services. A tax on unoccupied dwellings is difficult to justify for local government funding purposes as there is no alignment between unoccupied dwellings and the services the council provides.

**Adapting to climate change**

26. The Commission considers that central government has a key role to play alongside councils in addressing climate change. Central Government will need to aid local government decision-making by setting information gathering standards and legislating to guide the development of land in at risk areas. Funding from central government will also need to be provided to support investment in roading, stormwater and wastewater to manage climate change impacts.

27. The impacts of climate change will present many councils and communities with environmental threats and funding challenges beyond their capacity to manage alone. Despite its relative scale Auckland is no exception. Officers agree with the Commission’s key recommendations and the draft submission supports these.
Coping with growth in tourism

28. Officers agree with the Commission’s recommendation for legislation to be introduced to enable councils to implement an accommodation levy to recover the tourism induced costs of providing local mixed-use facilities. The draft submission supports an accommodation levy and recommends that it should also be able to be used to fund council expenditure on visitor attraction and major events.

Additional local government responsibilities

29. The Commission recommends that central and local government further develop their relationship, especially when considering proposals to expand the responsibilities of local government. This would ensure greater consideration was given to the financial implications of government decisions that add to a councils responsibilities and costs. The council has already been working closely with central government on several initiatives including the Auckland Transport Alignment Program.

Equity and affordability

30. The Commission considers that who benefits should be the primary basis for allocating of the rates burden. Ability to pay should be considered as a second step. Councils should be required to review their rating systems on this basis removing all differentials and UAGCs within five years. The commission also recommends that the rates rebate scheme be removed and a national rates postponement scheme established.

31. Officers consider that elected members should make the decisions on the balance between benefits and affordability. The Local Government Act 2002 already requires councils to consider issues of benefit before weighing affordability. Auckland undertook a major overhaul of its rating regime following its establishment. Rates standardisation resulted in large shifts in the distribution of the rates burden and officers consider Aucklanders will have little appetite for more of the same. Removing all rates differentials would raise residential rates in Auckland by approximately 22 per cent. The submission does not support these proposals.

32. The draft submission supports a national approach to rates postponement to support ratepayers who are asset rich but cash poor. The draft submission does not support the removal of the rates rebate scheme unless the same support was replaced with a satisfactory alternative as it is popular with Aucklanders.

Three waters

33. Officers agree in principle with the proposed regulatory regime for three waters to enforce minimum standards and improve the performance of the sector.

34. Aucklanders prioritised spending to improve water quality across the region during consultation on the 10-year Budget 2018-2028. At the same time Watercare has committed to major investments to maintain the security and quality of the regions water supply and wastewater management systems.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera Council group impacts and views

35. Staff from ATEED, Auckland Transport and Watercare Services Limited were engaged with regarding the sections of the draft report that related to their organisations. The views of the organisations have been considered in the submission.

36. The content of the submission has been communicated to and agreed on by the following departments of Auckland Council:
   - Auckland Plan Strategy and Research
   - Chief Economist
   - Financial Control
Governance
Growth and Housing
Healthy Waters
Regulatory and Enforcement
Treaty Settlements.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views
37. All local board members were advised of the submission process in a memorandum on 4 July 2019.
38. The memorandum informed local board members that a report would be prepared for consideration in their July meetings. Local board members were also invited to provide comments and feedback for inclusion in the submission.
39. Staff have incorporated the local board views received into the relevant sections of the submission and included all comments in full in Attachment Two: Local board views of the submission.

Tauākī whakaaweawe Māori
Māori impact statement
40. The way in which councils are funded and financed will affect all Auckland ratepayers and residents, including Māori. The draft submission considers the impact on all ratepayers and residents of the Commission’s proposals.
41. In its draft report, the Productivity Commission asked a question on costs to local government associated with fulfilling Treaty settlement obligations (such as the establishment of co-governance arrangements involving council and mana whenua) and asks to what extent they should be considered business as usual costs to local government or new costs. The council’s response is provided in Attachment One: Response to questions and recommendations.
42. The council is committed to supporting the implementation of Treaty settlement redress in a fair manner. The council supports a cost-sharing approach between councils and the Crown rather than the current approach of modest and one-off Crown contributions to cost.
43. Other issues raised by the Commission include adaptation to climate change and management of the three waters. These issues have relevance to mana whenua and the draft submission addresses both issues.
44. The Independent Māori Statutory Board (IMSB) and mana whenua were notified and engaged with when the Draft report was released. Officers understand that the Mana Whenua Kaitiaki Form, representing the nineteen iwi of Tāmaki Makaurau, is considering making an independent submission.

Ngā ritenga ā-pūtea
Financial implications
45. There are no financial implications in deciding to make a submission. However, there may be financial implications if central government chooses to implement policy changes.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
46. There are no risks in deciding to make a submission.
Ngā koringa ā-muri

Next steps

47. If approved, the Auckland Council submission on the New Zealand Productivity Commission Local government funding and financing: Draft report will be sent by the deadline of 29 August 2019.

48. The Commission will prepare the final report, with consideration of all submissions, and present the report to Central Government by 30 November 2019.

Ngā tāpirihanga

Attachments

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Ngā kaihaina

Signatories

| Authors                      | Saree Thomson Peachey - Finance Graduate  
|------------------------------|--------------------------------------------------------------------------------|
| Authorisers                  | Ross Tucker - General Manager, Financial Strategy and Planning  
|                              | Matthew Walker - Group Chief Financial Officer  

Auckland Council submission

New Zealand Productivity Commission Local government funding and financing: draft report

August 2019
Auckland Council’s submission on the Productivity Commission’s issues paper on its local government funding and financing inquiry

1. Auckland Council welcomes the opportunity to make a submission on the Productivity Commission’s draft report.

2. This submission has been approved by the council’s Finance and Performance Committee. The address for service is Auckland Council, Private Bag 92300, Victoria Street West, Auckland 1142.

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

1. This submission sets out the council's response to the recommendations in the Productivity Commission’s Local government funding and financing: Draft report. It should be read in conjunction with our submission on the Commission’s Local government funding and financing: Issues Paper.

2. This submission focuses on the Commission’s recommendations to address the key cost pressures facing local government and on the proposed changes to rating. The council’s response to the other questions and recommendations are set out in Attachment One: Response to questions and recommendations. The council has also sought the views of its local boards. Feedback was received from 11 local boards. Their views are reflected in the relevant section of this submission and included in full in Attachment Two: Local board views.

Executive summary

Overall conclusions

3. The council welcomes the Commission's finding that the current funding and financing framework measures up well against the principles of a good system and is broadly sound. The council agrees with the Commission's view that new financing and funding tools are required to address cost pressures to:
   - finance and fund infrastructure to support growth
   - adapt to climate change
   - cope with growth in tourism
   - take on additional responsibilities delegated by central government.

4. The council agrees with the Commission's conclusion that rates affordability has not changed over time but does not support the changes proposed to address equity or to remove the rates rebate scheme.

5. Auckland is New Zealand's premiere city and operates at an economic scale beyond our New Zealand counterparts. The Commission's conclusions and recommendations are a good fit for our core responsibilities and the rest of the country. However, they don't accommodate the additional economic, social and environmental burden that rests on our shoulders.

6. With a third of the country’s population and 50 per cent of its growth, decision made about Auckland have nationally significant economic, social and environmental impacts. The current situation requires sound central and local government decision making across many different agencies. To date this has resulted in slow decision making and a tendency to underinvest compared to some other international growing cities.

7. The council considers that Government should recognise the additional challenges associated with the governance of a supercity with more in common with an Australian state than a local council. The Commission should consider options for the Government to devolve other funding sources to the council. One means of supporting these roles would be to provide a share of, or return, the GST paid on rates to Auckland Council. The Government could require that this funding be used to fund capital and operating expenditure associated with additional investment in infrastructure. This would better equip Auckland to accommodate investment challenges without the need to for slow interagency decision-making processes.

Financing and funding growth

8. The council supports the recommendation that the government continue work on the development of the Special Purpose Vehicle (SPV) model for third parties to invest in infrastructure and to have a secure mechanism to provide for repayment. The council is working closely with government on this. Access to capital to invest in the infrastructure required to support growth is the key challenge facing the council. The SPV model is the most effective means to address the capital shortfall.
9. The legislation which provides for an SPV to set a levy to repay the capital raised needs to be permissive. This will ensure levy design can be tailored to the individual characteristics of each development area. The national rates postponement scheme noted above could be a useful mechanism to manage the incidence of SPV levies on owner occupiers allowing them to defer payment until development or sale of their property.

10. The council also supports in principle the proposal for a growth-related payment from central government. However, the council encourages further investigating the basis for these payments including using forecasts of new building work rather than completed building work. Additional revenue paid after growth has occurred will make a small positive impact on the council’s ability to access capital for investment in infrastructure to facilitate that growth. Care will need to be taken in designing the basis for the payment to address measurement issues and avoid creating perverse incentives.

11. The council recommends that the Commission also consider other mechanisms for additional central government funding to support growth. These could include additional investment in regional infrastructure like roading in growth areas. This would directly address the constraints debt limits are placing on capital investment. Our infrastructure planning could also be improved by greater certainty around NZTA funding which could be achieved at no cost to the Government.

Adapting to climate change

12. The council agrees that the impacts of climate change will present many councils, businesses, and communities with environmental, social, cultural and economic threats and funding challenges beyond their capacity to manage alone. The council endorses the broad themes of the Commission’s recommendations for the government to:
   • set standards for information gathering to ensure decision making is well informed
   • legislate to guide decision making on development and land use in at risk areas
   • provide funding, through NZTA and the proposed Local Government Resilience Fund, to support investment in roading, stormwater and wastewater networks to manage impacts.

13. Without legislative guidance to support decision making local councils will struggle to manage land use in at risk areas to the future detriment of the responsible council and affected communities. Decisions about climate change will also need to consider the impact on communities of the response of the insurance industry to better information about climate risk.

14. Additional central government funding will be essential to manage the impact of climate change on core local government services; transport and three waters as well as to assist with the transition to a low emissions economy. Even large well resourced councils like Auckland will not be able to manage these challenges alone. The council considers that national funding support will be essential but to ensure the best returns from this investment the key decisions will need to be made locally where the knowledge and expertise rests.

15. Climate change is also an important consideration for councils beyond locations directly affected. Auckland Council recognises the need to consider how its decisions on the form and location of development impacts on emissions.

Coping with growth in tourism

16. The council agrees with the recommendation to allow councils that are tourism centres to apply an accommodation levy, or bed tax. Auckland is a key tourism centre for New Zealand, both as the primary gateway to the country and as a destination for its many attractions. Bed taxes are widely used overseas and are superior to a targeted rate. The council also supports international visitor levy funding being able to support investment in the smaller tourist hot spots including those in the Auckland region.
Additional local government responsibilities

17. The council has been working closely with central government on several initiatives including the establishment of SPVs and the Auckland Transport Alignment Programme. The council supports the Commission’s recommendation that central and local government develop their relationship to ensure the funding implications of decisions that may raise costs for local government are fully assessed.

Equity and affordability

18. The council does not agree with the proposed amendments to legislation that would require a complete review of rating policy based primarily on benefits alongside the removal of all differentials and the UAGC. Section 101(3) of the Local Government Act 2002 already requires councils to consider issues of benefit before weighing affordability. Elected members should make the decisions on the balance between benefits and affordability in striking rates to fund council services.

19. Auckland has already been through a major overhaul of its rating regime following its establishment. Rates standardisation resulted in large shifts in the distribution of the rates burden and the council considers Aucklanders will have little appetite for more of the same. Removing all rates differentials would raise residential rates in Auckland by 22 per cent. Another exercise of this scale would consume the energy of staff and elected members and the goodwill of the community. These resources would be better spent addressing the cost pressures the Commission identifies.

20. The council supports a national approach to rates postponement to assist ratepayers who are asset rich but cash poor. However, we do not see this as a replacement for the rates rebate scheme. The rates rebate scheme is popular among Aucklanders on lower incomes or relying on benefits. The council does not support the removal of the rates rebate scheme unless the same support was replaced with a satisfactory alternative.
Funding the challenges of a supercity

21. Auckland Council differs from the majority of other councils in terms of scale. Auckland is a third of New Zealand’s population and economy and 50 per cent of the country’s growth is occurring within our boundaries. Auckland is more equivalent to a state in Australia. Internationally local and state governments have wider responsibilities than those in New Zealand but also access to broader funding sources. Only 7 per cent of tax revenue in New Zealand is raised and spent at a local level compared to 20 per cent in Australia and much higher for most other OECD countries.

22. Given our scale, decisions made in Auckland have nationally significant economic, social and environmental impacts compared to other New Zealand councils. At present the council is working through these issues in partnership with a variety of Government agencies. Each agency has different priorities and is required to follow their own decision making processes. Inevitably this slows decision making. As a result investment hasn’t kept up with growth with consequent lost economic opportunities and social and environmental impacts remaining unaddressed.

23. Auckland Council merged the former councils into one entity to develop and implement a single integrated vision for the city. This eliminated the friction between the councils, provided for decisions to be taken from a regional perspective and delivering economies of scale in service delivery.

24. The next step to release Auckland’s potential is to devolve greater responsibility to the council for key investment decisions along with the necessary funding tools. The council is well placed to take a lead role with Government as the council has the local knowledge and the political structure (with our local boards) to govern a broad range of economic and social issues. With our scale we are able to employ this expertise to ensure good decision making.

25. The council considers that the Commission should look at options for the Government to devolve other funding sources to the council. The council recognises that without material legislative and administrative changes it isn’t practical to introduce a new funding source. Options could include providing a share of the GST collected in Auckland or to return some or all of the GST collected on Auckland Council rates, around $280 million per year. The latter would also eliminate the inequity of a tax being set on a tax.

26. While the council is well equipped to make good decisions on the use of additional funding it should come with additional accountability for achieving the intended economic, social and environmental outcomes. Given the pressures identified by the Commission the funding could be statutorily required to be used for the capital and operating expenditure to support further investment in infrastructure required to deliver these outcomes.

27. We recognise this would raise government’s costs and present them with decisions on expenditure priorities, raising taxes or expanding the tax base. However, devolving additional funding and decision making to a local level closer to the impacts and solutions would deliver benefits justifying these costs. This would better equip Auckland to accommodate investment challenges without the need to for slow interagency decision-making processes.

Financing and funding growth

28. Auckland continues to experience strong population and economic growth. It is estimated that the Auckland region has a current shortfall of around 35,000 dwellings to meet demand for housing. A further 313,000 dwellings and work places to support over 250,000 jobs will be required by 2050 to meet expected growth.
29. The council agrees with the Commission’s conclusions that councils require new financing and funding tools to support the demands of growth. The council has long accepted that growth present challenges. Existing residents face increased demand on council services and finances. Both new and current residents face housing affordability issues. The council has responded to this challenge not by stifling growth but by setting out a vision for our growing city in the Auckland Plan 2050 and planning how we will get there through the Unitary Plan, our 30-year Infrastructure Strategy and our Long-term Plan 2018-2028. However, the council’s lack of debt headroom has meant that the we have had to prioritise our investment in infrastructure to support growth. The following sections address each of the Commission’s recommendations that relate to this challenge.

Special purpose vehicles

30. The council endorses the Commission’s support for continuing work on the development of SPVs that would allow capital to be raised off the council’s balance sheet for investment in infrastructure. To provide a funding stream with the certainty and security to make SPV financing attractive to lenders will require the legislative ability to set compulsory levies, like rates, on land that is benefiting from investment.

31. Legislation will need to provide for a permissive approach to identifying beneficiaries and allocating costs between beneficiaries. Development is location specific and each SPV will be providing funding for a package of infrastructure projects that may deliver varying benefits in their geographic distribution within the development area and beyond, and between new and existing properties.

32. Each package of projects will support development on land:
- with widely varying development potential and size
- held by multiple owners (e.g. owner occupiers, landlords, crown, land bankers, developers) with potentially widely divergent:
  - interests and objectives
  - current revalueability and liability for DCs
  - levels of equity and cashflows.

33. The key challenge in designing a levy regime is to recognise the need to strike a balance on a case by case basis between:
- providing for the provision of third-party financing secured by compulsory levies
- a politically acceptable stream of compulsory charges on land.

A permissive levy scheme will provide the flexibility to deliver this balance on a case by case basis. To ensure regional consistency it would be desirable for the council to have access to a similar range of tools to those available to an SPV.

34. Most local boards that provided feedback supported SPVs in principle. The Aotea / Great Barrier Local Board did not support this proposal. The Papakura Local Board considered that government should take a greater role in funding infrastructure for growth as these investments have national as well as local benefits.

Incentive payment to territorial authorities for new building work

35. The council agrees with the Commission’s recommendation that government provide council with an incentive payment for growth but questions whether building work completed is the best indicator. The council recommends that the Commission should also considers options for additional government investment to support growth.

36. The council’s strategies and plans show its commitment to growth. The council’s ability to put these plans into action is limited by the debt constraints that cap our access to capital to fund investment in infrastructure. The provision of additional revenue after development has occurred will make a small
positive difference to our ability invest. The council notes that more upfront government support for the investment that will allow development to proceed would have more impact. For example, a forecast view of new development could be used to allocate payments to councils that invest in new infrastructure ahead of the development. Future payments could be adjusted to reflect realisation or otherwise. The council welcomes further investigation and discussion on this.

37. These payments as currently proposed introduce an element of risk for the council as we will have made the capital investments before development occurs. The incentive payments and development contributions are only received if developers undertake construction to the timeframes forecast.

38. Care will be required in determining the growth measure to be used. Some measures of building activity such as the value of consents may not be a suitable approach. Often, the true costs may not be known at the time consents are lodged.

39. The choice of the measure on which the payment would be made also needs to consider any unintended consequences such as incentivising building without provision of adequate supporting infrastructure, e.g. transport, leading to congestion problems.

40. While the council would be able to put any incentive payment received to good use it considers the Commission should also recommend other means for the government to provide additional support for growth.

41. The council would be able to open up more areas of the region for development if the government increased its investment in regional infrastructure such as roading investment to support growth. This would only make a difference provided it wasn’t at the expense of existing NZTA commitments in the Auckland Transport Alignment Programme (ATAP).

42. Another target for additional government funding would be to support the success of the SPV model noted above by bearing some of the:
   - inevitable cost risk with the associated infrastructure investments
   - revenue risk and additional financing costs associated with some of the potential mechanisms for managing the incidence of the compulsory levies.

43. Our infrastructure planning could also be improved by greater certainty around NZTA funding. At present NZTA funding is on a project-by-project basis with long delays until funding certainty is provided. This doesn’t help the council increase delivery capability or implement a strategic package of transport initiatives that attempt to address issues based around a network approach. NZTA subsidy level rules should be amended to reflect the agreement on the share of local and central government funding in the Auckland Transport Alignment Project (ATAP).

Value capture rate and road congestion charges

44. The council agrees with the Commission’s finding that councils should have the power to levy value capture rates and congestion charges. Making these tools available would give councils more capacity to tailor the funding mix to the individual growth challenges on a case by case basis.

45. The council favours having the ability to set rates based on change in property value in some circumstances. However, while supporting its availability as a tool the council notes that value capture rating cannot solve the issues on its own in the current New Zealand environment. Applying a value capture rate has measurement issues particularly in determining a start and end point and how much of any value change is related to the benefits of services provided and investments made by the council. The use of value capture as a revenue raising tool may also clash with the intent of the investment in the infrastructure it would fund. If the purpose of the investment is to make housing more affordable, then if
successful, land prices are likely to decrease. A revenue tool based on value uplift may not deliver on its revenue expectations in these circumstances.

46. The council supports accelerating the introduction of new types of charging for roads and in particular congestion charging. The council promoted the introduction of the regional fuel tax to fund additional investment in transport infrastructure and to replace the Interim Transport Levy (a targeted rate set per SUIP). The additional cost of fuel provides incentives to reduce pollution and congestion. However, there are concerns that the higher cost of fuel mostly has the greatest impact on those on lower incomes. Fuel makes up a greater proportion of expenditure for those on lower incomes. They are also are likely to live in areas further from main centres and with less transport options.

47. The next step for the council in terms of revenue raising and demand management is congestion charging. Congestion charges are superior to a fuel tax as they provide a price signal for use of congested traffic corridors thus encouraging better use of public transport. The council is continuing work with central government on road pricing options as part of the Congestion Question project.

48. Some local boards supported value capture funding tools. The Henderson-Massey Local Board noted that it was unclear how it would work in practice. The Maungakiekie-Tāmaki Local Board opposed value capture in principle as it does not consider the impact on residents of the disruption, inconvenience and loss of value during the development of new infrastructure.

Vacant land tax

49. The council agrees in principle with the idea of a charge on vacant land to incentivise better usage of existing infrastructure given the pressures on infrastructure financing and the demand for housing. However, the council considers that there are economic and administrative issues with the application of an additional tax on vacant land or unoccupied dwellings.

50. The council notes that a charge set on this basis would not align well with the Commission’s recommendation that rates be set based on the benefits to properties from council services or investments in the first instance. The council considers that compulsory levies set to fund the specific growth investments made by a SPV are a better mechanism to provide the incentive to develop.

51. The council considers a tax on unoccupied dwellings would be difficult to justify as there is no link between the services the council provides and a dwelling being unoccupied. To apply this tax, we would need a clear definition of an unoccupied dwelling which considers issues such as baches and holiday homes and dwellings in areas where there is no demand for housing. We would also need to maintain a database of unoccupied dwellings which could incur significant administrative costs and compliance issues.

52. A tax undeveloped land could only apply where there was a link between undeveloped land and under use of council provided infrastructure. This link can only be made where the undeveloped land has the appropriate zoning and is serviced by infrastructure that provides sufficient capacity to allow land to be developed. This rationale would allow the tax to apply equally to business as well as residential land.

53. The definition of undeveloped land would need to consider any possible overlap between an undeveloped land tax and development contributions charged to developers. It would also need to consider any thresholds that should be applied such as the size of land parcels, whether land parcels meet feasible development tests and whether the land is infrastructure ready. The consequence of avoidance behaviours such as use of vacant land for car parking or temporary retail spaces would also need to be considered in any definition, as would legitimate land use such as timber yards and car yards, which have low levels of improvements.
54. The level of the tax for vacant dwellings and land would need to be sufficient to incentivise the owners to rent, sell or develop their property. Establishing the optimum level of the tax would likely be difficult, be market-specific and require further investigation. If the tax was set too low, it may not be effective while setting the level too high may be seen as excessively punitive. If the holding costs of land are less than 10 per cent at present interest rates, then a vacant land tax would need to be set at 1 per cent of land value in order to make a 10 per cent change.

55. Analysis of the council’s rating information database shows that there are around 29,000 urban properties that have an improvement value of less than 5 per cent of the land value. The table below shows the split between residential and business land and the respective land values and assessed rates. For vacant land, we estimate that a rate increase of more than 100 per cent for business and 300 per cent for residential land would be required to increase annual holding costs to around one percent of the value of the land.

<table>
<thead>
<tr>
<th>Land type</th>
<th>Number of properties</th>
<th>Land value ($m)</th>
<th>Rates $</th>
<th>Rates to land value percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>26,303</td>
<td>$30,254</td>
<td>$74,097,969</td>
<td>0.24%</td>
</tr>
<tr>
<td>Business</td>
<td>2,856</td>
<td>$9,352</td>
<td>$52,772,566</td>
<td>0.56%</td>
</tr>
</tbody>
</table>

56. Most local boards that made submissions were generally in support of a vacant land tax. The Aotea / Great Barrier Local Board was opposed to the application of a vacant land tax on Great Barrier Island.

**Universal DC template**

57. The council does not support development of mandatory standardised templates for development contribution policies and assessments. Councils vary in size and the nature of development demands that may not easily fit within a standard template. In addition, a move to a standard template may reduce the scope of local authority decision making. The council does not support a prescriptive approach to standardisation that would preclude us from adjusting our policy to best support growth in our region.

58. The council is continuously improving its development contributions policy, striving for greater policy clarity and transparency in the policy change. We note the findings from the Insight Economics Review of changes to council development contribution policies in four high growth areas. This review finds that the council’s Contributions Policy generally reflects development contributions principles and provides a transparent and reliable platform for setting prices.

59. Given these conclusions we don’t see the value in putting additional energy into developing a standardised approach. However, the council continues to work closely with other councils throughout New Zealand. The council takes a leading role in the sector-wide Development Contributions Working Group which acts as a forum for sharing best practice and supporting smaller local authorities.

60. Given the important role the development contributions take in funding investment in infrastructure to support growth, the council asks that the Commission support our position on Kāinga Ora, that it should be liable for development contributions. The Kāinga Ora – Homes and Communities Bill transfers the rights and liabilities of Housing New Zealand Corporation, which is exempt from payment of development contributions, and its development subsidiary HLC (2017) Limited, which is liable for development contributions, to Kāinga Ora. This provision creates ambiguity on whether Kāinga Ora is liable or exempt from paying development contributions for its developments. As development contributions revenue is ring-fenced for growth infrastructure, an exemption could have a significant adverse impact on the provision of critical infrastructure to support housing and development.
61. The council also supports the recommendation that council is able to recover development contributions where the infrastructure is provided on land that the local authority does not own or control. This is becoming an increasingly common way of providing community infrastructure in a cost-effective way.

Adapting to climate change

62. The council agrees with the Commission’s finding that the cost of adapting communities and infrastructure to mitigate risks and hazards associated with climate change will be a major factor influencing local authority costs. The council endorses the broad themes of the Commission’s recommendations for the government to work closely with councils, set a clear direction for action and provides additional funding.

63. The council has recently declared a climate emergency and is currently consulting on the Auckland Climate Action Framework. This lays out our key moves in achieving our climate change goals, including using renewable energy, delivering clean, safe transport systems, and moving to a zero-carbon economy. It also sets out a range of actions for individuals, communities, organisations and businesses to help work toward these goals, including becoming more resilient to climate change.

64. The council’s response to the Commission’s recommendations are set out in Attachment One. However, there are other observations on climate change that should be considered.

65. The council recommends that local and central government take an integrated approach to climate change adaptation and mitigation. This would ensure that adaptation and mitigation actions are complementary. The council also recommends a six-year refresh of a national climate change risk assessment and adaptation plan, aligned to long-term plans. This would ensure the most significant risks are budgeted for and addressed in responsible timeframes.

66. Councils and government should work together on how to manage the implications of disclosure of climate change risk. Identification of climate risk may lead to some locations facing the risk of being uninsurable in the future.

67. The council recognises that it needs to consider the impact on climate change of other council activities such as development and support for tourism. For example, development of greenfields could have consequences for our emissions profile and therefore the scale of climate adaptation measures that would be needed to offset these emissions. Similarly, the New Zealand tourism sector is reliant on high emissions transport both for international and domestic visitors wishing to see more of our country. There is the potential that increasing climate awareness could have negative impacts on international tourism demand. This could result in ‘stranded asset’ scenarios where infrastructure investment is significantly above what it needs to be to meet demand.

68. Most of the local boards that provided feedback endorsed the broad themes of the proposals to address climate change. The Waitakere Local Board suggested that funding tools to ensure an appropriate contribution from those bodies that pollute or exacerbate climate change should be developed. The Papakura and Auckland / Great Barrier local boards both noted the impact of climate change in their areas.

69. The Auckland / Great Barrier Local Board noted that their airports and wharves sit beside the coast and are essential transport links for the island. The board is currently looking at their coastal roads and infrastructure and the possibility of a managed retreat. These major long-term infrastructure concerns are beyond local funding capabilities.

Coping with growth in tourism

70. Auckland is both the primary gateway for tourists to New Zealand but also a prime tourist destination. Given its size the Auckland region encompasses attractions at scale like the city centre and but also
features areas like Matakana, Waiheke and Great Barrier Island with strong similarities to many of the smaller tourist hot spots in the regions. In these areas there is a need for tourism infrastructure above and beyond local community needs and is willing to pay for but is generating significant tourism spending. The council therefore supports the Commission’s recommendations for new funding tools but argues that to ensure equitable treatment Auckland should also receive an appropriate share of the international visitor levy.

71. The council agrees with the Commission’s finding that coping with the growth of tourism is presenting councils with funding challenges. The council supports the Commission’s recommendations that the Government:
   - legislate to enable councils to implement an accommodation levy to recover the tourism induced costs of providing local mixed-use facilities
   - provide funding from the international visitor levy for councils responsible for small tourist hotspots which cannot reasonably recover all their operating costs of providing mixed-use facilities from tourists through user pays or accommodation levies.

72. Auckland Tourism, Events and Economic Development (ATEED), an Auckland Council controlled organisation, works alongside industry and government at all levels to activate the opportunities and help address the challenges of managing the impact of Auckland’s visitor economy. The council’s Destination AKL 2025 strategy, is focused on destination management and making Auckland visitor-ready, particularly as we prepare for a strong line-up of events in 2021 including the 36th America’s Cup, APEC 2021, the World Softball Championship, and the Women’s Rugby World Cup.

73. The council funds 50 per cent of ATEED’s visitor attraction and major event expenditure with the accommodation provider targeted rate (APTR). The APTR is set differentially by property type and location and is based on capital value.

74. The council agrees with the Commission’s recommendation to implement accommodation levies to meet funding pressures from tourism, which could be used in addition, or as an alternative, to current funding tools. The council considers that the accommodation levy should also be able to fund council expenditure on visitor attraction and major events.

75. An accommodation levy would distribute the costs of responding to tourism demand based on their accommodation revenue and revenue would rise with increases in visitor numbers. Guest nights in Auckland’s were 7.46 million for the year to April 2019. In the 2019/20 financial year, the APTR is expected to generate around $14 million in revenue.

76. It is important that funding from the international visitor levy is based on national demand proportionally across the regions and does not focus on supporting small tourist hotspots exclusively. It is also important that funding from the international visitor levy acknowledges and supports New Zealand’s main tourism centres such as Auckland and Queenstown, which make a crucial contribution to growing New Zealand’s overall tourism value and productivity. As an example, Auckland is a key port of entry to New Zealand for the cruise sector. If Auckland’s infrastructure cannot accommodate the larger ships which are replacing older ships, there is a risk of a number of ports in the rest of the country losing revenue from the sector.

77. While Auckland has capacity for more visitors overall, a fundamental principle of Auckland’s Destination AKL 2025 strategy is to disperse visitors to areas around the region which are not strongly visited. This supports business growth and communities in regional Auckland through developing sustainable tourism product offerings. ATEED has assisted in the creation of cluster groups in each of the Auckland sub-regions to understand the local communities’ needs. The cluster groups include businesses and stakeholders from each local community. These communities require investment to develop attractive
offerings for Aucklanders as well as domestic and international visitors and funding from the international visitor levy should be available.

78. The council believes that the Government’s investment framework for tourism should be based on a strong case for investment or change, irrespective of regional location. Auckland is a diverse city with diverse needs, and it is therefore important to treat each area depending on the needs of that area rather than as a single region. There is a strong focus on investment in the regions, but consideration needs to be made of the flow-on impacts of not supporting the major centres proportionally.

79. Most of the local boards that provided feedback were in support of the implementation of an accommodation levy and that the government should provide funding to councils from the international visitor levy. The Maungakiekie-Tāmaki Local Board did not support an accommodation levy because of its impact on small local businesses.

Additional local government responsibilities

80. The council agrees with the Commission’s recommendation that central and local government work together to achieve a more constructive relationship. This would ensure greater consideration was given to the financial implications of government decisions that add to council’s responsibilities and costs.

81. Most of the local boards that provided feedback were in support of this recommendation. The Whau Local Board considered that mana-whenua should also be included on matters related to delivery of Treaty of Waitangi obligations.

Equity and affordability

82. The council agrees with the Commission’s finding that the current rating system is sound and measures up well against a range of criteria. However, the council does not support the key changes the Commission suggests regarding equity and affordability. Implementing the changes proposed to give more weighting to benefits in formulating a rates policy accompanied by the removal of differentials and UAGCs would divert council and community attention away from the priorities the Commission has identified.

Weighing benefits in rates decision making

83. The council agrees that who benefits should be the primary consideration for most funding decisions and for most rates funding decisions. However, the council does not agree with the Commission’s recommendation that legislation should be amended to make benefits the primary consideration in rates setting.

84. A requirement to revisit our rating policy giving greater weight to benefits would divert elected member and staff resource, and the attention of the community, away from the key funding pressures the Commission has identified. The council considers that addressing the key funding pressures is the best use of its resources. The council notes that the Commission has not identified any superior economic or community outcomes from this amendment.

85. The council agrees with the Commission’s argument that redistribution is the role of central government and a system in which two levels of government underlook redistribution would lack coherence. However, the council has legislative obligations to consider the four well beings in its decision making inevitably giving rise to considerations of redistribution. As the Commission notes local and central government in general avoid conflicts because of the separation of the taxation tools they use and the different nature of public good services they provide.

86. The council agrees that careful consideration should be given to who the beneficiaries of expenditure are when determining how the burden of funding public and social goods is distributed between ratepayers.
We also agree that this analysis, and the weighting of affordability and other dimensions of funding decision making, should be undertaken transparently.

87. The current decision making requirements in section 101(3) of the Local Government Act 2002 require that this analysis is undertaken and fundamentally in the order that the Commission proposes:

- section 101(3) a) requires an analysis of who the beneficiaries are (and/or who may be imposing the costs that drive expenditure)
- 101(3) b) then requires an assessment of the “overall impact of any allocation of liability for revenue needs on the community”, essentially consideration of affordability.

These decisions are made transparently as all decisions on rates must be consulted on as part of an annual or long-term plan.

88. Auckland Council has included an analysis of the factors set out in s 101(3) in the consultation and decision making materials for all its recent major rating and funding decisions.

89. In order to properly assess benefits council’s will require better access to information about how properties are being used. Changes in technology are changing the way in which business is conducted and properties are used. Current rating legislation was designed for a time when it was very clear how properties were being used. At present ratepayers have no obligation to advise the council of how they are using their properties and face no penalty if a use other than that which we have recorded is subsequently discovered. Changes to rating legislation to require ratepayers to advise the council how their property is used would help ensure rates are applied fairly. Legislation should also oblige third parties to share information they hold on a property’s use with the council.

90. The council notes that most rates funded services provided by the council are public or merit goods. Over time technology has improved the ability to identify and charge beneficiaries (e.g. water meters) and those who impose costs (e.g. congestion charging for roads). Where these services are charged for consumers make better decisions on how much of a service to consume and superior economic outcomes result.

91. For public goods like parks, stormwater and transport (roading and public transport) an assessment of the benefits is possible but cannot normally accurately identify who benefits and by how much. Even after making the best benefits assessment possible some fundamental questions remain such as should transport costs be allocated to the origin of trips, residential properties, or the destination e.g. employment, retail and entertainment. An assessment can only inform decision making rather than accurately allocate costs.

92. For these public good services, it is not practical to charge users and as result there are no economic benefits from allocating the costs to beneficiaries. Determining how to equitably share the costs of these services, in both benefits and affordability dimensions, remains a subjective decision.

93. The council notes that the challenges discussed above relate to funding the capital and operating cost of existing services. It is easier to identify the beneficiaries of projects to support growth. A charge can be set on land to fund these (like a development contribution or targeted rate). Setting these charges delivers economic benefits by ensuring that development decisions are made based on the underlying costs.

94. Most of the local boards that provided feedback supported the principle that those who benefit from or cause the need for a service should bear the cost. Several local boards noted that the ability to pay should be given equal weighting. Several also noted that benefits are often not contained within an easily defined geographic area e.g. a local board area.
Removal of rates differentials and the UAGC

95. The council also disagrees with the recommendations to remove the ability to set rates differentially and to set uniform annual general charges (UAGCs). Even with the proposed five-year transition period the redistribution of rates arising from the removal of differentials and UAGCs would lead to changes in excess of levels the community is prepared to accept or understand. The Commission suggests that targeted rates provide a better mechanism than differentials to allocate cost to beneficiaries and to make adjustments for affordability. They consider that targeted rates could be used to achieve the same distribution of the rates burden. We consider that this would be difficult for Auckland Council with its largely contiguous urban rating base and interconnected service networks. While we also have many distinct more remote areas these are also inextricably linked to the benefits of the greater region making setting a “fair” targeted rates. It would also deliver a very complicated rating system reducing transparency to all but the most well-resourced ratepayers and ratepayer groups.

96. The council has calculated that a removal of the current general rate differentials on the general rate, water quality targeted rate (WQTR) and natural environment targeted rate (NETR) would cause significant changes in rates incidence. On average, on top of any overall budget increase, residential rates would increase by 22 per cent and farm/lifestyle rates would increase by 50 per cent. Business rates would decrease by 54 per cent.

97. Removing the UAGC (currently set at $424) would shift the rates burden from lower value residential properties to higher value properties. The 20 per cent of properties valued above $1.33 million would have rates increases of 4.5 per cent or more. The 20 per cent of properties valued at $620,000 or less would have a rates decrease by 10 per cent or more. As the UAGC is levied per separately used or inhabited part of a rating unit\(^1\) (SUIP) it would also shift some of the rates burden from the 30,000 multi-SUIP properties to properties with only one SUIP.

98. The council has recently been through an extensive exercise to establish a standardised rating system from the varying approaches used by the seven former councils. This resulted in a significant redistribution of the rates burden. The council worked through these issues over a seven-year period. The debate on those issues consumed substantial staff and elected member time and dominated our consultation with the community. Requiring councils to commit a substantial proportion of their management and political resources to an exercise in rates redistribution would be a waste of these resources given the other challenges the draft report identifies.

Introduction of a national rates postponement scheme

99. The council supports the introduction of a national rates postponement scheme as an effective means of allowing those with limited sources of income to make use of the wealth accumulated in their property. A nationally funded and administered rates postponement scheme would not impact on the council’s balance sheet. Any postponement scheme should make application easier and seek to reduce administration costs and hence lower administration fees. To reduce any perceived stigma associated with applying to join the scheme it should be open to all ratepayers regardless of their circumstances i.e. not require a hardship test.

100. A scheme of this nature could be used to support the council’s proposal to allow owner occupiers to defer payments of levies set to support SPVs financing growth infrastructure, see paragraphs 39-43 below.

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\(^1\) A separately used or inhabited part of a rating unit includes both the main house and granny flat and treats each shop in a shopping mall separately.
101. A national scheme should also allow Auckland residents to fund their water and wastewater charges. This would ensure they are treated fairly relative to other regions where water and wastewater charges are included in rates bill. This should also apply to any other council’s that establish separate water authorities in the future.

102. Most of the local boards that provided feedback generally supported a national rates postponement scheme. Comments included:
- may assist those on fixed incomes to meet their rates obligations
- effective means of supporting those who are asset rich but income poor
- could increase uptake of the scheme.

The Maungakiekie-Tamaki and Ōtara-Papatoetoe local boards did not support the proposal as it doesn’t reduce the financial burden on rate payers who are struggling.

**Rates Rebate Scheme**

103. The council does not agree with the Commission’s proposal to phase out the Rates Rebate Scheme over a defined period until a national rates postponement scheme has been implemented. The council does not support the removal of the scheme unless the ratepayers currently receiving a rates rebate were transferred to a scheme with similar benefits. The council agrees that the level of assistance the scheme provides is small, at a maximum of just over $12 per week, and that most recipients wouldn’t qualify for the government’s accommodation supplement. However, the additional support provided by the Rates Rebate Scheme is popular among Aucklanders on low incomes or relying on benefits such as superannuation or disability. The scheme is also simple to administer and if promoted to increase its uptake, its value could be maximized.

104. The Maungakiekie-Tamaki and Ōtara-Papatoetoe local boards did not support removing the rates rebate scheme. The Maungakiekie-Tamaki Local Board consider the scheme should be reviewed to ensure it is addressing socioeconomic inequity.

**Three waters**

105. The Commission suggests a new regulatory regime for three waters which would enforce minimum standards to improve the performance of the three waters sector.

106. The council supports this recommendation in principle and notes that further feedback will be provided as part of the Three Waters Reform programme and central government’s Essential freshwater package.

107. As part of the council’s 10-year Budget 2018-2028, Aucklanders prioritised spending to improve water quality across the region. The council ring-fenced $452 million raised through a water quality targeted rate for projects that will ensure cleaner beaches, streams and harbours.

108. The council and its CCC Watercare are working on its Three Waters Strategy to achieve the objectives of adapting to a changing water future, as laid out in the Auckland Plan 2050. The ways in which this will be done include collecting and treating wastewater effectively, and, managing the effects on receiving environments. In its Statement of Intent, Watercare has also undertaken to meet the requirements of the national policy statements on urban development capacity and freshwater management. Watercare is also committed to working with the council to identify additional effective, appropriate and meaningful measures that will arise from the Government’s review of three waters in New Zealand. This includes working on identifying appropriate climate change measures and targets.

109. The council notes that the government approved a dedicated water regulator and new water regulations in early August. The council looks forward to reviewing the new legislation which is expected to be introduced to parliament by the end of the year.
110. Most of the local boards that provided feedback were in support of this proposal.
## Attachment B: Response to questions and recommendations

<table>
<thead>
<tr>
<th>Productivity Commission Questions and recommendations</th>
<th>Auckland Council Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trends in local government revenue, expenditure, prices and debt</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Question 3.1</strong> Is the current methodology for preparing the Local Government Cost Index sufficient for forecasting the prices that local authorities are likely to face? If not, should the methodology be improved, such as by one or more of: • carrying out more frequent recalibration; • including output indices; and • disaggregating by council type?</td>
<td></td>
</tr>
<tr>
<td>It is important that each council critically assess whatever index they use to inform budgeting decisions to ensure that they are appropriate to their particular circumstances. Auckland Council makes use of BERL indices, other public economic projections, and our in-house economist unit to inform inflationary impacts on cost projections.</td>
<td></td>
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</tbody>
</table>

<p>| <strong>Pressures on funding and financing</strong> |
| <strong>Question 4.1</strong> To what extent are the Treaty related costs associated with fulfilling the obligations and requirements under local government statutes &quot;business as usual&quot; for councils? And to what extent should they be considered costs incurred to fulfill obligations on behalf of the Crown under the Treaty of Waitangi? |
| The council is committed to meeting its responsibilities under Te Tiriti o Waitangi – Treaty of Waitangi and its broader legal obligations to Māori. The goals under its Māori Responsiveness Framework are embedded into business as usual activities. The council is also committed to supporting the implementation of Treaty settlement redress in a fair manner. There are currently three arrangements provided through Treaty settlement legislation in Auckland requiring the establishment of permanent co-governance bodies. The council participates in and provides support for these bodies. When all Treaty settlement negotiations are completed, Auckland Council will likely participate in and be responsible for supporting no fewer than six co-governance bodies with the Crown. Other co-governance arrangements will also be provided, but these will not require establishing permanent bodies. Current Crown policy limits Crown funding for Treaty settlement co-governance outcomes at most to one-off set-up costs for the co-governance body, the cost of preparing plans not timetabled in a council's long-term plan and ongoing costs for up to three years. The Crown does not consider costs beyond three years. This is despite co-governance entities being permanent statutory bodies. The cost of administering co-governance entities are almost entirely placed with local councils. The Crown justifies this by arguing that co-governance arrangements are 'business as usual' for councils and exist as an extension to their responsibilities under the LGA and RMA to involve Māori in local decision making. The Council has a different view, believing co-governance bodies are provided by the Crown as Treaty settlement redress to settle long-standing historical grievances of Māori, including grievances relating to the loss and degradation of natural resources over 152 years. Treaty settlement legislation is used to establish the co-governance bodies. Local body authorities are not the Crown and undertake these arrangements on the Crown's behalf. The Council nevertheless recognises co-governance bodies can provide an effective vehicle for partnership between councils and Māori, in particular to enhance Māori participation in natural resource decision-making. This means the council has an interest in supporting co-governance entities. The Crown also benefits from and has a significant and ongoing interest in the success of co-governance bodies to protect the durability of Treaty settlement outcomes, to ensure Māori are able to effectively participate in partnership with councils, and to support natural resource management outcomes which align with government policy objectives. This means a cost-sharing approach between councils and the Crown is more appropriate than the current approach of modest and one-off Crown contributions to cost. In addition, placing long term funding for Treaty settlement co-governance arrangements solely on ratepayers is a significant risk to the success and longevity of co-governance entities. It assumes ratepayers will support the establishment of new rates to provide funding to support the co-governance bodies through the Long-term Plan consultation process. If this does not occur this could result in co-governance entities that do not have the financial resources they need to fulfill their functions. |</p>
<table>
<thead>
<tr>
<th>Productivity Commission Questions and recommendations</th>
<th>Auckland Council Comment</th>
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</table>
| **Question 5.1**  
The Commission is seeking more information on the advantages and disadvantages of reducing the frequency of Long-Term Plan (LTP) reviews, while retaining the requirement for annual plans. What would be the benefits, costs and risks of reducing the frequency of LTPs from every three years to every five? What if for years were a minimum, and local authorities were free to prepare LTPs more frequently if they wished? | The council suggests that the Crown should consider Treaty settlement co-governance entities as both valuable Treaty settlement outcomes, and as a means to promote integrated and effective public policy outcomes with national benefits. The council further suggests that the Crown should be committed to supporting the ongoing costs of Treaty settlement co-governance bodies in a manner that is fair to local government and supports participating whānau. |

**Improving decision making**

**Advantages:**
- Staff time and effort is reduced
- Reduction in audit fees
- Consultations could be improved with an increase in available budget
- AuditNZ resources could be better spread as councils are producing LTPs at different times
- Reverses public consultation fatigue
- More able to focus on long-term decisions if they are addressed every five years.

**Disadvantages:**
- New incoming elected members may want to make significant changes to a newly adopted LTP, requiring a further LTP process to be carried out.
- Elected members may not wait 5 years as their term may run out or, they may not consider longer term financial decisions if there are only annual plans within their three-year term – may consider it to be a caretaker role.
- It may be more difficult for councils to share information as their LTPs will be carried out at different times
- Limits opportunities for the whole council to propose big ideas which are not considered during Annual Plan rounds.

**Question 5.2**
Is it appropriate for local authorities to include an adjustment for anticipated price inflation when they set rates each year? If not, what disciplines could be applied to the rate-setting process, to encourage local authorities to seek to manage cost and price pressures through productivity improvements? What would be the benefits and drawbacks of such an approach? | Rates setting is a political decision.  
This is informed by our financial strategy which seeks to balance the need for investment in assets and services with ensuring that the costs of that investment are acceptable.  
When setting budgets for individual cost lines an inflation factor is appropriate to reflect market movements. The council separately sets efficiency savings targets, either centrally or by service area, to ensure productivity improvements and the best use of ratepayer funds. |

**Question 5.3**
Would establishing a capital charge for local authorities be an effective way of incentivising good asset management? What would be the advantages and disadvantages? Are there other, more effective ways of encouraging better asset management practices in local government? | While a recognition of the opportunity cost of ratepayer investment may assist with decision-making the advantages of this would need to be balanced against the costs of maintaining such a system (identifying all assets and liabilities by activity, and increased focus on overhead allocations). |

**Recommendation 5.1**
The Department of Internal Affairs, Local Government New Zealand (LGNZ) and the New Zealand Society of Local Government Managers should work together to improve basic governance, including financial governance, skills and knowledge across elected members. In undertaking this work, they should consider:
- a range of mechanisms, such as formal training, peer support, mentoring (e.g., via “sister council” links), and networking, and sharing of resources and best practice, and
- a variety of delivery platforms, including online media and collaboration tools.  
LGNZ should ensure that resources and initiatives are well evaluated. | Support  
The council actively works with LGNZ, SOLGM and DIA on many matters of shared interest. In addition, the council has a structured elected member induction and development programme known as Kura Kawana. Our induction programme already covers funding and financing matters, we will ensure a particular focus on this post the 2019 Local Government Election and also within our next Long-Term Plan process. |
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<tbody>
<tr>
<td><strong>Recommendation 5.2</strong>&lt;br&gt;Local Government New Zealand should work to achieve greater participation in ongoing professional development by elected members, including new and existing members, to ensure skills and knowledge are built and periodically refreshed.</td>
<td>Support&lt;br&gt;The council is happy to assist LGNZ as necessary.</td>
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<tr>
<td><strong>Recommendation 5.3</strong>&lt;br&gt;The Local Government Act 2002 should be amended to require all local authorities to have an Audit and Risk Committee (or equivalent assurance committee).&lt;br&gt;- Audit and Risk Committee should have an independent Chair, and ideally include at least one other external expert, to ensure they span the full range of necessary skills and experience.&lt;br&gt;- Independent members should be appropriately skilled and qualified.&lt;br&gt;- Councils should draw on the good practice guidance and resources that are available to develop and run their committees.</td>
<td>Support&lt;br&gt;Auckland Council has an Audit and Risk Committee in place. The council’s committee has an independent chair and two independent members who are appropriately skilled and qualified.</td>
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<tr>
<td><strong>Recommendation 5.4</strong>&lt;br&gt;The local government reporting framework (including the financial disclosures, Funding Impact Statement and performance measures for service delivery) should be subject to a fundamental, first principles review. This review would:&lt;br&gt;- identify financial disclosures of low value to users of financial statements;&lt;br&gt;- examine the mix of financial and non-financial disclosures, and recommend a revised framework that provides the most efficient, coherent and accessible way of reporting the range of information sought by both types of users;&lt;br&gt;- consider the potential for new forms of external reporting, including integrated reporting, to shape changes in the reporting framework; and&lt;br&gt;- be undertaken by a working group comprising the Department of Internal Affairs, the External Reporting Board and representatives of the local government sector and information users. The Office of the Auditor-General would be consulted.</td>
<td>Support&lt;br&gt;The council agrees with a first principles review. Currently, a lot of the reporting requirements are too prescriptive. This impacts on our ability to tell a more relevant performance story for both “customers”, the community, and “owners”, elected members. A simplification of the reporting requirements is desired where a more meaningful story can be told in fewer words.&lt;br&gt;The review should consider the relevance of the content. This will ensure consideration is given to helping stakeholders understand and use reports better, especially from the resident’s perspective. The focus should shift from compliance to providing more relevant information.&lt;br&gt;The review should consider providing guidance on the principle-based approach e.g. on how we could achieve this approach along with setting out some key minimum reporting requirements rather than mandate a framework like integrated reporting.&lt;br&gt;The review should also consider enabling organisations to shift towards digitalisation (allows depth of information at the hand of user rather than paper-based information which will facilitate a common platform across different authorities).&lt;br&gt;It might appear that the FIS and cashflow statement show the reader similar information, however they serve quite different purposes. The FIS is presented on an accrual basis and also more clearly differentiates operating and capital items (such as capital grants from NZTA). Given the importance for councils of aligning operating revenue sources with operating expenditure (balanced budget tests) and explaining how they fund their capital investment the FIS serves an important purpose in financial planning and reporting.&lt;br&gt;Councils should have some flexibility in determining the structure and presentation to enable them to most effectively communicate their financial story to the community. For example, where Development Contributions are used to fund interest costs on investment this portion should be able to be shown as an operating funding source.&lt;br&gt;The council agrees that the proposed Working Group should be truly collaborative, and councils and customers should be part of any core group.</td>
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<tr>
<td><strong>Recommendation 5.5</strong>&lt;br&gt;The Department of Internal Affairs, Local Government New Zealand and the New Zealand Society of Local Government Managers should continue to work together to promote and encourage councils’ participation in existing performance review and improvement initiatives, such as CouncilMARK™ and the Australian Local Government Performance Excellence Program. The emphasis should be on learning for</td>
<td>Support in principle&lt;br&gt;The council consider this would require a lot of effective collaboration and may require dedicated local authorities’ resources to support.&lt;br&gt;The purpose of the work would need to be clearly defined including whether it should formally include a benchmarking element.</td>
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<td>Productivity Commission Questions and recommendations</td>
<td>Auckland Council Comment</td>
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<td>continuous improvement, rather than a one-off exercise. This work should include efforts to boost public awareness initiatives such as CouncilMARK™ to increase demand for their use.</td>
<td>Support</td>
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</table>
| **Recommendation 5.6** The legislated information requirements for the consultation processes of local authorities should be amended to:  
  - make the terminology around the required analysis of alternative options consistent across relevant sections of the Local Government Act 2002;  
  - clarify that Long-Term Plan (LTP) consultation documents must describe the reasonably practicable alternative options for addressing each identified issue; and  
  - explicitly require that LTP consultation documents include high-level information on the implications for rates and future service levels associated with each of the identified options. | Consistency across relevant sections is sensible. However, it is very difficult to cover all the legal requirements while keeping consultation documents simple enough for residents to understand. Large councils have complex issues, and this should be recognised. The difficulty with explaining a potential service level reduction means staff are forced to identify areas where these should be political decisions.  
  The definition of high level will need to be clearly defined to ensure the requirements are met. |
| **Recommendation 5.7** The Local Government Act 2002 should be revised to clarify and streamline the required content of Long-Term Plans so as to reduce duplication, ease the compliance costs on councils, and help make them more accessible documents. | Support |
| **Recommendation 5.8** The scrutiny on long-term planning provided by the audit requirements should not be considered a substitute for internal quality assurance processes. Councils should have robust quality assurance procedures across their Long-Term Plan process, including the use of expert review where appropriate (such as for significant decisions). | Support |
| **Future funding and financing arrangements** |  |
| **Question 6.1** How desirable and useful would a tax on vacant residential land be as a mechanism to improve the supply of housing for New Zealanders? How would such a tax measure up against the principles of a good system of local government funding and financing? | Refer to paragraph 49-56  
  Tax on vacant residential land |
| **Question 6.2** What would be the advantages and disadvantages of a system of payments to territorial authorities based on new building work put in place in each territorial local authority?  
  What would be the best design for such a mechanism? Would it be effective in incentivising councils to keep the supply of consented land (greenfield and brownfield) and local infrastructure responsive to growth pressures? | Refer to paragraph 35-43  
  Incentive payment to territorial authorities for new building work |
| **Recommendation 6.1** The Government, Local Government New Zealand and the New Zealand Society of Local Government Managers should work together to develop standardised templates both for the | Do not support |
|  | Refer to paragraph 57-61  
  Universal DC template |
<table>
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<td>development contribution (DC) policies of councils and council assessments of DC charges for individual property developments. Councils should be required to use the standardised templates.</td>
<td>The council agrees that a focus on asset management planning and knowledge of asset information is important in the flow through to better rate funding. The council also agrees that the treatment of funded depreciation and the resulting operating funding surplus should be a core feature of financial strategies. The council notes that depreciation is driven by major capital expenditure which is generally depreciated over around 50 years. Depreciation will not reduce with the decrease in capital expenditure. For this reason, spending on renewals should be based on sound asset management plans and viewed over a 50-year horizon rather than annually.</td>
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**Recommendation 6.2**

While local authorities’ general approach to depreciating their infrastructure assets is satisfactory, there are still issues of concern and may require action:

- councils’ decisions about the best use of the large amounts of cash that depreciation funding can give rise to should be part of formulating their wider financial and infrastructure strategies;
- councils should prioritise improving their knowledge of the condition and performance of their assets to, among other benefits, avoid the risk of underestimating asset lives and overestimating depreciation expense; and
- the Essential Services Benchmark should be reviewed as part of the wider review of the local-government performance reporting framework referred to in Recommendation 5.4. Any reframing should avoid the implication that individual councils must invest in as much asset renewal each year as their depreciation expenses.

**Recommendation 6.3**

In choosing among funding tools, rating basises and whether to charge rates as a percentage of property values or as uniform charges or some other targeted feature, councils should emphasize the benefit principle and efficiency in the first instance. They should also balance greater economic efficiency against lower compliance and administration costs. Councils should factor in any significant concerns about ability to pay at a second stage in their decision making.

**Recommendation 6.4**

The Government should consider implementing a system of payments to territorial authorities, based on new building work put in place in each territorial local authority, to incentivise councils to increase the supply of infrastructure services and to match growth in demand.

**Recommendation 6.5**

The Government should direct officials to continue work on how to expand the use of Special Purpose Vehicles to finance investment in growth infrastructure in fast-growth local authorities that face debt limits. If needed, the Government should promote legislation in Parliament to enable the placement of debt-serving obligations on existing residents who will benefit from the infrastructure.

**Recommendation 6.6**

In its review to improve the service delivery of the three waters, the Government should favour models capable of applying efficient scale and specialisation to help small communities meet the...
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<td>challenges of maintaining and upgrading their water, wastewater and stormwater infrastructures.</td>
<td>Support</td>
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<tr>
<td>Recommendation 6.7 The Government should legislate to enable councils in tourist centres to choose to implement accommodation levies to recover the tourism-induced costs of providing local mixed-use facilities not otherwise charged for. Councils in tourist centres should make greater use where possible of user pays for mixed-use facilities.</td>
<td>Support</td>
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<td>Refer to paragraph 70-79 Coping with growth in tourism</td>
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<tr>
<td>Recommendation 6.8 The Government should provide funding from the international visitor levy for councils responsible for small tourist hotspots which cannot reasonably recover all their operating costs of providing mixed-use facilities from tourists through user pays or accommodation levies.</td>
<td>Support</td>
</tr>
<tr>
<td>Refer to paragraph 70-79 Coping with growth in tourism</td>
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<tr>
<td>Recommendation 6.9 The benefit principle and maintaining the integrity of local government autonomy, responsibility and accountability should guide central government funding of local government activities. This implies that central government should generally limit its funding to where there are national benefits. Central government should not expect local government to act simply as its regulatory agent. Rather, the two levels of government should seek a regulatory partnership based on mutual respect and an agreed protocol.</td>
<td>Support</td>
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<tr>
<td>The council agrees with the approach recommended for the government taking a role in local matters. However, given Auckland’s scale ‘local’ economic benefits are often really national e.g. America’s Cup. The council considers that Government should take a greater role in funding these investments. The returns to Auckland Council and its ratepayers aren’t commensurate with the investments made or related to the incidence of rates. The council agrees on the need to develop a stronger relationship where the council is its regulatory agent.</td>
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<td>Recommendation 6.10 Central and local government should strive to achieve a more constructive relationship and effective interface through:</td>
<td>Support</td>
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<tr>
<td>• central and local government providing input (formally or informally) into each other’s relevant policymaking processes, under an agreed set of principles or a protocol;</td>
<td>Refer paragraph 80-81</td>
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<td>• central government engaging in a meaningful dialogue with local government early in the process of developing relevant new regulations;</td>
<td>Additional local government responsibilities</td>
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<td>• cooperative approaches to tackling problems with implementing relevant new legislation, regulations or environmental standards;</td>
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<td>• the creation of formal and informal feedback loops to identify problems with delegated regulations when they first appear; and</td>
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<td>• the spread of information through the system and the sharing of expertise and knowledge.</td>
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<tr>
<td><strong>Equity and affordability</strong></td>
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<tr>
<td>Recommendation 7.1 The Local Government (Rating) Act 2002 should be amended to remove rates differentials and uniform annual general charges. Councils should have five years to implement their removal.</td>
<td>Do not support</td>
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<tr>
<td>Refer paragraph 95-95</td>
<td>Equity and affordability</td>
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<tr>
<td>Recommendation 7.2 Local government legislation should be amended to require councils to:</td>
<td>Do not support</td>
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<td></td>
<td>Refer paragraph 83-84</td>
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<td>Auckland Council Comment</td>
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<td>• match the burden of rates to the benefits of council services, as a first step in setting rates;</td>
<td>Equity and affordability</td>
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<td>• consider ability to pay as a second step;</td>
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<td>• set out the reasons for their rating decisions in each step in a clear and transparent manner; and</td>
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<td>• (in applying the ability-to-pay principle) consider coherence and consistency with the income-redistribution policies of central government.</td>
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<tr>
<td>• Councils should continue to have the power to determine, on reasonable grounds, the appropriate allocation of rates within their district or region.</td>
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**Recommendation 7.3**
Local Government New Zealand and the New Zealand Society of Local Government Managers should develop advice for councils on how to apply the benefit principle (the burden of rates should reflect the benefits received) in their rating decisions.

Support
The council agrees there would be value in undertaking this work to support decision making under the current LGA.

**Recommendation 7.4**
The Local Government (Rating) Act 2002 should be amended to remove the statutory cap on uniform charges.

Support

**Recommendation 7.5**
The Government should work with local government and suitable financial providers to develop and implement a national rates postponement scheme. The scheme should:

- have a single set of clear and generous eligibility rules;
- be accessible and have provisions that are easy to understand and work with;
- have moderate and transparent fees; and
- be nationally promoted.

Support
Refer paragraph 99-102
Introduction of a national rates postponement scheme

**Recommendation 7.6**
The Government should phase out the Rates Rebate Scheme (RRS) over a defined period, such as five years, from when an effective national Rates Postponement Scheme is in place. In the meantime, the current income abatement thresholds and maximum payments should be maintained.

Do not support
Refer paragraph 103-104
Rates Rebate Scheme

### Adapting to climate change

**Question 8.1**
What legal options exist for placing a condition on land-use consents that would make a voluntary assumption of risk by a current owner (and any person or entity who later becomes the owner) enforceable in all future circumstances?

The ability for a council to impose conditions on a land-use consent is limited by the terms of sections 108 and 106AA of the Resource Management Act 1991 (RMA). Of particular relevance to the question are paragraphs 106AA(1)(a) and (b) which say:

1. A consent authority must not include a condition in a resource consent for an activity unless—
   a. the applicant for the resource consent agrees to the condition; or
   b. the condition is directly connected to 1 or both of the following:
      i. an adverse effect of the activity on the environment;
      ii. an applicable district or regional rule, or a national environmental standard.

In order to be able to include a consent condition having the effect of assigning future risk of harm to land resulting from the effect of natural hazards to the land owner for the time being it seems likely that s106AA(1)(a) would have to be relied upon. In the absence of agreement by the applicant it is difficult to see how such a condition could be required.
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<tr>
<td>Such a condition would be most effective if it required the registration of a covenant (in gross) on the relevant record of title having the required effect. Any covenant could be subject to legal challenge by future owners and could prove costly and potentially difficult for a council to defend when measured against the purpose and principles of the RMA. Consequently, the long term security of such a mechanism in “all future circumstances” is very uncertain. In addition, legitimate questions might be raised by future owners as to whether a council had effectively fulfilled its obligations under the RMA by not seeking to apply the provisions of the Act and relevant planning documents, but by effectively contracting out of liability that might arise as a result of not applying those provisions.</td>
<td>A potentially better, more effective, and rationally consistent mechanism would be the adoption of a law change to the RMA that mirrors the essential features of the provisions of the Building Act 2004 that apply to buildings located on land subject to natural hazards (sections 71-74, inclusive, in association with s392).</td>
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<td>In summary, the Building Act provisions mentioned above require a building consent to be issued for the construction of a building, or alteration of an existing building, where the land on which the building is located is subject to 1 or more natural hazards (erosion, falling debris, subsidence, inundation, or slippage) in specified limited circumstances.</td>
<td>In summary, the Building Act provisions mentioned above require a building consent to be issued for the construction of a building, or alteration of an existing building, where the land on which the building is located is subject to 1 or more natural hazards (erosion, falling debris, subsidence, inundation, or slippage) in specified limited circumstances.</td>
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<td>If such a consent is granted then a notification must be issued by the relevant territorial authority and the Registrar-General of Land must record, on the record of title to the land on which the building work is carried out, both that the building consent was issued under s72 of the Building Act and the particulars identifying the natural hazard.</td>
<td>If such a consent is granted then a notification must be issued by the relevant territorial authority and the Registrar-General of Land must record, on the record of title to the land on which the building work is carried out, both that the building consent was issued under s72 of the Building Act and the particulars identifying the natural hazard.</td>
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<td>Where a building consent has been issued under s72 and the subsequent notification processes have been completed then s392 provides that civil proceedings cannot be brought against the territorial authority or its members, staff or agents in relation to damage to the building resulting directly or indirectly from the natural hazard involved.</td>
<td>Where a building consent has been issued under s72 and the subsequent notification processes have been completed then s392 provides that civil proceedings cannot be brought against the territorial authority or its members, staff or agents in relation to damage to the building resulting directly or indirectly from the natural hazard involved.</td>
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<td>The effect of these provisions is that the building owner (or the time being) who accepts the risk of the building being damaged as the result of a natural hazard and they are unable to involve the territorial authority in civil proceedings and the statutory basis of the limitation provides a high degree of certainty in terms of future enforceability.</td>
<td>The effect of these provisions is that the building owner (or the time being) who accepts the risk of the building being damaged as the result of a natural hazard and they are unable to involve the territorial authority in civil proceedings and the statutory basis of the limitation provides a high degree of certainty in terms of future enforceability.</td>
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**Recommendation B.1**
The Government and local government should work together to establish centres of knowledge and guidance about climate-change adaptation for councils. One centre should be an authoritative and up-to-date source of advice on science and data while another should be a source of specialist advice on policy, planning, risk management, legal issues and community engagement.

**Support**
The council suggests that such guidelines are put in place to collect, measure and provide climate change data and guidance.

We suggest that national risk thresholds for mandated retreats will help decision-making. Guidance should also be informed by a national climate change risk assessment.

**Recommendation B.2**
The Government should implement a review of existing legislation and policy to ensure that considerations about climate-change adaptation are integrated and aligned within that legislation and policy where relevant.

**Support**
Ensuring we are adequately prepared for the impacts of climate change will have implications for urban development and growth needs. The two priorities are not mutually exclusive but require careful and integrated policy and planning. Key decisions need to be made about how and where development occurs as these will have significant implications for our emissions profile, our exposure to climate risks as well as the nature and scale of climate adaptation measures that will need to be implemented.

**Recommendation B.3**
National and local authorities should adopt anticipatory and flexible approaches to climate-change adaptation, in line with recognising the constantly changing nature of the risks. Any additional funding for climate-change adaptation should be conditional on the use of such approaches.

**Support**
Funding climate mitigation and adaptation interventions require innovative financing mechanisms, including the blending of public and private capital to address not just the evolving nature of climate risk, but also the long term and progressive impacts that result from climate change. Climate finance instruments have been discussed in the paper by David Hall and Sam Lindsay (2017). Climate Finance Landscape for Aotearoa New Zealand: A Preliminary Survey, Report Prepared for the Ministry for the Environment.

**Recommendation B.4**
The Government should provide legal frameworks that give councils more backing and knowledge so that they can make land-use planning and

**Support**
Councils need the support of central government through legal frameworks to help with decision making when considering the development of potentially hazardous areas.
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<td>infrastructure investment decisions that are appropriate in the face of constantly changing climate risks.</td>
<td>Support</td>
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<tr>
<td><strong>Recommendation 8.5</strong> The Government should extend the New Zealand Transport Agency’s role in co-funding local roads to include assistance to councils facing significant threats to the viability of local land-transport infrastructure from sea-level rise and more intense storms and flooding due to climate change. The amount of assistance should reflect the size of the threat facing each council and its rating capacity. Assistance should be conditional on a strong business case and meeting engineering and environmental quality standards. It should only be available to defend existing infrastructure when business cases indicate that this option is superior to other options by a significant margin.</td>
<td>Council supports the extension of NZTA’s role to support local infrastructure where councils are experiencing increasing problems with coastal assets, such as sea walls, being severely damaged during storms and roads such as Tamaki Drive experiencing inundation on a more regular basis. To provide this support NZTA will require additional funding to ensure that existing projects are not compromised. The National Land Transport Fund may also require new funding sources as the impacts of climate change are not linked to current funding tools, road user charges and petrol tax.</td>
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<tr>
<td><strong>Recommendation 8.6</strong> The Government should create a new agency and a Local Government Resilience Fund. The new agency should work with at-risk councils and co-fund the redesign and possible relocation and rebuilding of wastewater and stormwater infrastructure when it becomes no longer viable because of sea-level rise and more intense flooding due to climate change. The new agency should also assist regional councils and communities to work out the best way to lessen future flood risks from rivers. This could include moving to a new, more sustainable and best-practice paradigm of giving rivers room and developing multiple innovative uses of the wider river corridors.</td>
<td>Support</td>
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<td></td>
<td>The council supports the creation of a Local Government Resilience fund. This fund could also be used to support councils responding to the cumulative impacts of roads on water quality and hydrology and stormwater mitigation of road runoff such as more frequent catch pit cleaning.</td>
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Attachment C: Local board views

Aotea / Great Barrier Local Board feedback to the New Zealand Productivity Commission’s local government funding and financing enquiry

Context

- Aotea / Great Barrier Island lies 90km east of Auckland City in the Hauraki Gulf and is Auckland Council’s most remote and isolated area.
- Over 60% of the Island is Department of Conservation (DoC) estate; 43% of which is the Aotea Conservation Park.
- The island is an International Dark Sky Sanctuary.
- The island has a permanent population of 950 residents.
- The median age is 51.3 years. 20.7% of people are aged 65 and over. Almost half (44%) of households are one-person households; this is a high proportion when compared with the regional average of 19 per cent (2013 Census).
- The island has no reticulated power or water. Households are off-the-grid powered by generators, solar and wind; and collect water by bore, stream-take or rainwater.
- Transport and freight to and from the island is by either plane, a 35-minute flight one way, or by ferry a four-and-a-half-hour trip one way. There is no on-island public transport.

Feedback

- We are well supported by the current funding model considering our island’s population size. However, we agree that the cost pressures associated with the four identified key areas are considerable and the current models will be insufficient to address them.

1. Infrastructure

- We are not supportive of a vacant land tax on Aotea Great Barrier Island.
- We are not supportive of councils using Special Purpose Vehicles as a financing option to extend their debt limits.
- We are currently looking at ways to address our island’s lack of affordable housing or rental options. The island has no pensioner or social housing either. Land supply is just one of many knots in this very complex issue.
- We are also looking at various ways to address climate change and localisation of food production could be a crucial long-term priority.

2. Climate Change

- We support the recommendation for the formation of a climate-change agency and associated fund and strongly support the co-funding of New Zealand Transport Agency to assist with local roads, culverts and bridges facing climate change threats.
- Auckland Council has declared a climate emergency and we need to address the short and long-term issues for climate change. We are currently looking at our coastal roads and infrastructure and the possibility of managed retreat. Our airports and wharves are essential transport links for the island and sit beside the coast. These major long-term infrastructure concerns are beyond our current funding capabilities.
- We believe central government should not only work closely and in partnership with local government and mana whenua but also provide funding programmes to assist sustainability as we prepare for the future and current impacts of climate change.
3. Tourism
- We support the central government providing funding from the international visitor levy to support local infrastructure and biosecurity for the island.
- We have recently completed an Aotearoa Great Barrier Island Visitor Strategy. Our island’s visitor numbers are increasing not only through the summer season but throughout the year. We have limited infrastructure on the island and it is straining to manage.
- The impact of this growth must be managed delicately as it has to consider the biodiversity and biosecurity concerns of its DoC estate lands, the lighting concerns of being an International Dark Sky Sanctuary and being fully non-reticulated/off the grid. The answer is not to just ‘build more infrastructure’ but to make wise decisions, use new technologies, and think long-term with zero waste and zero carbon philosophies. The challenges of being on a remote island and requiring different and innovative approaches can add budget and time costs.

4. Other central government responsibilities
- The island is rural and remote. The community, council and central government work together to provide community services such as health, social services, and education. We annually fund incredible community groups to provide these essential services for the island.
- With 43% of the island being a conservation park, DoC and Auckland Council have a MOU. We work closely with DoC especially around biodiversity and biosecurity. We are always looking at ways to work closer in order to streamline our efforts.
- Telecommunications can be a challenge on the island with many black spots. The Rural Broadband Initiative assisted with the rollout of a couple of repeaters in the north of the island. However, speeds are still slow and reception is intermittent and in some of our areas non-existent. It is prone to collapse during the peak of our summer season when population numbers increase dramatically leaving business owners frustrated.

Three waters services
- The island does not have reticulated water and the infrastructure associated with drinking water, wastewater and stormwater. However, we support additional funding for improvements of any kind to the safety and environmental performance to meet not just the minimum but the best of health and environmental standards.
Henderson-Massey Local Board submission on the Productivity Commission’s draft report on local government funding and financing

25/07/19

Henderson-Massey Local Board agree that the current funding and financing framework is broadly sound, with the following comments on specific aspects:

**The best way to use the current funding tools and improving equity**

With regard to the benefit principle as the primary basis for deciding who should pay for local government services, ability to pay should be given greater consideration.

There should be greater weight on ability to pay given much of Council’s core services are essential for wellbeing. The benefit principle is a useful tool to assess business impacts on council service, with a disproportionate demand and benefit meaning greater requirements to pay over residential ratepayers. One must also consider that higher socio-economic communities tend to have closer access to employment and private sector wellbeing provision, whereas communities further from the centre tend to have greater need coupled with less ability to pay.

Henderson-Massey Local Board oppose changing rating powers to give more prominence to the benefit principle. More weight should be given on ability to pay. For the city, emphasising the benefit principle could see council services significantly diverge based on arbitrary local board boundaries, creating and entrenched already problematic levels of inequality based on both socio-economic status and underlying geography.

Henderson-Massey Local Board agree that central government should contribute funding where local services also benefit national interests and note that transport improvement is a key element when considering national benefit.

The statement “user charges or targeted rates should be used wherever it is possible and efficient to do so” implies that a blanket system of targeted rates should be considered as a fair mechanism. This would be inappropriate for Auckland, as our residents do not live by local board boundaries. There is also the issue of sub-regional facilities, where one set of ratepayers could end up subsidising others. In principle, there should be a reasonable level of council service that is what any Auckland resident should expect.

Henderson-Massey Local Board support introducing a national rates postponement scheme, as long as it ensures rates relief to those who need it.

**New funding tools are needed to address key pressures**

**Value capture**

It is unclear on how value capture would work in practice. If a property’s value rises and is thus liable for more rates, is this not already compensating for the value uplift without the need for an extra charge?

**Tax on vacant land**

Henderson-Massey Local Board support a tax on vacant land, and support Auckland keeping a component of its generated GST to fund development. It is perverse that Auckland investments in growth and subsequent economic development results in a cost for servicing that growth without a clear fiscal benefit to compensate the Council and if applicable, existing communities affected.
Adapting to climate change is a significant challenge

Henderson-Massey Local Board agree that the Government should extend the role of the New Zealand Transport Agency in co-funding local roads to include assistance to councils facing significant threats to the viability of local roads and bridges from climate change.

Henderson-Massey Local Board support the recommendation that the Government create a climate-resilience agency and associated fund to help at-risk councils redesign, and possibly relocate and rebuild wastewater, stormwater and flood-protection infrastructure threatened by the impacts of climate change.

Funding support for tourism hotspots

Henderson-Massey Local Board support the recommendation that the Government should legislate to enable councils in tourist centres to implement an accommodation levy.

Agree that for small councils that cannot reasonably use either accommodation levies or user pays, the Government should provide funding from the international visitor levy.

Henderson-Massey Local Board considers that Rodney, Waitakere Ranges and Waitemata Local Board areas should be recognised as having high tourist interest.

Need to reset the relationship with central government

Henderson-Massey Local Board agree that another cause of funding pressures on local government is the continued accumulation of tasks and responsibilities passed from central government, without adequate funding means.

Henderson-Massey Local Board considers that in the past local government has been called upon to meet deficiencies in central government funding in key areas such as the environment, for example action on kauri dieback.

A new regulatory regime for the three waters

Henderson-Massey Local Board support the recommendation.
Feedback on the Productivity Commission’s Report on Local Government Funding and Financing (input into Council submission)

From: Hibiscus and Bays Local Board  
Date: 29th July 2019

Executive summary

1. The Productivity Commission has released its draft report relating to its local government funding and financing inquiry.

2. The inquiry’s key aim is establishing whether the existing funding and financing arrangements are suitable for enabling local authorities to meet current and future cost pressures. The Commission’s draft report raises eight questions, highlights 67 findings and makes 30 recommendations.

3. Auckland Council will make a submission on the draft report, which will be approved at the Finance and Performance Committee meeting on 20 August. Local boards can make comments to feed into the council’s submission.

4. The Hibiscus and Bays Local Board has delegated the authority to confirm the local board’s feedback to the Chairperson and Local Board Member Christina Bettany [HB/2019/122].

Hibiscus and Bays Local Board feedback:

The Hibiscus and Bays Local Board:

Current Funding Tools

a) expresses concern that the local board was not provided with a copy of the proposed Auckland Council submission on the Productivity Commission’s Report on Local Government Funding and Financing (the Report) before confirming this feedback and has had to limit its feedback after consideration of the Report itself.

b) supports the general observation that, while the current funding and financing framework is broadly sound, councils need new tools to help them deal with some specific cost pressures, in particular:

i. funding new infrastructure to accommodate the unprecedented amounts of rapid growth, especially in Auckland’s north and north-west

ii. funding the cost of replacing aging and often neglected assets that are unable to cope with the modern usage and load, notably stormwater infrastructure and rural roading networks.

c) agrees that, in broad terms, the “benefit principle” remains a sound basis for deciding who should pay for local government services

d) requests that more flexibility be introduced into the current legislative framework to enable more effective use of the “benefit principle” by allowing councils to collect more adequate compensation from developers to fund infrastructure, noting that current development contributions tools are limited and results in developers making large gains while leaving huge holes in infrastructure networks that councils cannot afford to upgrade, such as incomplete footpath networks

e) considers that central government needs to be more willing to contribute funding where services benefit national interests, noting that government policy can be one of the
f) suggests that an investigation be undertaken of the concept of central government paying rates on the land it owns, and development contributions for the development works that it undertakes, noting that the Crown is one of the largest landowners and builds infrastructure (like schools), which drive growth and generates pressure on local government assets, without contributing to their cost or upkeep.

g) agrees that targeted rates can be a valuable tool and one that councils could use where the beneficiaries of the service can be clearly identified. However, it should be acknowledged that often activities do not have clearly defined boundaries, beneficiaries cannot be clearly ruled in or out, and services are not always obviously local or regional in their nature, so there is a limit to what targeted rates can achieve.

h) agrees that a national rates postponement scheme should be investigated further, as this may provide assistance to those on fixed incomes to meet their rates obligations and notes that Auckland Council has a rates postponement scheme, which has limited uptake and its promotion would benefit from better communication.

**New Funding Tools**

i) agrees that “Value Capture” tools should be investigated further, noting that these have the potential to be both positive (reducing the instances of land-banking to achieve capital gains) and negative (potentially increasing the burden on ratepayers with fixed incomes) and the use of value capture tools may be more appropriate in some areas (i.e. strong growth areas) than others.

j) supports Special Purpose Vehicles (SPVs) in principle, as they are the only way (currently) of allowing councils to meet the high cost of rapid growth without breaching their acceptable borrowing limits. However, it is noted that SPVs have a long payback time and there will be considerable push back from ratepayers who perceive they receive no value from the SPV and will object to paying a special rate 10, 20 or 30 years after the SPV is introduced.

k) supports the introduction of a new system of payments from central government to territorial authorities based on new building work put in place, as it will both recognise the cost of accommodating growth, and encourage councils to attract more businesses, grow, and develop which is beneficial for everyone.

l) suggests that consideration of a funding stream where GST collected on rates is credited back to councils for their use which, by definition, would be similarly tied to the growth and value of the properties rated so that growing councils receive a larger benefit with which to pay for needed infrastructure.

m) supports the consideration of a tax (or targeted rate) on vacant land in order to reduce land-banking and encourage development, but suggests that this can only effectively be put in place when land is zoned for development, and further recommends that this be carefully structured to discourage the scenario where landowners do the bare minimum merely to avoid the tax without increasing the supply of land for housing.

n) agrees that the role of the New Zealand Transport Agency to co-fund local roads should be continued and extended to include assistance to councils facing significant threats to the viability of local roads and bridges from climate change.

o) supports the introduction of a fund to help at-risk councils re-design and possibly relocate or rebuild wastewater, stormwater and other infrastructure which may be threatened by climate change.

p) agrees that legislation should be introduced to enable councils to implement appropriate accommodation or visitor levies, which will allow councils to more fairly collect revenue to fund tourism related infrastructure, noting that the current approach in Auckland using targeted rates or business rates is a blunt tool that has the potential to unfairly punish bed and breakfast operators who have high value properties but receive relatively
minimal income from guests; a proper per night or per visitor rate may be a much fairer method of addressing this need.

q) agrees that the continued pressure from central government for local government to do more, especially in the areas of social wellbeing, particularly as central government collects and controls approximately 88% of all public expenditure and has created a considerable burden on local government and needs to be adequately funded if local government is to continue operating in these non-core areas.

Authorisation

The Hibiscus and Bays Local Board seek to provide feedback regarding Auckland Council’s submission on the Productivity Commission’s Report on Local Government Funding and Financing.

This feedback is authorised in accordance with the delegation to the Chairperson and Local Board Member Christina Bettany of the Hibiscus and Bays Local Board, resolution HB/2019/122:

That the Hibiscus and Bays

a) delegate to the Chairperson and member Bettany authority to confirm any feedback on the Productivity Commission inquiry into local government funding and financing before Monday, 29 July 2019

Julia Parfitt
Chairperson
Hibiscus and Bays Local Board
Date: 26th July 2019

Christina Bettany
Local Board Member
Hibiscus and Bays Local Board
Date: 26th July 2019

Contact Details

Name: Hibiscus and Bays Local Board
Organisation: Auckland Council
Postal Address: C/- Lesley Jenkins, Relationship Manager
Hibiscus and Bays Local Board,
Auckland Council,
Private Bag 92300 Auckland
Phone number: 09 301 0101
Email contact: lesley.jenkins@aucklandcouncil.govt.nz
17 July 2019

Māngere-Ōtāhuhu Local Board:
Feedback on the Productivity Commission Inquiry into local government funding and financing

1. The Māngere-Ōtāhuhu Local Board supports the current model of how territorial authorities gather revenue to cover its business activities. The local board also provides the following feedback:

2. The local board request more clarity on how the ‘benefit principle’ can be further explained in addressing equity and how this is applied to different communities, like the Māngere-Ōtāhuhu local board area.

3. The local board supports physical activity to improve health outcomes. To help deliver this outcome the local board’s local targeted rate allows adults access to local swimming pools at no charge. However, the local board calls for more discussion and clarity around how regional targeted rates are categorised, as better health outcomes can be considered a regional issue, or whether the Ministry of Health can also support fund this intervention.

4. The local board request clarity around current funding and finance tools in addressing the extra costs to meet the demand on Auckland region’s infrastructure and services due to the population trend in this region. The board also asks for options if these tools are inadequate to address the implications this trend have generated, and how central government can contribute towards addressing this issue.

5. Māngere-Ōtāhuhu is an area of high deprivation. Home ownership rates are relatively low in this area. In 2013, 42 per cent of households owned the dwelling they lived in (this includes 7% who owned it in a family trust), compared with 61 per cent regionally. The median household income was $59,900, lower than the regional median at $76,500. Any rates increase will be a strain on local home owners. The local board also requests that the rates rebate system is reconsidered to allow for further support to areas where home ownership numbers are low.

6. The local board is frequently approached by its constituents to tackle issues that central government should be addressing. The local board challenges to central government is to focus its policies and resources to deliver on health outcomes, making communities safer, preserving the local environment, providing affordable housing and further discounted public transport for students, better education results, investments towards performing and creative arts, and incentives for local economy growth.

7. Central government receives the lion’s share of revenue collected from taxes on goods and services. As tourism numbers continue to increase and more New Zealanders choose to live in Auckland. The local board calls on central government to invest from its international visitor levy in local infrastructure and local transport networks as this is disproportionately being met by local rate payers.

8. Another area of duplication is safety. The Māngere-Ōtāhuhu local board fund annually crime prevention officer programmes by investing to local business improvement districts to provide community safety in local business districts including some residential areas. The
local board wants more Police resources in the area as the Mangere and Otahuhu area has the highest callout area for Police intervention: car theft, regular assaults, and driver licence issues. The local board believes costs associated with police intervention should be addressed by central government and not by the rate payers.

9. Statistics highlights low proportions of formal education in the local area. In 2013, 31 per cent of all residents aged 15 years and over had no formal educational qualification, compared with 17 per cent regionally. In response to these statistics the local board calls on central government to invest more in having additional social workers in schools to help retain students, and or, to promote additional options like trades training programmes to encourage students to remain at school and gain meaningful qualifications.

10. Māngere-Ōtāhuhu Local Board spends an enormous amount of time sitting through its community grants application to the constant demands of the community who struggle to manage and deliver goods and services especially in start-up community social enterprise activities. The local board fund the inaugural Pop Up Business School specific focus on Maori and Pasifika businesses. The local board believes more can be done by central government through a collaborative model as both local and central governments are working for the same community on similar issues.

11. Capital items (infrastructure) from local board capital and operating budgets are small and limited (1% of total Auckland Council budgets) comparing the demand on this local area. Auckland International Airport Limited has a huge undertaking in the local area, as a major user of traffic infrastructure roads, overflow both on SH20 and SH20A. Māngere-Ōtāhuhu local area requires development contributions funding to be spent in the local area, as Transport and Housing from central government agendas will be a constant demand on current growth affecting this specific local area.
Feedback on:
Productivity Commission inquiry into local government funding and financing
24 July 2019

The Maungakiekie-Tāmaki Local Board delegated formal feedback to Deputy Chair, Debbie Burrows at its 23 July business meeting (resolution: MT/2019/100).

Context
1. In July 2018 Central Government asked the Productivity Commission (the Commission) to conduct an inquiry into local government funding and financing.

2. The Commission’s issues paper was released on 6 November 2018. The council made a submission on the issues paper which was approved by the Finance and Performance Committee.

3. On the 4 July 2019 the Productivity Commission released its draft report relating to its local government funding and financing inquiry.

4. The inquiry’s key aim is establishing whether the existing funding and financing arrangements are suitable for enabling local authorities to meet current and future cost pressures.

5. The inquiry’s terms of reference require the Commission to examine the adequacy and efficiency of the current local government funding and financing framework and, where shortcomings in the current system are identified, examine options and approaches for improving the system.

6. The inquiry’s terms of reference do not call for an assessment of, or changes to, the current scope and responsibilities of local government.

7. At the Maungakiekie-Tāmaki Local Board’s 23 July 2019 Business Meeting, it delegated authority to Deputy Chair, Debbie Burrows to input into Auckland Council’s submission on the Productivity Commission inquiry into local government funding and financing (resolution: MT/2019/100).

Maungakiekie-Tāmaki Local Board feedback on the Productivity Commission inquiry into local government funding and financing

The Maungakiekie-Tāmaki Local Board:

a) note the Productivity Commission’s draft report on local government funding and financing
b) endorse the need for new funding tools to address the key pressures arising from:
   i) supplying enough infrastructure to support rapid urban growth
   ii) adapting to climate change
   iii) coping with the growth of tourism
   iv) the accumulation of responsibilities placed on local government by central government
c) note that Auckland Council hosts many of New Zealand’s major events, increasing economic activity and raising the tax take
d) recommend that a portion of the tax take that is retrieved from major events be reinvested back to host territorial authorities as another funding tool to address the key pressures arising from growth and tourism
endorse that while a certain amount of "user pays" is necessary, the local board considers that the "ability to pay" principle should predominate.

f) endorse that where local services also benefit national interests, central government should contribute funding and recommend that this should be a minimum of 50% 

g) note that development contributions do not provide funding for community assets and services, such as libraries and swimming pools

h) note that currently development contributions are not returned to the development area that they have been retrieved from

i) recommend that development contributions be returned to the area where the development occurred, and growth is expected

j) recommend that in an Auckland context, local boards have the discretion and flexibility to decide how to use development contributions that have been retrieved from development in its local board area

k) endorse in principle the use of user charges or targeted rates so long that they are measurable, transparent and accountable to the outcome that is being targeted, and recommend that consideration for low socioeconomic communities be prioritised so that there must be a locally driven benefit to impose any additional costs to general rates that can cause increased financial burden on the community

l) oppose a national rates postponement scheme as deferring rates payment does not eliminate the financial burden from rate payers that are struggling to afford paying rates

m) endorse the use of a rates rebate scheme to address socioeconomic inequity, and recommend that current rates rebate scheme be reviewed to better support the community and outcome it was intended for

n) oppose in principle, the proposed option of value capture funding tool as this does not consider disruption, inconvenience and loss of value during the development of new infrastructure. Recommend that if this is progressed further, that it be consulted separately regarding all of the potential implications such as timing, enforcement and potential loss of income that could arise from the development of new infrastructure (for example the implications to local businesses and residents due to the city rail link project)

o) endorse in principle the proposed new tool of Special Purpose Vehicles (SPVs) to support high growth councils approaching their debt limits to continue to invest in development of greenfield areas only

p) endorse the creation of a new funding stream from central government to local authorities to support new development

q) endorse a tax on vacant land

r) endorse that the role of NZTA should be extended to critical local roads under threat from climate change

s) endorse the recommendation for central government to create a climate-resilience agency and associated fund to help at-risk councils redesign, and possibly relocate and rebuild, wastewater, stormwater and flood-protection infrastructure threatened by the impacts of climate change.

t) recommend that the proposed climate-resilience agency is closely associated to the proposed climate change commission that is outlined in the Climate Change Response (Zero Carbon) Amendment Bill

u) oppose the recommendation that the Government should legislate to enable councils in tourist centres to implement an accommodation levy, as it is inequitable to small local businesses

v) endorse a new three-waters regulatory regime to enforce minimum standards improve the
performance of the three-waters sector. Noting that the regime would be permissive and flexible about how councils meet these standards, but with a backstop arrangement applied to councils that fail by a specified time period to lift their performance sufficiently to meet minimum health and environmental standards.

Debbie Burrows
Deputy Chair
Maungakiekie-Tāmaki Local Board
29 July 2019

Ōtara- Papatoetoe Local Board submission on the Productivity Commissions draft Local Government Funding and Financing Report

Background

The Government wants to know whether the existing funding and financing arrangements are suitable for enabling local authorities to meet current and future cost pressures.

The funding and financing framework for local government must incentivise good performance and enable local authorities to deliver quality amenities and services that reflect the preferences and aspirations of their communities.

Submission points

Whilst current funding and financing framework is broadly sound, councils need new tools to help them deal with some specific cost pressures.

The board generally supports the “benefit principle” as the primary basis for deciding who should pay for local government services. That is, those who benefit from (or cause the need for) a service should pay for its costs. Councils may also use “ability to pay” as a consideration, taking into account central government’s primary role in income distribution with special consideration to high deprivation area.

Where local services also benefit national interests, central government should contribute funding. Targeted rates should only be applied rarely and with caution. This puts more burden on ratepayers.

Improving equity

Changing rating powers to give more prominence to the benefit principle (that those who benefit from or who cause the need for a service should bear the cost). Often no clear distinction exists between applying the benefit principle and the ability-to-pay principle

We do not support phasing out the current rates rebate scheme and would rather see a better effort to improve uptake of the scheme.

We do not support introducing a national rates postponement scheme. We are not convinced that this would work any better. There is no evidence that would suggest there would be an improvement in uptake.
New funding tools are needed to address key pressures

The Commission has identified four key areas where the existing funding model is insufficient to address cost pressures, and new tools are required.

We support Value capture – The Commission has previously recommended a new “value capture” funding tool for councils. This tool would raise revenue because property owners who enjoy “windfall gains” in their property value as a result of nearby publicly-funded infrastructure investment would be required to pay a portion of this gain to the council.

While the current rating system provides certainty and uniformity of charges, a property tax takes advantage of properties that increase in value due to the investment of public money in nearby infrastructure.

We support a progressive tax structure, noting that a fundamental flaw in our economic structure is the gearing towards investing in property created by a speculative economy and capital tax free regime. Rising property values also cause gentrification of areas and can see many of our residents forced to move out due to speculation rather than improvement of public infrastructure.

We supports the Special Purpose Vehicles (SPVs) which could help councils nearing their debt limits - SPVs are a financing option for new development, that involve debt sitting off a council’s balance sheet. This provides a means for high growth councils approaching their debt limits to continue to invest in development.

Additional options – (i) To address the perception that growth does not pay for itself, the Commission recommends considering a new funding stream from central government to local authorities, based on a system of central-government payments to territorial local authorities based on the amount of new building work put in place in each territorial authority's jurisdiction (see page 167 of report for more information). The board would support such a tool would tick several boxes in that it would:

- be largely consistent with local autonomy and accountability;
- link council revenue directly to local growth and development; and
- be transparent and relatively low cost to administer – the payment would be proportional to a simple estimation of construction and development in a territorial local authority's area (eg, based on the value of building consents or new construction measured by floor area).

(ii) The Commission is also seeking submissions on whether a tax on vacant land would be a useful mechanism to further improve the supply of land for housing. The board supports this notion.

Adapting to climate change is a significant challenge

As the impacts of climate change unfold over coming decades, local authorities will face a significant and growing challenge.

The Government should extend the role of the New Zealand Transport Agency in co-funding local roads to include assistance to councils facing significant threats to the viability of local roads and bridges from climate change.
The Commission also recommends that the Government creates a climate-resilience agency and associated fund to help at-risk councils redesign, and possibly relocate and rebuild, wastewater, stormwater and flood-protection infrastructure threatened by the impacts of climate change.

**Funding support for tourism hotspots**

The Government should legislate to enable councils in tourist centres to implement an accommodation levy. Councils in tourist centres should also make greater use of user pays for mixed-use facilities. For small councils that cannot reasonably use either accommodation levies or user pays, the Government should provide funding from the international visitor levy.

**Need to reset the relationship with central government**

Another cause of funding pressures on local government is the continued accumulation of tasks and responsibilities passed from central government, without adequate funding means. Tasks passed to local authorities should be an adequately funded and resourced.

**A new regulatory regime for the three waters**

A new approach that both rigorously enforces minimum standards and is permissive about how councils meet these standards would substantially improve the performance of the three-waters sector. The new regime would be administered by an independent regulator, such as the Commerce Commission. The performance regime would be permissive and flexible but have a backstop arrangement applied to councils that fail by a specified time period to lift their performance sufficiently to meet minimum health and environmental standards.

Ngā Mihi

[Signature]

Letu Full- Chairperson- Ōtara-Papatoetoe Local Board
LLB(Hons), BA(English), MA(Hons), MALT(Hons), MLitt(Hons), GradDipTeaching(Sec)
Papakura Local Board feedback on the Productivity Commissions draft Local Government Funding and Financing Report

Background
The Productivity Commission’s draft report on local government funding and financing opportunities was released on 4 July 2019, and examined the adequacy and efficiency of the existing local government funding and financing arrangements to meet current and future needs.

The Commission’s conclusions are:
- High performing local government is vital for community wellbeing. The funding and financing framework must incentivise good performance and enable local authorities to deliver quality amenities and services that reflect the preferences of their communities.
- The current funding and financing framework is broadly sound.
- There is scope for councils to make better use of existing tools.
- The “benefit” principle which states that those who benefit from, or cause the need for a service, should pay for its costs, should be the primary basis for deciding who should pay for local government services.
- Legislative changes are needed to make the current rating system more equitable and transparent including:
  - changing rating powers to give more effect to the benefit principle
  - phasing out the current rates rebate scheme
  - introducing a national rates postponement scheme.
- New funding tools are required to address key cost pressures such as providing infrastructure, adapting to climate change, supporting tourism and the accumulation of responsibilities placed on local government by central government.
- New funding or financing tools are needed to provide for growth related infrastructure such as:
  - value capture and user charging
  - special purpose vehicles to assist with debt burdens, including in brownfield developments
  - possible tax on vacant land.
- Support is needed for councils to adapt to climate change.
- Support for councils with tourism pressures including the use of the accommodation levy and direct support from the International visitor levy.
- A reset of the relationship between local and central government, including a partnership approach to an appropriately funded regulatory regime.
- A new regulatory regime to improve the safety and environmental performance of the three-waters services.

Papakura Local Board feedback

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<tr>
<th>Row No.</th>
<th>Key Findings</th>
<th>Papakura Local Board feedback</th>
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<tbody>
<tr>
<td>1</td>
<td>The current funding and financing framework is broadly sound</td>
<td>The Papakura Local Board broadly agrees with this statement, subject to the further feedback below.</td>
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Whilst current funding and financing framework is broadly sound, councils need new tools to help them deal with some specific cost pressures.
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<td>2.</td>
<td>The Commission favours the “benefit principle” as the primary basis for deciding who should pay for local government services. That is, those who benefit from (or cause the need for) a service should pay for its costs. Councils may also use “ability to pay” as a consideration, taking into account central government’s primary role in income distribution.</td>
<td>The benefit principle is generally an appropriate way of categorising where the burden of funding services should lie. However, councils have a broad mandate to deliver the four well beings, and the benefits (or the costs) of services aren’t always locally contained. A number of social services supported by councils such as caring for older people, citizens advice bureau, and supporting homelessness, as central government funding and services are inadequate to pay for local needs. So along with the benefit principle, a clearer articulation of respective local and central government responsibilities (and funding accountability) is needed, so ratepayers aren’t effectively subsidising taxpayers for complex needs and services. The Papakura Local Board notes that the Commission has been asked not to explore the rating of crown land. The board however agrees with the Commission’s previous recommendations that the Crown should pay rates on its land. The board also believes charging GST on rates needs to be revised, or GST collected on rates returned to councils.</td>
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<td>3.</td>
<td>Where local services also benefit national interests, central government should contribute funding.</td>
<td>Papakura Local Board support this view, and more clarity is needed on what these services are. As explained above communities expect councils to fill the gap in funding or services where central government support is inadequate. The distinction here is not co-funded services such as regulatory regimes or transport infrastructure, but inadequately funded government services.</td>
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<td>4.</td>
<td>User charges or targeted rates should be used wherever it is possible and efficient to do so.</td>
<td>The Papakura Local Board agree that user charges and targeted rates are important tools to offset general rates and support the benefit principle. However, the Papakura Local Board is concerned that the use of targeted rates and user charges will benefit more affluent communities and disadvantage poorer communities whose disposable income to pay for public services will be limited. For instance, targeted rates and user charges for basic services such as swimming pools, libraries, playgrounds will disadvantage</td>
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<td>poorer communities as these communities rely on generally funded public services. The danger of a targeted rate is that it could become the norm to achieve services that would normally be picked up in the general council rate. A targeted rate should be the exception and be supplemented by tests on maintaining minimum service levels and provision for “equity” and the ability to pay principle to ensure disadvantaged communities are not disadvantaged further.</td>
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| 5.     | Improving equity – legislative changes are needed to make the current funding system more equitable and transparent, including:  
- changing rating powers to give more prominence to the benefit principle (that those who benefit from or who cause the need for a service should bear the cost). Often no clear distinction exists between applying the benefit principle and the ability-to-pay principle. | The Papakura Local Board will need further detail on what this looks like in legislation or practice. The principles of equity and ability to pay by deprived communities needs to be taken into account. |
| 6.     | Phasing out the current rates rebate scheme (which is not equitable or effective)  
- and introducing a national rates postponement scheme. | The Papakura Local Board supports a national rates postponement scheme in principle, subject to further detail. |
| 7.     | New funding tools are needed to address key pressures  
The Commission has identified four key areas where the existing funding model is insufficient to address cost pressures, and new tools are required.  
Value capture – The Commission has previously recommended a new “value capture” funding tool for councils. This tool would raise revenue because property owners who enjoy “windfall gains” in their property value as a result of nearby publicly-funded infrastructure investment would be required to pay a portion of this gain to the council. | The Papakura Local Board supports the value capture concept. Overseas examples suggest this is a well-used and equitable funding tool, and another example of the benefit principle.  
The Papakura Local Board questions whether value capture should be limited to the provision of infrastructure, rather than any council intervention including plan changes, re-zoning, movement of the rural urban boundary etc. These regulatory interventions are also likely to result in windfall gains for land owners. |
<p>| 8.     | Special Purpose Vehicles (SPVs) could help councils nearing their debt limits - SPVs are a financing option for new development, that involve debt sitting off a council’s balance sheet. This provides a | The Papakura Local Board is concerned that the special purpose vehicle is essentially an accounting sleight of hand as it addresses the reporting of debt rather than the burden of debt for councils providing costly |</p>
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<td></td>
<td>means for high growth councils approaching their debt limits to continue to invest in development.</td>
<td>infrastructure. The Papakura Local Board suggests further consideration of central government support for the building of costly infrastructure, as the benefits of the efficient and timely provision of infrastructure has significant regional and national benefits in economic activity, housing provision and productivity.</td>
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<td>9.</td>
<td>Additional options – &lt;br&gt; (i) To address the perception that growth does not pay for itself, the Commission recommends considering a new funding stream from central government to local authorities, based on a system of central-government payments to territorial local authorities based on the amount of new building work put in place in each territorial authority’s jurisdiction (see page 167 of report for more information). Such a tool would tick several boxes in that it would: &lt;br&gt; • be largely consistent with local autonomy and accountability; &lt;br&gt; • link council revenue directly to local growth and development; and &lt;br&gt; • be transparent and relatively low cost to administer – the payment would be proportional to a simple estimation of construction and development in a territorial local authority’s area (e.g., based on the value of building consents or new construction measured by floor area).</td>
<td>The Papakura Local Board support the option of a new funding stream from central government to local authorities, based on a system of central-government payments to territorial local authorities based on the amount of new building work put in place in each territorial authority’s jurisdiction. Another option to consider is the government stopping charging GST on rates.</td>
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<td>10.</td>
<td>(ii) The Commission is also seeking submissions on whether a tax on vacant land would be a useful mechanism to further improve the supply of land for housing.</td>
<td>The Papakura Local Board believe a tax on vacant land would be a useful mechanism to turn vacant land into more productive land. The tax however should target land-bankers and speculators rather than genuine developers, based on implied intent or a bright line test of time period. The board notes other work such as the powers of urban development authorities could also support the supply of adequate land for development in the future.</td>
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<td>11</td>
<td>Adapting to climate change is a significant challenge</td>
<td>A value capture tax based on council land use planning should also be used to disincentivise speculation and land banking.</td>
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<td>As the impacts of climate change unfold over coming decades, local authorities will face a significant and growing challenge. The Government should extend the role of the New Zealand Transport Agency in co-funding local roads to include assistance to councils facing significant threats to the viability of local roads and bridges from climate change.</td>
<td>The Papakura Local Board supports NZTA co-funding local roads to include assistance to councils facing significant threats to local roads and bridges from climate change.</td>
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<tr>
<td>12</td>
<td>The Commission also recommends that the Government creates a climate-resilience agency and associated fund to help at-risk councils redesign, and possibly relocate and rebuild, wastewater, stormwater and flood-protection infrastructure threatened by the impacts of climate change.</td>
<td>Communities in the Papakura Local Board area suffer from coastal erosion. The costs of repairs are significant and are likely to increase from the effects of climate change. Therefore, the board welcomes the creation of a climate-resilience agency and associated fund and hopes that funds will be forthcoming and distributed equitably.</td>
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<td>13</td>
<td>Funding support for tourism hotspots</td>
<td>The Papakura Local Board agrees that legislation should allow local authorities, who can evidence tourist pressures, to charge an accommodation levy.</td>
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<td>The Government should legislate to enable councils in tourist centres to implement an accommodation levy. Councils in tourist centres should also make greater use of user pays for mixed-use facilities. For small councils that cannot reasonably use either accommodation levies or user pays, the Government should provide funding from the international visitor levy.</td>
<td>The Papakura Local Board agrees the government should provide funding from the international visitor levy to local authorities. This should not be dependent on the size of the local authority or its ability to use accommodation levies or user pays mechanism. Tourism has local, regional and national benefits and in accordance with the benefit principle, the costs must be borne by central and local government and user pays.</td>
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<td>14</td>
<td>Need to reset the relationship with central government</td>
<td>The Papakura Local Board supports a general approach towards localism where government and Governing Body Services are devolved locally as local boards are able to be more responsive to local needs. This however needs to be supported with adequate funding, funding tools and decision-making authority (and transparency and accountability) for local boards. A Treasury initiated funding impact statement and cost recovery model should accompany all legislation or policy that central</td>
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### Row No. | Key Findings | Papakura Local Board feedback
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**15** A new regulatory regime for the three waters

A new approach that both rigorously enforces minimum standards, and is permissive about how councils meet these standards would substantially improve the performance of the three-waters sector. The new regime would be administered by an independent regulator, such as the Commerce Commission. The performance regime would be permissive and flexible, but have a backstop arrangement applied to councils that fail by a specified time period to lift their performance sufficiently to meet minimum health and environmental standards.

The three waters infrastructure is significant multi-generational investments with added challenges around climate change and environmental impacts. Further incentives and support is needed for smaller councils to collaborate across boundaries and share expertise, costs and oversight to manage their three waters assets/standards.

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Brent Catchpole  
Chairperson Papakura Local Board

Felicity Auva’a  
Deputy Chairperson  
Papakura Local Board

Date: 24 July 2019
Feedback on the Productivity Commission’s Report on Local Government Funding and Financing

From: The Rodney Local Board
Date: 19 July 2019

Executive Summary

5. The Productivity Commission has released its draft report relating to its local government funding and financing inquiry.

6. The inquiry’s key aim is establishing whether the existing funding and financing arrangements are suitable for enabling local authorities to meet current and future cost pressures. The Commission’s draft report raises eight questions, highlights 67 findings and makes 30 recommendations.

7. Auckland Council will make a submission on the draft report, which will be approved at the Finance and Performance Committee meeting on 20 August. Local boards can make comments to feed into the council’s submission.

8. The Rodney Local Board has delegated the authority to confirm the local board’s feedback to the Chairperson [RD/2019/90].

Rodney Local Board Feedback:
The Rodney Local Board:

Current Funding Tools

r) expresses concern that it has not been provided with a copy of the proposed Auckland Council submission on the Productivity Commission’s Report on Local Government Funding and Financing (the Report) and has had to limit its feedback to the Report itself.

s) supports the general observation that, while the current funding and financing framework is broadly sound, councils need new tools to help them deal with some specific cost pressures, in particular:

i. funding new infrastructure to accommodate the unprecedented amounts of rapid growth, especially in Auckland’s north and north-west

ii. funding the cost of replacing aging and often neglected assets that are unable to cope with the modern usage and load, notably stormwater infrastructure and rural road networks.

t) agrees that, in broad terms, the “benefit principle” remains a sound basis for deciding who should pay for local government services

u) requests that more flexibility be introduced into the current legislative framework to enable more effective use of the “benefit principle” by allowing councils to collect more adequate compensation from developers to fund infrastructure, noting that current development contributions tools are limited and results in developers making large gains while leaving huge holes in infrastructure networks that councils cannot afford to upgrade, such as incomplete footpath networks.
v) considers that central government needs to be more willing to contribute funding where services benefit national interests, noting that government policy can be one of the easiest ways to drive cost onto local government (via immigration for example) but central government is often slow to assist councils to address those additional costs.

w) suggests that an investigation be undertaken of the concept of central government paying rates on the land it owns, and development contributions for the development works that it undertakes, noting that the Crown is one of the largest landowners or recipients of infrastructure (like schools), which drive growth and generates pressure on local government assets, without contributing to their cost or upkeep.

x) agrees that targeted rates are a valuable tool and one that councils should use more liberally where the beneficiaries of the service can be clearly identified, however, it should be acknowledged that often activities do not have clearly defined boundaries, beneficiaries cannot be clearly ruled in or out, and services are not always obviously local or regional in their nature, so there is a limit to what targeted rates can achieve.

y) agrees that a national rates postponement scheme should be investigated further, as this may provide assistance to those on fixed incomes to meet their rates obligations.

New Funding Tools

z) agrees that “Value Capture” tools should be investigated further, noting that these have the potential to be both positive (reducing the instances of land-banking to achieve capital gains) and negative (potentially increasing the burden on ratepayers with fixed incomes) and the use of value capture tools may be more appropriate in some areas (i.e. strong growth areas) than others.

aa) supports Special Purpose Vehicles (SPVs) in principle, as they are the only way (currently) of allowing councils to meet the high cost of rapid growth without breaching their acceptable borrowing limits. However, it is noted that SPVs have a long payback time and there will be considerable push back from ratepayers who perceive they receive no value from the SPV and will object to paying a special rate 10, 20 or 30 years after the SPV is introduced.

bb) supports the introduction of a new system of payments from central government to territorial authorities based on new building work put in place, as it will both recognise the cost of accommodating growth, and encourage councils to attract more businesses, grow, and develop which is beneficial for everyone.

cc) suggests that consideration of a funding stream where GST collected on rates is credited back to councils for their use which, by definition, would be similarly tied to the growth and value of the properties rated so that growing councils receive a larger benefit with which to pay for needed infrastructure.

dd) supports the consideration of a tax (or targeted rate) on vacant land in order to reduce land banking and encourage development, but suggests that this can only effectively be put in place when land is live zoned for development, and further recommends that this be carefully structured to discourage the scenario where landowners do the bare minimum merely to avoid the tax without increasing the supply of land for housing.

ee) agrees that the role of the New Zealand Transport Agency to co-fund local roads should be extended to include assistance to councils facing significant threats to the viability of local roads and bridges from climate change.

ff) suggests that the New Zealand Transport Agency contribution for local road maintenance be increased in order to recognise the impact of growth and the increased costs that come from heavy trucking and development using local, rural roads that were not designed to carry those extreme loads, the cost for which currently rests solely on the ratepayer and is the number one cause of complaint in the Rodney Local Board area.

gg) supports the introduction of a fund to help at-risk councils redesign and possibly relocate or rebuild wastewater, stormwater and other infrastructure which may be threatened by climate change.
hh) agree that legislation should be introduced to enable councils to implement appropriate accommodation or visitor levies which will allow councils to more fairly collect revenue to fund tourism related infrastructure, noting that the current approach in Auckland using targeted rates or business rates is a blunt tool that has the potential to unfairly punish bed and breakfast operators who have high value properties but receive relatively minimal income from guests; a proper per night or per visitor rate may be a much fairer method of addressing this need.

ii) agree that the continued pressure from central government for local government to do more, especially in the areas of social wellbeing, has created a considerable burden on local government and needs to be adequately funded if local government is to continue operating in these non-core areas.

Authorisation

The Rodney Local Board have been consulted and asked to provide feedback regarding the Productivity Commission’s Report on Local Government Funding and Financing.

This feedback is authorised in accordance with the delegation to the Chairperson of the local board, resolution RD/2019/90:

That the Rodney Local Board:

c) delegate to the Chairperson the authority to confirm the local board feedback on the Productivity Commission inquiry into local government funding and financing by 29 July 2019

Beth Houlbrooke
Chairperson
Rodney Local Board
Date: 29th July 2019

Contact Details

<table>
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<tr>
<th>Name:</th>
<th>Rodney Local Board, Auckland Council</th>
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<tbody>
<tr>
<td>Postal Address:</td>
<td>C/ Jonathan Hope, Senior Local Board Advisor, Rodney Local Board, Auckland Council, Orewa Service Centre, Private Bag 92300 Auckland</td>
</tr>
<tr>
<td>Phone number:</td>
<td>021 800 819</td>
</tr>
<tr>
<td>Email contact:</td>
<td><a href="mailto:jonathan.hope@aucklandcouncil.govt.nz">jonathan.hope@aucklandcouncil.govt.nz</a></td>
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</table>
Waiheke Local Board feedback to the New Zealand Productivity Commission’s draft Report on Local Government Funding and Financing

Pursuant to resolution WHK/2019/148 of the Waiheke Local Board resolved on 25 July 2019, the local board provides the following feedback:

General comments

- We are in broad agreement with Auckland Council’s earlier submission to the Commission. It was well done and thorough.
- We would now strongly support the Commission’s draft report advocating for a greater ability to levy visitors for the infrastructure and operational costs they impose and Auckland Council’s request to enable the imposition of bed taxes in preference to the property valuation-based regime imposed in parts of the city now.
- The draft report notes that there is “Little or no evidence that council rates have generally become less affordable over time” - rates [not including user charges, water and targeted rates] remain at around 2.5 - 3 per cent of income per individual. We note, however, that Waiheke has had a significant relative rise in rateable valuations compared to greater Auckland. Hence it is likely that average rates have risen in proportion to personal income generally but particularly so for those on fixed incomes – the “asset rich and cash poor” is more prevalent. Waiheke has both an older population and a significantly lower average income than the residents of Auckland overall. For fixed income earners, rates are now a very significant expense vis a vis other expenditure. On Waiheke many fixed income earners are paying $3-4000 or more in rates while having to fully meet expenses for their own water supply and waste water treatment. The latter, fully costed, would easily amount to $800-1000 per annum.
- The draft report notes that there have been significant increases from 25 to 28 per cent of all council expenditure for depreciation and interest. [This despite huge reductions in interest rates since the year 2000.] This increase is made more stark by the increase in overall “Support services”, which include interest and depreciation, which have risen to 70 per cent of total spend. Waiheke would be unlikely to have reached this proportion of spending had it been responsible for its own costs and revenue, noting that .... prices of “water, sewerage and drainage have risen especially strongly” for all councils [p.38 of Commission’s draft report]. Recent increases in expenditure on storm water may have changed the picture over time but expenditure on the first two will have had little or no impact on Waiheke.

Response to specific questions by the Commission

Chapter 3 –Trends in local government revenue, expenditure, prices and debt
Question:
Is the current methodology for preparing the Local Government Cost Index sufficient for forecasting the prices that local authorities are likely to face? If not, should the methodology be improved, such as by one or more of:
- carrying out more frequent reweighting;
- including output indices; and
- disaggregating by council type?

Answer:
Increasing frequency of weightings seems unnecessary in a low inflation environment. Including output indices might be useful but only when council inputs are clearly moving out of step with the wider CPI. Disaggregating by council type seems unlikely to be needed for the Auckland Council - it's already one third of NZ's population and about 40 per cent of GNP.

Chapter 4 – Pressures on funding and financing

Question:
To what extent are the Treaty-related costs associated with fulfilling the obligations and requirements under local government statutes' “business as usual” for councils? And to what extent should they be considered costs incurred to fulfil obligations on behalf of the Crown under the Treaty of Waitangi?

Answer:
Treaty settlements are expected to be between the Crown and iwi by all concerned. Central government controls some 88 per cent of all revenue collected by government in NZ. Consequently, the default position on matters requiring expenditure should be that central government should pay all costs which are part of or flow from Treaty settlements.

Partnership in decision making in matters of council responsibilities under the Local Government Act is a separate matter and costs that fall out of such decision making can be determined vis-a-vis their relevance, or otherwise, to Treaty settlements and met by the relevant party.

Chapter 5 – Improving decision making

Question:
The Commission is seeking more information on the advantages and disadvantages of reducing the frequency of Long-Term Plan (LTP) reviews, while retaining the requirement for annual plans. What would be the benefits, costs and risks of reducing the frequency of LTPs, from every three years to every five? What if five years were a minimum, and local authorities were free to prepare LTPs more frequently if they wished?

Answer:
In our view, it is annual plans that waste council time and resources – three-year plans formulated in the first year of any electoral term should provide for and/or incorporate inflationary expectations with minor variations being made annually for unforeseen events/needs [earthquakes, weather events etc]. Public consultation on plans could then focus on the bigger / longer term issues during each term of office. Consultation and consideration of the Long Term Plan can then focus on longer term issues only and be revisited five yearly.
Question:
Is it appropriate for local authorities to include an adjustment for anticipated price inflation when they set rates each year? If not, what disciplines could be applied to the rate-setting process, to encourage local authorities to seek to manage cost and price pressures through productivity improvements? What would be the benefits and drawbacks of such an approach?

Answer:
Not unless inflation rises from current low levels to, say 3-5 per cent plus. Discipline is provided by elections – greater transparency is the solution to the need for clearer accountability.

Question:
Would establishing a capital charge for local authorities be an effective way of incentivising good asset management? What would be the advantages and disadvantages? Are there other, more effective ways of encouraging better asset management practices in local government?

Answer:
It is hard to predict where capital charges would take councils. Most of them have limited opportunities to effect changes in the use of assets since so many fixed assets are “core” to their reason for being. It might be worth a trial in a small sample of councils perhaps but only for assets other than those that are “wired in” such as roads and pipes. Central government’s now lengthy experience with capital charging [where the opportunity cost of investments is levied on the net worth of all assets] should shed light on this question if differences in applicability across asset types are well defined.

Chapter 6 – Future funding and financing arrangements

Question:
How desirable and useful would a tax on vacant residential land be as a mechanism to improve the supply of housing for New Zealanders? How would such a tax measure up against the principles of a good system of local government funding and financing?

Answer:
This is only of relevance to Waiheke where growth into green fields is likely to be a major part of response to growth, which our community does not favour. The cost of holding land in “brownfield” areas should preclude inappropriate, long term retention for speculative purposes.

Question:
What would be the advantages and disadvantages of a system of payments to territorial authorities based on new building work put in place in each territorial local authority? What would be the best design for such a mechanism? Would it be effective in incentivising councils to keep the supply of consented land (greenfield and brownfield) and local infrastructure responsive to growth pressures?
Answer:
In the absence of data it is difficult to determine a view on this question.

Chapter 8 – Adapting to climate change

Question:
What legal options exist for placing a condition on land-use consents that would make a voluntary assumption of risk by a current owner (and any person or entity who later becomes the owner) enforceable in all future circumstances?

Answer:
Will leave this to the experts but note that councils will need far more legal options to ensure they are not too risk averse or liable for costs in the face of property owners who want to exercise rights despite commonly understood risks – e.g. sea level rise in coastal areas.

Local Board member John Meeuwsen

29 July 2019
Memorandum

29 July 2019

To: Chair, Finance and Performance Committee

Cc: All Waitematā Local Board members

Subject: Feedback on the Productivity Commission inquiry into local government funding and financing – Draft Report

From: Waitematā Local Board

Purpose

1. To provide Waitematā Local Board’s feedback on the Productivity Commission inquiry into local government funding and financing – draft report.

Context/Background

2. Central Government has asked the Commission to undertake an inquiry into local government funding and financing and, where shortcomings in the current system are identified, to examine options and approaches for improving the system.

3. The Commission’s issues paper was released on 6 November 2018. The Waitematā Local Board provided informal feedback on the issues paper as set out in Attachment A of this memo.

4. On 4 July 2019, the Commission released its draft report relating to it’s inquiry into local government funding and financing.

5. Local boards are given the opportunity to provide formal feedback on the draft report by 29 July 2019.

6. Submissions on the inquiry close 29 August 2019. Staff will prepare a submission for the Finance and Performance Committee’s consideration at its meeting on 20 August 2019. Local board views and feedback will be considered as part of the submission.

Waitematā Local Board Feedback

7. We agree with the Productivity Commission’s view that a high-performing local government is vital for community wellbeing and that the current funding and financing framework is broadly sound.

8. We agree that the “benefit principle” is an appropriate basis for deciding who should pay for local government services, but note Councils must give at least equal weight to factor the “ability to pay” as a fundamental consideration.
Discussion

9. The Productivity Commission has identified four key areas where the existing funding model is insufficient to address cost pressures, and new tools are required:
   I. supplying enough infrastructure to support rapid urban growth;
   II. adapting to climate change;
   III. coping with the growth of tourism; and
   IV. the accumulation of responsibilities placed on local government by central government.

I. New funding and financing tools for growth infrastructure

10. As the city’s employment hub, 186,000 jobs are located in Waitamata. 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 each day, with approximately half of commuters using public transport, cycling or walking.

11. 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 and visitors and increasing numbers of rough sleepers. Community facilities, such as our libraries, parks, civic space and recreation facilities are used by people who travel into the city each day in addition to the 57,000 city centre residents.

12. The Waitemata Local Board notes its support for the new funding and financing tools for growth infrastructure to support Auckland’s rapid urban growth including, special purpose vehicles to relieve debt limit pressures, a new funding source from central government and a tax on vacant land. The last mechanism is considered an important option to disincentivise land banking practices and improve supply of land for housing and other urban development. This is also fairer than a move to rating on unimproved value rather than capital value because an unimproved rating system incentivises the building of mansions rather than affordable homes as the rates charges are the same under unimproved value.

13. We support value capture funding tools where property owners benefit from upzoning and infrastructure investment by Council. As previously submitted this practice is successfully applied in many US cities and enables major increases in land values that are generated by public activity, such as the building of infrastructure that directly and substantially benefits private landowners, to have part of these windfall gains returned to Councils. This could be achieved by directly levying this uplift in land values. At the core of the Waitemata Local Board area the city rail link is an investment in billions of public money whereby the properties and businesses along the route are suffering from construction, but those that survive will consequently gain millions in value uplift.
14. A similar case can be made for allowing local authorities to utilise tax increment funding. This would allow local authorities to borrow against the future income from capital value caused by infrastructure without this resulting in a credit downgrade.

15. The ability to apply development contributions should be extended to all Council provided social and physical infrastructure and accessed earlier in the development process.

II. Adapting to climate change

16. We support appropriate government funding for Councils that are particularly affected by climate change, including through the loss of coastal infrastructure, and/or have the least resources to respond effectively.

17. We also support developing funding tools that ensure an appropriate contribution from those bodies that pollute or exacerbate climate change.

18. A regional fuel tax and/or congestion charging are appropriate, in part for this reason.

III. Coping with the growth of tourism

19. 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.

20. The Waitenā Local Board supports charges on tourists, including applying an accommodation levy, such as a bed tax, and user pays for the infrastructure/facilities that are heavily used by visitors and tourists, to ensure the cost of infrastructure demand is better shared. Government legislation in support of such charges is supported.

21. The new airport arrival tax is supported in this context and should be increased in future.

22. A share of GST related to the proportion of spending in that Council area from visitors and tourists is also justified.

IV. The accumulation of responsibilities place on local government by central government

23. We submit that where central government has delegated a function for which the cost of delivery or regulation is substantial then the government needs to make a substantial funding contribution accordingly.
Other matters

Equity and affordability

24. We agree with the Productivity Commission that rates based on property values are a reasonable and fair source of local government revenue. For most families their residential property is the main source of, and a fair indication of, that family’s wealth. Given that nearly all other taxes and levies in NZ are based on income and spending it is useful and fair to have a major source of public revenue based on wealth. These are the sort of considerations for why we reiterate our view that the current limitation on the level of the UAGC to 30 per cent of rates must be retained. This is to preserve rating as a tax on wealth and take into account ability to pay. We think it is important to retain Council’s ability to apply differentials to their rating system, particularly for businesses as rates are exempt from tax as a business expense.

25. We agree with the Productivity Commission’s views that a nationwide rates postponement scheme should be introduced for people who are asset rich but income poor. Otherwise Councils will be discouraged from providing essential infrastructure knowing some ratepayers could not afford their rates contribution.

Attachment A – Waitematā Local Board informal feedback on the Productivity Commission Issues Paper — Local Government Funding and Financing
ATTACHMENT A

Memorandum

15 February 2019

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

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

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

From: Waitātā Local Board

Purpose

To provide Waitātā 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 Waitātā, 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 26 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 Waitematā 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 Waitematā, but also places pressure and demand on resources, infrastructure, community facilities and the environment.

Growing ethnic diversity in the Waitematā 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, Waitematā provides 186,000 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.

Waitematā 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. Waitematā 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 Waitematā 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 Waitematā 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.
Whau Local Board feedback to Productivity Commission inquiry to local government funding and financing

The Whau Local Board notes that the Auckland region in general and the Whau area in particular is a high growth area of New Zealand and that the Unitary Plan has established significant in-fill and brownfield development potential across the Whau that can link in with an existing high frequency rail and bus public transport network.

The board feels that Auckland Council operates in a transparent, though constrained, manner to deliver quality services in line with the preferences and aspirations of its local communities. As an existing city fringe area, the local board and the people of the area are facing challenges in getting support and budget allocation to develop future infrastructure beyond the framework that already exists.

The board supports the development of mechanisms and funding for growth-supporting infrastructure that go beyond the standard existing tools of rates, fees and charges, and development contributions.

With brownfield development the investigation into the concept of a tool which enables “value capture” of windfall benefit to adjoining properties – particularly those properties which have not been redeveloped, could provide benefits by way of a new revenue stream with additional benefits of reducing brown lot land banking through incentivising active redevelopment as holding costs become higher.

For Auckland Council the use of Special Purpose Vehicles to better enable the joint development of public infrastructure by a third party with arrangements of operation and transfer of asset is seen to be overdue and the Milford example of Council, Crown, Treasury and Developer SPV is positive. There is opportunity around Community Facility infrastructure across a number of brown and greenfield areas across the Auckland region that would be useful to be tested from a better business case perspective.

The Whau Local Board area is bounded by the Manukau and Waitemata harbours and centred around the Whau river and has been a portage route for Māori and subsequent settlers. The effects of climate change will be felt locally with rising sea levels and stronger climatic events impact on public infrastructure and private property. However, the Whau is also bound within Auckland and faces the collective vulnerability of pressure on water and transport assets that comes with our changing climate. The board supports the proposal that the Central government takes a lead with development of advice and best practice standards to inform all local governments and their communities and that associated national investment is made in these core community infrastructure needs.

The local board, and broader Auckland Council, has expectations placed upon it by its community, and indirectly by central government, that it should be responding to needs that go beyond the core functions of local government as described in current legislation. In responding to this gap, the Whau Local Board do support the commission’s identification for the need to reset and shift the relationship between central and local government to be more one of partnership and co-design where central policies are informed and made more robust and deliverable through early collaboration with local government. This collaboration should also include mana-whenua with joined up government looking to accelerate and deliver on Crown Treaty of Waitangi obligations which whilst may involve fiscal responses ultimately link back to the whenua.