

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 nor 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 Aotea 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

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 entrenching 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

easiest ways to drive cost onto local government (via immigration or freedom camping legislation for example) but central government is often slow or does not assist councils to address those additional costs.

- 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 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.
- 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

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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 incentivises 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 sifting 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

- e) 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.

A handwritten signature in black ink, appearing to read 'Debbie Burrows', written in a cursive style. The signature is positioned above a horizontal line.

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 areas.

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



Lotu Fuli- 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

Row No.	Key Findings	Papakura Local Board feedback
1.	<p>The current funding and financing framework is broadly sound</p> <p>Whilst current funding and financing framework is broadly sound, councils need new tools to help them deal with some specific cost pressures.</p>	<p>The Papakura Local Board broadly agrees with this statement, subject to the further feedback below.</p>

Row No.	Key Findings	Papakura Local Board feedback
2.	<p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>
3.	<p>Where local services also benefit national interests, central government should contribute funding.</p>	<p>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.</p>
4.	<p>User charges or targeted rates should be used wherever it is possible and efficient to do so.</p>	<p>The Papakura Local Board agree that user charges and targeted rates are important tools to offset general rates and support the benefit principle.</p> <p>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</p>

Row No.	Key Findings	Papakura Local Board feedback
		<p>poorer communities as these communities rely on generally funded public services.</p> <p>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.</p>
5.	<p>Improving equity - legislative changes are needed to make the current funding system more equitable and transparent, including:</p> <ul style="list-style-type: none"> 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. 	<p>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.</p>
6.	<ul style="list-style-type: none"> phasing out the current rates rebate scheme (which is not equitable or effective) and introducing a national rates postponement scheme. 	<p>The Papakura Local Board supports a national rates postponement scheme in principle, subject to further detail.</p>
7.	<p>New funding tools are needed to address key pressures</p> <p>The Commission has identified four key areas where the existing funding model is insufficient to address cost pressures, and new tools are required.</p> <p>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.</p>	<p>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.</p> <p>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.	<p>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</p>	<p>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>

Row No.	Key Findings	Papakura Local Board feedback
	<p>means for high growth councils approaching their debt limits to continue to invest in development.</p>	<p>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.</p>
<p>9.</p>	<p>Additional options –</p> <p>(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:</p> <ul style="list-style-type: none"> • 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). 	<p>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.</p> <p>Another option to consider is the government stopping charging GST on rates.</p>
<p>10</p>	<p>(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.</p>	<p>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.</p> <p>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.</p>

Row No.	Key Findings	Papakura Local Board feedback
		A value capture tax based on council land use planning should also be used to disincentivise speculation and land banking.
11	<p>Adapting to climate change is a significant challenge</p> <p>As the impacts of climate change unfold over coming decades, local authorities will face a significant and growing challenge.</p> <p>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.</p>	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.
12	<p>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.</p>	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.
13	<p>Funding support for tourism hotspots</p> <p>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.</p> <p>For small councils that cannot reasonably use either accommodation levies or user pays, the Government should provide funding from the international visitor levy.</p>	<p>The Papakura Local Board agrees that legislation should allow local authorities, who can evidence tourist pressures, to charge an accommodation levy.</p> <p>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.</p>
14	<p>Need to reset the relationship with central government</p> <p>Another cause of funding pressures on local government is the continued accumulation of tasks and responsibilities passed from central government, without adequate funding means.</p>	<p>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.</p> <p>A Treasury initiated funding impact statement and cost recovery model should accompany all legislation or policy that central</p>

Row No.	Key Findings	Papakura Local Board feedback
		government intends local government to implement.
15	<p>A new regulatory regime for the three waters</p> <p>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.</p> <p>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.</p>	<p>The three waters infrastructure is significant multi-generational investments with added challenges around climate change and environmental impacts.</p> <p>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.</p>




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 (Input into Council submission)

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 roading 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 and builds 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 landbanking 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

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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.

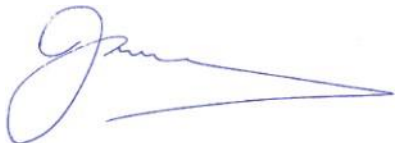
Chapter 8 – Adapting to climate change

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.

A handwritten signature in blue ink, appearing to read 'John Meeuwsen', with a long horizontal flourish extending to the right.

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 its 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 Waitematā. 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 Waitematā 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 Waitematā Local Board area the city rail link is an investment in billions of public money whereby the properties and business 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 Waitematā 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

15 February 2019

Memorandum

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

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

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

From: Waitematā Local Board

Purpose

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

Summary

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

- Through the creation of jobs, providing advice, co-ordination and working with businesses to get through regulations and access markets, councils contribute towards achieving sustainable local economic development. Local government should be recompensed and rewarded for this from relevant central government funds such as a share of taxation or grants.
- Central Auckland is one of many areas that provide infrastructure and events for tourists and visitors. Councils should be able to obtain a contribution from them through a bed tax, airport arrival levy and a share of GST.

Issues and Options Paper Key Topics

Local government in New Zealand

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

The levels of homelessness across the Auckland region increased by 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 Waitemata 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 Milldale 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.