Ōtara-Papatoetoe Local Board
Auckland Council

29 July 2019

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

Background

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

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

Submission points

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

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

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

Improving equity

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

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

We do not support introducing a national rates postponement scheme. We are not convinced that this would work any better. There is no evidence that would suggest there would be an improvement in uptake.

New funding tools are needed to address key pressures

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

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

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

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

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

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

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

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

Adapting to climate change is a significant challenge

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

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

The Commission also recommends that the Government creates a climate-resilience agency and associated fund to help at-risk councils redesign, and possibly relocate and rebuild, wastewater, stormwater and flood-protection infrastructure threatened by the impacts of climate change.

Funding support for tourism hotspots

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

Need to reset the relationship with central government

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

A new regulatory regime for the three waters

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

Ngā Mihi

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