Date: Tuesday 17 September 2019
Time: 9.30am
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

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

OPEN ATTACHMENTS

ADDITIONAL ATTACHMENTS UNDER SEPARATE COVER

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Note: The attachments contained within this document are for consideration and should not be construed as Council policy unless and until adopted. Should Councillors require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.
22 August 2019

Liz Coutts
Chair
Ports of Auckland Limited

By email: liz@cme.net.nz

Dear Liz,


This letter sets out the comments agreed by the Committee.

1. The SCI should include a commitment to look at new solutions for handling car imports to remove vehicles from Captain Cook and Bledisloe wharves. The council’s objectives are:

   - To allow for more efficient use of the wharves, including freeing up berth space on the western side of Bledisloe Wharf and Captain Cook Wharf for possible use by cruise ships; and
   - To reduce the impacts of transporting vehicles on the downtown area and the motorway network.

2. POAL has a statutory obligation to operate as a successful port company, and the Council believes an investigation of the proposal to barge cars to Highbrook is consistent with this imperative given the commercial opportunities it may create.

3. I appreciate that the company is in a capacity building phase. However, as you noted in your letter to me, the automation project includes a number of world firsts. Therefore, it is challenging work and is not without risk. This project is critical to POAL’s future performance which, in turn, impacts on the council. I expect that you will keep the council closely informed of the ongoing progress, including the risk mitigations you are putting in place.

4. I appreciate that POAL has nearly completed the development of its Māori responsiveness plan, and therefore has removed the associated key performance indicator (KPI). However, I expect to see the commitments in the Māori responsiveness plan drop down into the SCI.

5. I commend POAL’s long-term goals for reducing its carbon emissions and the initiatives it has taken to achieve this, including the introduction of an electric tug. The SCI needs to include a staged target for POAL’s progress towards achieving its goal of being carbon neutral by 2023.

6. The SCI contains three objectives related to the outcome of ‘safe and empowered people’. The council supports these objectives, however two of these (the objectives relating to diversity and inclusion and an engaged and well-skilled workforce) have no associated KPIs. The SCI should have KPIs and further discussion of what POAL is doing to achieve these objectives. An area of particular interest to council is the workforce impacts of the automation project, and the retraining and other transitional assistance the company will be putting in place for those who may be displaced.
7. POAL needs to maintain a close working relationship with other members of the council group, principally the council, Auckland Transport and Panuku Development Auckland, on both a strategic and operational basis. The SCI includes commentary to that effect, but it is important that all members of the council group model these behaviours. For example, the City Centre Masterplan will be refreshed over the coming year and it will be important that POAL plays a role in this.

8. The SCI should include a more detailed description of the Port’s role in the upper North Island, and the benefits it provides outside of those that accrue to Auckland and to the council as its shareholder.

9. The Memorandum of Understanding provides that POAL should provide periodically, and at least annually, a briefing to the Governing Body. As the last briefing was held early in 2019, the next briefing should be held soon after the new council is sworn in. Moreover, given the value of these events I consider that they should be held twice annually. We also request that under the “primary line of communication” section of the SCI you add the Mayor of Auckland to reflect the channels of communication at the governance level. This is within the terms of the MOU.

I look forward to receiving a revised version of the SCI by the end of September.

Yours sincerely

Phil Goff

MAYOR OF AUCKLAND
Auckland Council submission

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

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

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

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

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

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

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

Executive summary

Overall conclusions

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

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

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

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

7. The council considers that the government should recognise the additional challenges associated with the governance of the city have more in common with governing an Australian state. The Commission should consider options for the government to devolve other funding sources to the council. Options could include:
   - providing a share of the GST collected in Auckland,
   - returning some or all of the GST collected on Auckland Council rates, around $280 million per year (eliminating the inequity of a tax being set on a tax)
   - making properties used for Crown activities rateable which could yield between $15 million and $40 million per year (depending on which Crown activities this applied to).

The government could require that this funding be used to fund capital and operating expenditure associated with additional investment in infrastructure. This would help equip Auckland to accommodate investment challenges without the need to for slow interagency decision-making processes.
Financing and funding growth

8. The council supports the recommendation that the government continue work on the development of the Special Purpose Vehicle (SPV) model for third parties to invest in infrastructure and to have a secure mechanism to provide for repayment. The council is working closely with government on this. Access to capital to invest in the infrastructure required to support growth is the key challenge facing the council. The SPV model is the most effective means to address the capital shortfall.

9. The legislation which provides for an SPV to set a levy to repay the capital raised needs to be permissive. This will ensure levy design can be tailored to the individual characteristics of each development area. The national rates postponement scheme noted above could be a useful mechanism to manage the incidence of SPV levies on owner occupiers allowing them to defer payment until development or sale of their property. The legislation should also provide for appropriate democratic oversight of any decisions to apply a compulsory levy.

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

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

Adapting to climate change

12. The council agrees that the impacts of climate change will present many councils, businesses, and communities with environmental, social, cultural and economic threats and funding challenges beyond their capacity to manage alone. The council endorses the broad themes of the Commission’s recommendations for the government to:

- set standards for information gathering to ensure decision making is well informed
- legislate to guide decision making on development and land use in at risk areas
- provide funding, through NZTA and the proposed Local Government Resilience Fund, to support investment in roading, stormwater and wastewater networks to manage impacts.

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

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

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

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

Additional local government responsibilities

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

Equity and affordability

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

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

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

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

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

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

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

25. The council considers that the Commission should look at options for the government to devolve other funding sources to the council. The council recognises that without material legislative and administrative changes it isn’t practical to introduce a new funding source. Options could include:
   - providing a share of the GST collected in Auckland,
   - returning some or all of the GST collected on Auckland Council rates, around $280 million per year (eliminating the inequity of a tax being set on a tax)
   - making properties used for Crown activities rateable, which could yield between $15 million and $40 million per year (depending on which Crown activities this applied to).

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

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

Financing and funding growth

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

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

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

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

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

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

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

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

36. The council’s strategies and plans show its commitment to growth. The council’s ability to put these plans into action is limited by the debt constraints that cap our access to capital to fund investment in
37. These payments as currently proposed introduce an element of risk for the council as we will have made the capital investments before development occurs. The incentive payments and development contributions are only received if developers undertake construction to the timeframes forecast.

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

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

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

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

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

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

**Value capture rate and road congestion charges**

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

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

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

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

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

Vacant land tax

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

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

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

52. To be effective, a tax on undeveloped land should only apply where there was a link between undeveloped land and under use of council provided infrastructure. This link can only be made where the undeveloped land has the appropriate zoning, for example, a tax should not apply to land zoned for farming. The land would also need to be serviced by infrastructure that provides sufficient capacity to allow development. This rationale would allow the tax to apply equally to business as well as residential land.

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

55. Analysis of the council's rating information database shows that there are around 28,000 urban properties that have an improvement value of less than 5 per cent of the land value. The table below shows the split between residential and business land and the respective land values and assessed rates. For vacant land, we estimate that a rate increase of more than 100 per cent for business and 300 per cent for residential land would be required to increase annual holding costs to around one percent of the value of the land.

<table>
<thead>
<tr>
<th>Land type</th>
<th>Number of properties</th>
<th>Land value ($m)</th>
<th>Rates $</th>
<th>Rates to land value percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>26,363</td>
<td>$30,254</td>
<td>$74,097,969</td>
<td>0.24%</td>
</tr>
<tr>
<td>Business</td>
<td>2,856</td>
<td>$9,352</td>
<td>$52,772,566</td>
<td>0.56%</td>
</tr>
</tbody>
</table>

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

**Universal DC template**

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

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

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

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

Adapting to climate change

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

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

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

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

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

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

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

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

Coping with growth in tourism

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

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

72. Auckland Tourism, Events and Economic Development (ATEED), an Auckland Council controlled organisation, works alongside industry and government at all levels to activate the opportunities and help address the challenges of managing the impact of Auckland’s visitor economy. The council’s Destination AKL 2025 strategy, is focused on destination management and making Auckland visitor-ready, particularly as we prepare for a strong line-up of events in 2021 including the 38th America’s Cup, APEC 2021, the World Softball Championship, and the Woman’s Rugby World Cup.

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

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

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

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

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

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

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

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

81. A recent example of regulatory impacts on councils is illustrated in the report Delivering better responses to natural disasters and other emergencies: Government response to the Technical Advisory Group’s recommendations (August 2018). Two examples where additional responsibilities have been imposed on councils by central government are the changes in the delivery of welfare services and an increase in the expectation to undertake strategic planning for recovery. The report did not identify the impact of the new regulations to outline how the new requirements will be enabled. This example shows the need to ensure that central government agencies understand the regulatory impact of changes before they are proposed and conduct meaningful consultation with local government before policies are enacted.

82. Another example where government should give further consideration to the financial implications of its decisions is the ongoing costs associated with administration of co-governance arrangements arising from Treaty settlements, see Question 4.1 in Attachment B: Response to questions and recommendations.

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

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

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

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

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

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

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

- section 101(3) a) requires an analysis of who the beneficiaries are (and/or who may be imposing the costs that drive expenditure)

- 101(3) b) then requires an assessment of the ‘overall impact of any allocation of liability for revenue needs on the community’, essentially consideration of affordability.

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

90. Auckland Council has included an analysis of the factors set out in s101(3) in the consultation and decision making materials for all its recent major rating and funding decisions.

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

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

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

94. For these public good services, it is not practical to charge users and as result there are no economic benefits from allocating the costs to beneficiaries. Determining how to equitably share the costs of these services, in both benefits and affordability dimensions, remains a subjective decision.
95. The council notes that the challenges discussed above relate to funding the capital and operating cost of existing services. It is easier to identify the beneficiaries of projects to support growth. A charge can be set on land to fund these (like a development contribution or targeted rate). Setting these charges delivers economic benefits by ensuring that development decisions are made based on the underlying costs.

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

**Removal of rates differentials and the UAGC**

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

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

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

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

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1 A separately used or inhabited part of a rating unit includes both the main house and granny flat and treats each shop in a shopping mall separately.
Introduction of a national rates postponement scheme

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

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

103. A national scheme should also allow Auckland residents to fund their water and wastewater charges. This would ensure they are treated fairly relative to other regions where water and wastewater charges are included in rates bill. This should also apply to any other council’s that establish separate water authorities in the future.

104. Most of the local boards that provided feedback generally supported a national rates postponement scheme. Comments included:

- may assist those on fixed incomes to meet their rates obligations
- effective means of supporting those who are asset rich but income poor
- could increase uptake of the scheme.

The Maungakiekie-Tāmaki and Otautopoe local boards did not support the proposal as it doesn’t reduce the financial burden on ratepayers who are struggling.

Rates Rebate Scheme

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

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

Three waters

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

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

109. As part of the council’s 10-year Budget 2018-2028, Aucklanders prioritised spending to improve water quality across the region. The council ring fenced $452 million raised through a water quality targeted rate for projects that will ensure cleaner beaches, streams and harbours.
110 The council and its CCO, Watercare, are working on its Three Waters Strategy to achieve the objectives of adapting to a changing water future, as laid out in the Auckland Plan 2050. The ways in which this will be done include collecting and treating wastewater effectively, and managing the effects on receiving environments. In its Statement of Intent, Watercare has also undertaken to meet the requirements of the national policy statements on urban development capacity and freshwater management. Watercare is also committed to working with the council to identify additional effective, appropriate and meaningful measures that will arise from the government’s review of three waters in New Zealand. This includes working on identifying appropriate climate change measures and targets.

111 The council notes that the government approved a dedicated water regulator and new water regulations in early August. The council looks forward to reviewing the new legislation which is expected to be introduced to parliament by the end of the year.

112 Most of the local boards that provided feedback were in support of this proposal.
## Attachment B: Response to questions and recommendations

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<thead>
<tr>
<th>Productivity Commission Questions and recommendations</th>
<th>Auckland Council Comment</th>
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<tr>
<td><strong>Question 3.1</strong>&lt;br&gt;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:&lt;br&gt;• carrying out more frequent reweighting;&lt;br&gt;• including output indices; and&lt;br&gt;• disaggregating by council type?</td>
<td>It is important that each council critically assess whatever index they use to inform budgeting decisions to ensure that they are appropriate to their particular circumstances. Auckland Council makes use of BERL indices, other public economic projections, and our in-house economist unit to inform inflationary impacts on cost projections.</td>
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<tr>
<th><strong>Pressures on funding and financing</strong></th>
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<td><strong>Question 4.1</strong>&lt;br&gt;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?</td>
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<td>Productivity Commission Questions and recommendations</td>
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<td>The council suggests that the Crown should consider Treaty settlement co-governance entities as both valuable Treaty settlement outcomes, and as a means to promote integrated and effective public policy outcomes with national benefits. The council further suggests that the Crown should be committed to supporting the ongoing costs of Treaty settlement co-governance bodies in a manner that is fair to local government and supports participating Māori.</td>
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<th>Improving decision making</th>
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<tr>
<td><strong>Question 5.1</strong> 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?</td>
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<tr>
<td><strong>Advantages:</strong></td>
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<td>- Staff time and effort is reduced</td>
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<td>- Reduction in audit fees</td>
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<td>- Consultations could be improved with an increase in available budget</td>
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<td>- AuditNZ resources could be better spread as councils are producing LTPs at different times</td>
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<td>- Reduces public consultation fatigue</td>
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<td>- More able to focus on long-term decisions if they are addressed every five years.</td>
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<td><strong>Disadvantages:</strong></td>
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<td>- New incoming elected members may want to make significant changes to a newly adopted LTP, requiring a further LTP process to be carried out.</td>
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<td>- Elected members may not wait 5 years as their term may run out or, they may not consider longer term financial decisions if there are only annual plans within their three-year term – may consider it to be a caretaker role.</td>
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<td>- It may be more difficult for councils to share information as their LTPs will be carried out at different times</td>
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<td>- Limits opportunities for the whole council to propose big ideas which are not considered during Annual Plan rounds.</td>
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| **Question 5.2** Is it appropriate for local authorities to include an adjustment for anticipated price inflation when they set rates each year? If not, what disciplines could be applied to the rate-setting process, to encourage local authorities to seek to manage cost and price pressures through productivity improvements? What would be the benefits and drawbacks of such an approach? |
| Rates setting is a political decision. This is informed by our financial strategy which seeks to balance the need for investment in assets and services with ensuring that the costs of that investment are acceptable. When setting budgets for individual cost lines an inflation factor is appropriate to reflect market movements. The council separately sets efficiency savings targets, either centrally or by service area, to ensure productivity improvements and the best use of ratepayer funds. |

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

<p>| <strong>Recommendation 5.1</strong> The Department of Internal Affairs, Local Government New Zealand (LGNZ) and the New Zealand Society of Local Government Managers should work together to improve basic governance, including financial governance, skills and knowledge across elected members. In undertaking this work, they should consider: |
| - a range of mechanisms, such as formal training; peer support, mentoring (e.g., via “sister council” links), and networking; and sharing of resources and best practice; and |
| - a variety of delivery platforms, including online media and collaboration tools. LGNZ should ensure that resources and initiatives are well evaluated. |
| <strong>Support</strong> |
| The council actively works with LGNZ, SOLGM and DIA on many matters of shared interest. In addition, the council has a structured elected member induction and development programme known as Kura Kawana. Our induction programme already covers funding and financing matters, we will ensure a particular focus on this post the 2019 Local Government Election and also within our new Long-Term Plan process. |</p>
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| **Recommendation 5.2**  
Local Government New Zealand should work to achieve greater participation in ongoing professional development by elected members, including new and existing members, to ensure skills and knowledge are built and periodically refreshed. | Support  
The council is happy to assist LGNZ as necessary |
| **Recommendation 5.3**  
The Local Government Act 2002 should be amended to require all local authorities to have an Audit and Risk Committee (or equivalent assurance committee).  
- Audit and Risk Committees should have an independent Chair and ideally include at least one other external expert, to ensure they span the full range of necessary skills and experience.  
- Independent members should be appropriately skilled and qualified.  
- Councils should draw on the good practice guidance and resources that are available to develop and run their committees. | Support  
Auckland Council has an Audit and Risk Committee in place. The council’s committee has an independent chair and two independent members who are appropriately skilled and qualified. |
| **Recommendation 5.4**  
The local government reporting framework (including the financial disclosures, Funding Impact Statement and performance measures for service delivery) should be subject to a fundamental, first principles review. This review would:  
- identify financial disclosures of low value to users of financial statements;  
- examine the mix of financial and non-financial disclosures; and recommend a revised framework that provides the most efficient, coherent and accessible way of reporting the range of information sought by both types of users;  
- consider the potential for new forms of external reporting, including integrated reporting, to shape changes in the reporting framework; and  
- be undertaken by a working group comprising the Department of Internal Affairs, the External Reporting Board and representatives of the local government sector and information users. The Office of the Auditor-General would be consulted. | Support  
The council agrees with a first principles review. Currently, a lot of the reporting requirements are too prescriptive. This impacts on our ability to tell a more relevant performance story for both “customers”, the community, and “owners”, elected members. A simplification of the reporting requirements is desired where a more meaningful story can be told in fewer words.  
The review should consider the relevance of the content. This will ensure consideration is given to helping stakeholders understand and use reports better, especially from the resident’s perspective. The focus should shift from compliance to providing more relevant information.  
The review should consider providing guidance on the principle-based approach e.g. on how we could achieve this approach along with setting out some key minimum reporting requirements rather than mandate a framework like integrated reporting.  
The review should also consider enabling organisations to shift towards digitalisation (allows depth of information at the hand of use instead of paper-based information which will facilitate a common platform across different authorities).  
It might appear that the FIS and cashflow statement show the reader similar information, however they serve quite different purposes. The FIS is presented on an accrual basis and also more clearly differentiates operating and capital items (such as capital grants from NZTA). Given the importance for councils of aligning operating revenue sources with operating expenditure (balanced budget tests) and explaining how they fund their capital investment the FIS serves an important purpose in financial planning and reporting.  
The council should have some flexibility in determining the structure and presentation to enable them to most effectively communicate their financial story to the community. For example, where Development Contributions are used to fund interest costs on investment this portion should be able to be shown as an operating funding source.  
The council agrees that the proposed Working Group should be truly collaborative, and councils and customers should be part of any core group. |
| **Recommendation 5.5**  
The Department of Internal Affairs, Local Government New Zealand and the New Zealand Society of Local Government Managers should continue to work together to promote and encourage councils’ participation in existing performance review and improvement initiatives, such as CouncilMARK™ and the Australasian Local Government Performance Excellence Program. The emphasis should be on learning for | Support in principle  
The council consider this would require a lot of effective collaboration and may require dedicated local authorities’ resources to support.  
The purpose of the work would need to be clearly defined including whether it should formally include a benchmarking element. |
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<td>continuous improvement, rather than a one-off exercise. This work should include efforts to boost public awareness of initiatives such as CouncilMARK™ to increase demand for their use.</td>
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**Recommendation 5.6**  
The legislated information requirements for the consultation processes of local authorities should be amended to:  
- make the terminology around the required analysis of alternative options consistent across relevant sections of the Local Government Act 2002;  
- clarify that Long-Term Plan (LTP) consultation documents must describe the reasonably practicable alternative options for addressing each identified issue, and  
- explicitly require that LTP consultation documents include high-level information on the implications for rates and future service levels associated with each of the identified options.  

**Support**  
Consistency across relevant sections is sensible. However, it is very difficult to cover all the legal requirements while keeping consultation documents simple enough for residents to understand. Large councils have complex issues, and this should be recognised. The difficulty with explaining a potential service level reduction means staff are forced to identify areas where a thesis should be political decisions.  
The definition of high level will need to be clearly defined to ensure the requirements are met.  

**Recommendation 5.7**  
The Local Government Act 2002 should be revised to clarify and streamline the required content of Long-Term Plans so as to reduce duplication, ease the compliance costs on councils, and help make them more accessible documents.  

**Support**  
Any simplification will help make the documents more accessible to residents. The LTP should be relatively high level with a strategic focus. This will make it simpler for “customers” to understand. The current form is too “owners” focused. It should also be focused on the significant marginal changes for the local authority’s key activities (a re prioritisation focus rather than a reset).  

**Recommendation 5.8**  
The scrutiny on long-term planning provided by the audit requirements should not be considered a substitute for internal quality assurance processes. Councils should have robust quality assurance procedures across their Long-Term Plan process, including the use of expert review where appropriate (such as for significant decisions).  

**Support**  
Auckland Council already follows this approach.  

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<th>Question 6.1</th>
<th>Future funding and financing arrangements</th>
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| How desirable and useful would a tax on vacant residential land be as a mechanism to improve the supply of housing for New Zealanders? How would such a tax measure up against the principles of a good system of local government funding and financing? | Refer to paragraph 49-56  
Tax on vacant residential land |

| Question 6.2 |  
What would be the advantages and disadvantages of a system of payments to territorial authorities based on new building work put in place in each territorial authority? | Refer to paragraph 35-63  
Incentive payment to territorial authorities for new building work |

| Recommendation 6.1 |  
The Government, Local Government New Zealand and the New Zealand Society of Local Government Managers should work together to develop standardised templates both for the |  
Do not support  
Referto paragraph 57-61  
Universal DC template |
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<th>Item 9</th>
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| **Recommendation 6.2**  
While local authorities’ general approach to depreciating their infrastructure assets is satisfactory, three issues are of concern and may require action:  
- council’s decisions about the best use of the large amounts of cash that depreciation funding can give rise to should be part of formulating their wider financial and infrastructure strategies;  
- council’s should prioritise improving their knowledge of the condition and performance of their assets to, among other benefits, avoid the risk of underestimating asset lives and overestimating depreciation expense; and  
- the Essential Services Benchmark should be reviewed as part of the wider review of the local government performance reporting framework referred to in Recommendation 5.4. Any rephrasing should avoid the implication that individual councils must invest as much asset renewal each year as their depreciation expense. |  
The council agrees that a focus on asset management planning and knowledge of asset information is important in the flow through to better rate funding.  
The council also agrees that the treatment of funded depreciation and the resulting operating funding surplus should be a core feature of financial strategies.  
The council notes that depreciation is driven by major capital expenditure which is generally depreciated over around 50 years. Depreciation will not reduce with the decrease in capital expenditure. For this reason, spending on renewals should be based on sound asset management plans and viewed over a 50-year horizon rather than annually. |
| **Recommendation 6.3**  
In choosing among funding tools, rating bases and whether to charge rates as a percentage of property values or as uniform charges or some other targeted feature, councils should emphasise the benefit principle and efficiency in the first instance. They should also balance greater economic efficiency against lower compliance and administration costs. Councils should factor in any significant concerns about ability to pay at a second stage in their decision making. |  
Do not support  
Refer to paragraph 85-96  
Weighting benefits in rates decision making |
| **Recommendation 6.4**  
The Government should consider implementing a system of payments to territorial authorities based on new building work put in place in each territorial local authority, to incentivise councils to increase the supply of infrastructure services to match growth in demand. |  
Support  
Refer to paragraph 35-43  
Incentive payment to territorial authorities for new building work |
| **Recommendation 6.5**  
The Government should direct officials to continue work on how to expedite the use of Special Purpose Vehicles to finance investment in growth infrastructure in fast-growth local authorities that face debt limits. If needed, the Government should promote legislation in Parliament to enable the placement of debt servicing obligations on existing residents who will benefit from the infrastructure. |  
Support  
Refer paragraph 30-34  
Special purpose vehicles |
| **Recommendation 6.6**  
In its review to improve the service delivery of the three waters, the Government should favour models capable of applying efficient scale and specialisation to help small communities meet the |  
Support in principle  
Refer to paragraph 106-111  
Three waters |
<table>
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<tr>
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<td>challenges of maintaining and upgrading their water, wastewater and stormwater infrastructures.</td>
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**Recommendation 6.7**
The Government should legislate to enable councils in tourist centres to choose to implement accommodation levies to recover the tourism-induced costs of providing local mixed-use facilities not otherwise charged for. Councils in tourist centres should make greater use where possible of user pays for mixed-use facilities.

Support
Refer to paragraph 70-79
Coping with growth in tourism

**Recommendation 6.8**
The Government should provide funding from the international visitor levy for councils responsible for small tourist hotspots which cannot reasonably recover all their operating costs of providing mixed-use facilities from tourists through user pays or accommodation levies.

Support
Refer to paragraph 70-79
Coping with growth in tourism

**Recommendation 6.9**
The benefit principle and maintaining the integrity of local government autonomy, responsibility and accountability should guide central government funding of local government activities. This implies that central government should generally limit its funding to where there are national benefits. Central government should not expect local government to act simply as its regulatory agent. Rather, the two levels of government should seek a regulatory partnership based on mutual respect and an agreed protocol.

Support
The council agrees with the approach recommended for the government taking a role in local matters. However, given Auckland’s scale “local” economic benefits are often really national e.g. America’s Cup. The council considers that Government should take a greater role in funding these investments. The returns to Auckland Council and its ratepayers aren’t commensurate with the investments made or related to the incidence of rates.

The council agrees on the need to develop a stronger relationship where the council is its regulatory agent.

**Recommendation 6.10**
Central and local government should strive to achieve a more constructive relationship and effective interface through:
- central and local government providing input (formally or informally) into each other’s relevant policymaking processes, under an agreed set of principles or a protocol;
- central government engaging in a meaningful dialogue with local government early in the process of developing relevant new regulations;
- cooperative approaches to tackling problems with implementing relevant new legislation, regulations or environmental standards;
- the creation of formal and informal feedback loops to identify problems with delegated regulations when they first appear; and
- the spread of information through the system and the sharing of expertise and knowledge.

Support
Refer paragraph 80-83
Additional local government responsibilities

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**Equity and affordability**

**Recommendation 7.1**
The Local Government (Rating) Act 2002 should be amended to remove rates differentials and uniform annual general charges. Councils should have five years to implement their removal.

Do not support
Refer paragraph 97-100
Equity and affordability

**Recommendation 7.2**
Local government legislation should be amended to require councils to:

Do not support
Refer paragraph 85-96
### Productivity Commission Questions and recommendations

- match the burden of rates to the benefits of council services, as a first step in setting rates;
- consider ability to pay as a second step;
- set out the reasons for their rating decisions in each step in a clear and transparent manner; and
- (in applying the ability-to-pay principle) consider coherence and consistency with the income-redistribution policies of central government.
- Councils should continue to have the power to determine, on reasonable grounds, the appropriate allocation of rates within their district or region.

### Auckland Council Comment

- Equity and affordability

### Recommendation 7.3

Local Government New Zealand and the New Zealand Society of Local Government Managers should develop advice for councils on how to apply the benefit principle (the burden of rates should reflect the benefits received) in their rating decisions.

### Support

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

### Recommendation 7.4

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

### Support

Refer paragraph 101-104

Introduction of a national rates postponement scheme

### Recommendation 7.5

The Government should work with local government and suitable financial providers to develop and implement a national rates postponement scheme. The scheme should:
- have a single set of clear and generous eligibility rates;
- be accessible and have provisions that are easy to understand and work with;
- have moderate and transparent fees; and
- be nationally promoted.

### Support

Do not support

Refer paragraph 105-106

Rates Rebate Scheme

### Adapting to climate change

#### Question 8.1

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

The ability for a council to impose conditions on a land-use consent is limited by the terms of sections 108 and 108AA of the Resource Management Act 1991 (RMA).

Of particular relevance to the question are paragraphs 108AA(1)(a) and (b) which say:

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

In order to be able to include a consent condition having the effect of assigning future risk of harm to land resulting from the effect of natural hazards to the land owner for the time being it seems likely that s108AA(1)(a) would have to be relied upon. In the absence of agreement by the applicant it is difficult to see how such a condition could be required.
<table>
<thead>
<tr>
<th>Productivity Commission Questions and recommendations</th>
<th>Auckland Council Comment</th>
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<tr>
<td>Such a condition would be most effective if it required the registration of a covenant (in gross) on the relevant record of titles having the required effect. Any covenant could be subject to legal challenge by future owners and could prove costly and potentially difficult for a council to defend when measured against the purpose and principles of the RMA. Consequently, the long term security of such a mechanism in “all future circumstances” is very uncertain. In addition, legitimate questions might be raised by future owners as to whether a council had effectively fulfilled its obligations under the RMA by not seeking to apply the provisions of the Act and relevant planning documents, but by effectively contracting out of liability that might arise as a result of not applying those provisions.</td>
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<td>A potentially better, more effective, and nationally consistent mechanism would be the adoption of a law change to the RMA that mirrors the essential features of the provisions of the Building Act 2004 that apply to buildings located on land subject to natural hazards (sections 71-74, inclusive, in association with s392).</td>
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<td>In summary, the Building Act provisions mentioned above require a building consent to be issued for the construction of a building, or alteration of an existing building, where the land on which the building is located is subject to 1 or more natural hazards (erosion, falling debris, subsidence, inundation, or slippage) in specified limited circumstances.</td>
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<tr>
<td>If such a consent is granted then a notification must be issued by the relevant territorial authority and the Registrar-General of Land must record, on the record of title to the land on which the building work is carried out, both that the building consent was issued under s72 of the Building Act and the particulars identifying the natural hazard.</td>
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<td>Where a building consent has been issued under s72 and the subsequent notification processes have been completed then s392 provides that civil proceedings cannot be brought against the territorial authority or its members, staff or agents in relation to damage to the building resulting directly or indirectly from the natural hazard involved.</td>
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<tr>
<td>The effect of these provisions is that the building owner (for the time being) who accepts the risk of the building being damaged as the result of a natural hazard and they are unable to involve the territorial authority in civil proceedings and the statutory basis of the limitation provides a high degree of certainty in terms of future enforceability.</td>
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<tr>
<td><strong>Recommendation 8.1</strong> The Government and local government should work together to establish centres of knowledge and guidance about climate-change adaptation for councils. One centre should be an authoritative and up-to-date source of advice on science and data while another should be a source of specialist advice on policy, planning, risk management, legal issues and community engagement.</td>
<td>Support</td>
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<tr>
<td>The council suggests that strict guidelines are put in place to collect, measure and provide climate change data and guidance.</td>
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<td>We suggest that national risk thresholds for mandated retreats will help decision-making. Guidance should also be informed by a national climate change risk assessment.</td>
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<td><strong>Recommendation 8.2</strong> The Government should implement a review of existing legislation and policy to ensure that considerations about climate-change adaptation are integrated and aligned within that legislation and policy where relevant.</td>
<td>Support</td>
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<tr>
<td>Ensuring we are adequately prepared for the impacts of climate change will have implications for urban development and growth needs. The two priorities are not mutually exclusive but require careful and integrated policy and planning. Key decisions need to be made about how and where development occurs as there will have significant implications for our emissions profile, our exposure to climate risks as well as the nature and scale of climate adaptation measures that will need to be implemented.</td>
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<td><strong>Recommendation 8.3</strong> National and local authorities should adopt antipatory and flexible approaches to climate-change adaptation, in line with recognising the constantly changing nature of the risks. Any additional funding for climate-change adaptation should be conditional on the use of such approaches.</td>
<td>Support</td>
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<tr>
<td>Funding climate mitigation and adaptation interventions require innovative financing mechanisms, including the blending of public and private capital to address not just the evolving nature of climate risk, but also the long term and progressive impacts that result from climate change. Climate financial instruments have been discussed in the paper by David Hall and Sam Lindsay (2017), <em>Climate Finance Landscape for Aotearoa New Zealand: A Preliminary Survey</em>, Report Prepared for the Ministry for the Environment.</td>
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<td><strong>Recommendation 8.4</strong> The Government should provide legal frameworks that give councils more backing and knowledge to make land-use planning and</td>
<td>Support</td>
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<td>Councils need the support of central government through legal frameworks to help with decision making when considering the development of potentially hazardous areas.</td>
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<tr>
<td>Productivity Commission Questions and recommendations</td>
<td>Auckland Council Comment</td>
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<td>Infrastructure investment decisions that are</td>
<td>Support</td>
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<td>appropriate in the face of constantly changing</td>
<td>Council supports the extension of NZTA's role to support local infrastructure where councils are experiencing increasing problems with coastal assets, such as sea walls, being severely damaged during storms and roads such as Tamaki Drive experiencing inundation on a more regular basis.</td>
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<td>climate risks.</td>
<td>To provide this support NZTA will require additional funding to ensure that existing projects are not compromised. The National Land Transport Fund may also require new funding sources as the impacts of climate change are not linked to current funding tools, road user charges and petrol tax.</td>
</tr>
<tr>
<td>Recommendation 8.5</td>
<td>Support</td>
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<tr>
<td>The Government should extend the New Zealand Transport Agency's role in co-funding local roads to include assistance to councils facing significant threats to the viability of local land-transport infrastructure from sea-level rise and more intense storms and flooding due to climate change. The amount of assistance should reflect the size of the threat facing each council and its rating capacity. Assistance should be conditional on a strong business case and meeting engineering and environmental quality standards. It should only be available to defend existing infrastructure when business cases indicate that this option is superior to other options by a significant margin.</td>
<td>The council supports the creation of a Local Government Resilience fund. This fund could also be used to support councils responding to the cumulative impacts of roads on water quality and hydrology and stormwater mitigation of road runoff such as more frequent catch pit cleaning.</td>
</tr>
<tr>
<td>Recommendation 8.6</td>
<td>Support</td>
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<tr>
<td>The Government should create a new agency and a Local Government Resilience Fund. The new agency should work with at-risk councils and co-fund the redesign and possible relocation and rebuilding of wastewater and stormwater infrastructure when it becomes no longer viable because of sea-level rise and more intense flooding due to climate change. The new agency should also assist regional councils and communities to work out the best way to lessen future flood risks from rivers. This could include moving to a new, more sustainable and best-practice paradigm of giving rivers room and developing multiple innovative uses of the wider river corridors.</td>
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Attachment C: Local board views

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

Context

- Aotea / Great Barrier Island lies 90km east of Auckland City in the Hauraki Gulf and is Auckland Council’s most remote and isolated area.
- Over 60% of the island is Department of Conservation (DoC) estate; 43% of which is the Aotea Conservation Park.
- The island is an International Dark Sky Sanctuary.
- The island has a permanent population of 950 residents.
- The median age is 51.3 years. 20.7% of people are aged 65 and over. Almost half (44%) of households are one-person households; this is a high proportion when compared with the regional average of 19 per cent (2013 Census).
- The island has no reticulated power 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

Contact Details

Name: Hibiscus and Bays Local Board
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Auckland Council,
Private Bag 92300 Auckland
Phone number: 09 301 0101
Email contact: lesley.jenkins@aucklandcouncil.govt.nz
Howick Local Board Resolution

Resolution number HW/2019/98

MOVED by Chairperson D Collings, seconded by Member B Wichman:

That the Howick Local Board:

a) note they support the Auckland Council draft submission to be reported to the 20 August 2019 Finance and Performance Committee tabled at the meeting.

CARRIED
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 of $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 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%

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

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

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

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

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

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

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

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

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

q) endorse a tax on vacant land

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

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

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

u) oppose the recommendation that the Government should legislate to enable councils in tourist centres to implement an accommodation levy, as it is inequitable to small local businesses
v) endorse a new three-waters regulatory regime to enforce minimum standards improve the performance of the three-waters sector. Noting that the regime would be permissive and flexible about how councils meet these standards, but with a backstop arrangement applied to councils that fail by a specified time period to lift their performance sufficiently to meet minimum health and environmental standards.

Debbie Burrows
Deputy Chair
Maungakiekie-Tāmaki Local Board
Item 9

Attachment C

Manurewa Local Board feedback on the Productivity Commission draft report on local government funding and financing

The Manurewa Local Board agrees with the commission’s finding that the current funding and financing system is broadly sound, and that there is significant scope for councils to make better utilisation of existing funding tools. The board also agrees that the exceptions to this are generally in the areas identified by the commission: meeting the demand for infrastructure in high-growth areas, adapting to climate change, funding support for tourism hotspots, and unfunded mandates from central government.

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

The board agrees that the “benefit principle” should be the primary basis for deciding who should pay for local government services. However, we believe that more emphasis should be placed on “ability-to-pay” than the commission suggests. Many core council services are essential for wellbeing, and care needs to be taken that access to these services is not restricted for low income communities. The board is also concerned that application of the “benefit principle” without sufficient regard to “ability-to-pay” could result in costs being shifted from property owners to occupiers in renting situations. One example of this would be paying for a service through user charges rather than through rates. While it could be argued that renters are currently contributing towards these costs through their rent payments, we consider it unlikely that there would be rent reductions in the situation where cost are shifted from rates to user charges.

The board does not support the proposal to phase out the Rates Rebate Scheme. We accept that the scheme in its current form is inefficient and not well targeted, but we would prefer to see a review of the scheme with a view to improving it rather than its complete removal.

New funding tools are needed to address key pressures

Value capture

In principle, the board supports the concept of value capture as a funding tool. It is reasonable to expect that property owners who experience “windfall gains” in their property value as a result of nearby infrastructure development should pay a portion of this gain to council to reimburse to cost of the development. More work is required on how such a scheme would be assessed and enforced in practice before it can be given full consideration.

Special Purpose Vehicles

The board does not support the proposal for councils to make more use of Special Purpose Vehicles. We believe that SPVs could be seen by the public as a form of privatization to repay debt holders. We are also concerned that SPVs would in effect become unelected agencies with the power to levy rates.
Payment based on new building work
The board supports the concept of a new funding stream from central government to local authorities based on the amount of new building work taking place. More detail is required on how this would be funded and on what basis the payment would be calculated in order to fully assess this proposal.

Tax on vacant land
The board supports a tax on vacant land as a tool to improve the supply of land for housing, provided that it is sufficiently well targeted as to be differentiated between problematic land banking and land owners with legitimate reasons to delay commencement of development.

Adapting to climate change is a significant challenge
The board supports extending 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, on the basis that this would be new funding rather than reprioritisation from the Land Transport Fund.

We also support the recommendation 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.

We note that a robust definition of the criteria to be considered an “at-risk council” will be required to successfully implement these recommendations.

Funding support for tourism hotspots
The board supports the recommendation that the Government should legislate to enable councils in tourist centres to implement an accommodation levy. We also support the suggestion that, where possible, councils should make greater use of user charges to recoup costs directly from tourists. Where neither of these options are available, we support the government providing funding from the international visitor levy to tourism hotspots.

We note that robust definitions of the criteria to be considered a “tourism centre” or “tourism hotspot” will be required to successfully implement these recommendations.

Need to reset the relationship with central government
The board supports the finding 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. We support the concept of a reset of this relationship, along with a co-design approach to any future proposals to devolve tasks or responsibilities to local government. We note that co-design processes are very resource-intensive, and there is a need for this to be properly resourced to enable the necessary level of engagement from the relevant parties.
A new regulatory regime for the three waters
The board supports the proposal for an independent regulator to ensure that minimum standards are met, and for a performance regime that is permissive and flexible but has a backstop for councils that do not meet these minimum standards.

Angela Dalton, Chairperson
13 August 2019
On behalf of the Manurewa Local Board
## Orakei Local Board Resolution

Resolution number OR/2019/156

MOVED by Member T Churton, seconded by Member D Wong:

That the Orakei Local Board note the report on the Productivity Commission inquiry into local government funding and financing.

CARRIED
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 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

<table>
<thead>
<tr>
<th>Row No</th>
<th>Key Findings</th>
<th>Papakura Local Board feedback</th>
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<tbody>
<tr>
<td>1.</td>
<td>The current funding and financing framework is broadly sound</td>
<td>The Papakura Local Board broadly agrees with this statement, subject to the further feedback below.</td>
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Whilst current funding and financing framework is broadly sound, councils need new tools to help them deal with some specific cost pressures.
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<tr>
<td>2.</td>
<td>The Commission favours the “benefit principle” as the primary basis for deciding who should pay for local government services. That is, those who benefit from (or cause the need for) a service should pay for its costs. Councils may also use “ability to pay” as a consideration, taking into account central government’s primary role in income distribution.</td>
<td>The benefit principle is generally an appropriate way of categorising where the burden of funding services should lie. However, councils have a broad mandate to deliver the four well beings, and the benefits (or the costs) of services aren’t always locally contained. A number of social services supported by councils such as caring for older people, citizens advice bureau, and supporting homelessness, as central government funding and services are inadequate to pay for local needs. So along with the benefit principle, a clearer articulation of respective local and central government responsibilities (and funding accountability) is needed, so ratepayers aren’t effectively subsidising taxpayers for complex needs and services. The Papakura Local Board notes that the Commission has been asked not to explore the rating of crown land. The board however agrees with the Commission’s previous recommendations that the Crown should pay rates on its land. The board also believes charging GST on rates needs to be revised, or GST collected on rates returned to councils.</td>
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<td>3.</td>
<td>Where local services also benefit national interests, central government should contribute funding.</td>
<td>Papakura Local Board support this view, and more clarity is needed on what these services are. As explained above communities expect councils to fill the gap in funding or services where central government support is inadequate. The distinction here is not co-funded services such as regulatory regimes or transport infrastructure, but inadequately funded government services.</td>
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<td>4.</td>
<td>User charges or targeted rates should be used wherever it is possible and efficient to do so.</td>
<td>The Papakura Local Board agree that user charges and targeted rates are important tools to offset general rates and support the benefit principle. However, the Papakura Local Board is concerned that the use of targeted rates and user charges will benefit more affluent communities and disadvantage poorer communities whose disposable income to pay for public services will be limited. For instance, targeted rates and user charges for basic services such as swimming pools, libraries, playgrounds will disadvantage</td>
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<td>poorer communities as these communities rely on generally funded public services. The danger of a targeted rate is that it could become the norm to achieve services that would normally be picked up in the general council rate. A targeted rate should be the exception and be supplemented by tests on maintaining minimum service levels and provision for “equity” and the ability to pay principle to ensure disadvantaged communities are not disadvantaged further.</td>
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| 5.     | Improving equity - legislative changes are needed to make the current funding system more equitable and transparent, including:  
- changing rating powers to give more prominence to the benefit principle (that those who benefit from or who cause the need for a service should bear the cost). Often no clear distinction exists between applying the benefit principle and the ability-to-pay principle. | The Papakura Local Board will need further detail on what this looks like in legislation or practice. The principles of equity and ability to pay by deprived communities needs to be taken into account. |
| 6.     | phasing out the current rates rebate scheme (which is not equitable or effective)  
- and introducing a national rates postponement scheme. | The Papakura Local Board supports a national rates postponement scheme in principle, subject to further detail. |
| 7.     | New funding tools are needed to address key pressures  
The Commission has identified four key areas where the existing funding model is insufficient to address cost pressures, and new tools are required.  
Value capture – The Commission has previously recommended a new “value capture” funding tool for councils. This tool would raise revenue because property owners who enjoy “windfall gains” in their property value as a result of nearby publicly-funded infrastructure investment would be required to pay a portion of this gain to the council. | The Papakura Local Board supports the value capture concept. Overseas examples suggest this is a well-used and equitable funding tool, and another example of the benefit principle. The Papakura Local Board questions whether value capture should be limited to the provision of infrastructure, rather than any council intervention including plan changes, re-zoning, movement of the rural urban boundary etc. These regulatory interventions are also likely to result in windfall gains for land owners. |
<p>| 8.     | Special Purpose Vehicles (SPVs) could help councils nearing their debt limits - SPVs are a financing option for new development, that involve debt sitting off a council’s balance sheet. This provides a | The Papakura Local Board is concerned that the special purpose vehicle is essentially an accounting sleight of hand as it addresses the reporting of debt rather than the burden of debt for councils providing costly |</p>
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<tr>
<td>means for high growth councils approaching their debt limits to continue to invest in development.</td>
<td>infrastructure. The Papakura Local Board suggests further consideration of central government support for the building of costly infrastructure, as the benefits of the efficient and timely provision of infrastructure has significant regional and national benefits in economic activity, housing provision and productivity.</td>
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9. 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). 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 (e.g., based on the value of building consents or new construction measured by floor area).

The Papakura Local Board support the option of a new funding stream from central government to local authorities, based on a system of central-government payments to territorial local authorities based on the amount of new building work put in place in each territorial authority’s jurisdiction.

Another option to consider is the government stopping charging GST on rates.

(i) 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 Papakura Local Board believe a tax on vacant land would be a useful mechanism to turn vacant land into more productive land. The tax however should target land-bankers and speculators rather than genuine developers, based on implied intent or a bright line test of time period.

The board notes other work such as the powers of urban development authorities could also support the supply of adequate land for development in the future.
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<tr>
<td>11</td>
<td><strong>Adapting to climate change is a significant challenge</strong></td>
<td>A value capture tax based on council land use planning should also be used to disincentivise speculation and land banking.</td>
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<td></td>
<td>As the impacts of climate change unfold over coming decades, local authorities will face a significant and growing challenge. The Government should extend the role of the New Zealand Transport Agency in co-funding local roads to include assistance to councils facing significant threats to the viability of local roads and bridges from climate change.</td>
<td>The Papakura Local Board supports NZTA co-funding local roads to include assistance to councils facing significant threats to local roads and bridges from climate change.</td>
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<tr>
<td>12</td>
<td>The Commission also recommends that the Government creates a climate-resilience agency and associated fund to help at-risk councils redesign, and possibly relocate and rebuild, wastewater, stormwater and flood-protection infrastructure threatened by the impacts of climate change.</td>
<td>Communities in the Papakura Local Board area suffer from coastal erosion. The costs of repairs are significant and are likely to increase from the effects of climate change. Therefore, the board welcomes the creation of a climate-resilience agency and associated fund and hopes that funds will be forthcoming and distributed equitably.</td>
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<tr>
<td>13</td>
<td><strong>Funding support for tourism hotspots</strong></td>
<td>The Papakura Local Board agrees that legislation should allow local authorities, who can evidence tourist pressures, to charge an accommodation levy.</td>
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<td></td>
<td>The Government should legislate to enable councils in tourist centres to implement an accommodation levy. Councils in tourist centres should also make greater use of user pays for mixed-use facilities. For small councils that cannot reasonably use either accommodation levies or user pays, the Government should provide funding from the international visitor levy.</td>
<td>The Papakura Local Board agrees the government should provide funding from the international visitor levy to local authorities. This should not be dependent on the size of the local authority or its ability to use accommodation levies or user pays mechanism. Tourism has local, regional and national benefits and in accordance with the benefit principle, the costs must be borne by central and local government and user pays.</td>
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<td>14</td>
<td><strong>Need to reset the relationship with central government</strong></td>
<td>The Papakura Local Board supports a general approach towards localism where government and Governing Body Services are devolved locally as local boards are able to be more responsive to local needs. This however needs to be supported with adequate funding, funding tools and decision-making authority (and transparency and accountability) for local boards. A Treasury initiated funding impact statement and cost recovery model should accompany all legislation or policy that central</td>
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### 1. A new regulatory regime for the three waters

A new approach that both rigorously enforces minimum standards, and is permissive about how councils meet these standards would substantially improve the performance of the three-waters sector.

The new regime would be administered by an independent regulator, such as the Commerce Commission. The performance regime would be permissive and flexible, but have a backstop arrangement applied to councils that fail by a specified time period to lift their performance sufficiently to meet minimum health and environmental standards.

The three waters infrastructure is significant multi-generational investments with added challenges around climate change and environmental impacts.

Further incentives and support is needed for smaller councils to collaborate across boundaries and share expertise, costs and oversight to manage their three waters assets/standards.

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<td>government intends local government to implement.</td>
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<td>The three waters infrastructure is significant multi-generational investments with added challenges around climate change and environmental impacts.</td>
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<td>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.</td>
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**Brent Catchpole**  
Chairperson Papakura Local Board

**Felicity Auva’a**  
Deputy Chairperson  
Papakura Local Board

**Date:** 24 July 2019
Puketāpapa Local Board Resolution

Resolution number PKTPP/2019/166

MOVED by Chairperson H Doig, seconded by Member D Holm:

That the Puketāpapa Local Board:

1) welcome the Commission’s report - the topic of which is essential given the funding pressure that Auckland Council is under.

2) agree that a certain amount of ‘user pays’ is necessary and should for example be applied to determining the need for and extent of business differentials. However the local board considers that the “ability to pay” principle should predominate in situations where assistance from central government or postponement is not available.

3) note the Commission’s finding that there is “little or no evidence that rates have generally become less affordable”.

4) agree 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 in tourism
   iv) coping with the accumulation of responsibilities placed on local government by central government

5) agree with pursuing the option of a “value capture” funding tool where property owners (inclusive of commercial property owners) enjoy windfall gains in their property values from such changes as introduction of:
   i) planning changes,
   ii) light rail and the Central Rail Link
   iii) movement in the urban rural boundaries,
   iv) the removal of power pylons, etc.

6) agree that a new funding stream, from central government to local government, should be developed to support essential new works.

7) support a tax on vacant land. Noting that vacant land may not necessarily mean empty land.

8) agree that the role of NZTA should be extended to critical local roads under threat from climate change.

9) agree that where local services also benefit national interests, central government should contribute funding.

10) agree with the recommendation to phase out the current rates rebate scheme and introduce a national rates postponement scheme as a way of making the current funding scheme more equitable and transparent.

11) agree that Special Purpose Vehicles (SPVs) could help councils nearing their debt limits and at times should be used to support high grown councils approaching their debt limits to continue to invest in development.

12) agree with the recommendation that the Government create a climate-resilience agency and associated fund to help at-risk councils design, and possibly relocate and rebuild, wastewater, stormwater and flood-protection infrastructure threatened by impacts of climate change.

13) agree that the Government should legislate to enable councils in tourist centres to implement an accommodation levy.
14) agree that a cause of funding pressures on local government is the continued accumulation of tasks and responsibilities passed from central government, without adequate funding means.

15) support creating a new three-waters regulatory regime to enforce minimum standards improve the performance of the three-water sector. Noting that the regime would be permissive and flexible about how councils meet these standards, but with a backstop arrangement applied to minimum health and environmental standards.

CARRIED
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 user of infrastructure (like schools), which drive growth and generate 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.
i) 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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Finance and Performance Committee  
17 September 2019

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-à-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 fulfill 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 via a via 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 authority? What would be the best design for such a mechanism? Would it be effective in incentivising councils to keep the supply of consented land (greenfield and brownfield) and local infrastructure responsive to growth pressures?
Answer:
In the absence of data it is difficult to determine a view on this question.

Chapter 8 – Adapting to climate change

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

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

Local Board member John Meeuwsen

29 July 2019
Memorandum

29 July 2019

To: Chair, Finance and Performance Committee

Cc: All Waitematā Local Board members

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

From: Waitematā Local Board

Purpose

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

Context/Background

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

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

4. On 4 July 2019, the Commission released its draft report relating to 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.

10. New funding and financing tools for growth infrastructure

11. As the city's employment hub, 186,000 jobs are located in Waitakere. 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 a 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 Waitakere 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 disincentive 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 Waitakere 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 Waitamata 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 UMGC to 30 per cent of rates must be retained. This is to preserve rating as a tax on wealth and take into account ability to pay. We think it is important to retain Council’s ability to apply differentials to their rating system, particularly for businesses as rates are exempt from tax as a business expense.

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

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

Memorandum

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 1.27 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 Waitakere 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.
Memorandum

5 September 2019

To: Members of the Finance and Performance Committee
   Members of the Kaipatiki Local Board

CC: Barry Potter, Director Infrastructure and Environmental Services
    Sarah Sinclair, Chief Engineer

Subject: Update on the Rawene landslide remediation project

From: John Seward, Earth Science Design Practise Lead

Contact information: Anna Halliwell, Relationship Advisor – anna.halliwell@aucklandcouncil.govt.nz

Purpose

1. To provide an update on the Rawene landslide remediation project.

Summary

- In October 2017, a landslide occurred on Rawene Road and carpark on the site of a closed landfill. The landslide destroyed parts of the road, carpark and stormwater and wastewater assets. It also deposited debris in the gullies below Rawene Road.
- Auckland Council undertook urgent remedial work at the crest of the landslide and has now installed piles at the base of the previously filled area to stabilise the slope.
- Remediation work is progressing well and reconstruction of the carpark and associated infrastructure will be completed in October 2019.
- The council now needs to complete the final phase of the project to restore the lower gully below Rawene Road. This includes work on land in the gully that has been partially inundated by landslide debris, re-establishing the stream through the gully and re-instating the walking track.
- This memo is provided to enable transparency on a topic for discussion in the confidential section of the 17 September 2019 Finance and Performance Committee meeting.
- At this meeting staff will provide more details on the final phase of the Rawene landslide remediation project. Staff also held a workshop with the Kaipatiki Local Board to discuss the final phase of the project on 4 September 2019.

Context

2. The Rawene Road carpark and the northern section of Rawene Reserve in Birkenhead were established upon a publicly-owned closed landfill.

3. This landfill infilled two gullies with non-engineered construction waste from developments in the area in the mid-twentieth century. The closed landfill also included several infrastructure assets such as stormwater, wastewater and other utilities.

4. On 9 October 2017, a landslide occurred on Rawene Road and carpark. Parts of the road, carpark, stormwater, and wastewater assets were destroyed by the landslide.
5. The landfill was constructed by Auckland Council’s predecessor bodies including Birkenhead Borough Council. This meant the council was obliged to remediate the damage caused to private land by this landslide and to mitigate against further failures.

**Discussion**

6. The primary objectives of the overall project are to:
   - remediate the damage caused to the gully (public and private land) by the landslides
   - mitigate against further failures (landslides) and ongoing council liability.

**Progress update on remediation of the landslide**

7. The remediation project has been separated into four stages which are summarised below, along with an explanation of the current project status:
   - Emergency works – preventing further damage and stabilising the crest of the slip – completed in early 2018.
   - Phase 1 – Construction of a capping beam on emergency works sheet piling and the provision of drainage and works to enable construction access to the upper landslide - completed in November 2018.
   - Phase 2 – Construction of piles at the base of the previously filled area to stabilise the slope, importing fill to reinstate the ground, and reconstructing the car park and associated infrastructure. Works will be completed in October 2019.
   - Phase 3 – Restoration of the gully beyond the previous extent of the landfill. This includes work on land in the gully that has been partially inundated by landslide debris together with re-establishment of the stream and redesign of the walking track.

8. Overall, remediation of the landslide is progressing well and the council is now ready to initiate the final phase of the project.

**Managing the impacts on the local community**

9. The landslide has created some disruption and concern for local residents and businesses, relating to carparking and construction noise. This is being monitored and managed through a dedicated website and email address.

10. Email progress reports have been sent to a project-specific mailing list to keep interested parties informed.

11. On completion of Phase 2 works in October 2019, the car parking facilities will be reinstated and disruption from the landslide to Birkenhead Town Centre will be removed.

12. Staff will continue to keep local residents, businesses and the local board informed about the remedial works and will work to mitigate any disruption, where possible.

13. The local community has provided feedback that they would like to see the damage from the slip repaired, the carparking replaced and the native vegetation in the gully restored.

**Maori impacts and engagement**

14. Staff attended the Infrastructure and Environmental Services mana whenua hui in March 2018 to introduce the Rawene remediation project and seek feedback from mana whenua.

15. The issues and options for repair were presented at the hui and iwi representatives provided general feedback on the importance of safety, water quality, and managing potential contamination (asbestos). Some mana whenua representatives did not support reinstatement of the carpark.

16. No significant concerns were raised about the proposed remedial approach and support was expressed for reinstating native bush in the gully.
17. Te Kawerau ā Maki were the only iwi who expressed an initial interest in being updated at key points on the project. They subsequently stated that they do not require further engagement on the project.

18. Staff will offer mana whenua another opportunity to engage during completion of Phase 3, including on works impacting the stream.

**Next steps**

19. The information in this memo is provided to enable transparency on a report on the Rawene landslide remediation project which will be presented in the confidential section of the 17 September 2019 Finance and Performance Committee meeting.

20. Staff will continue to engage with the local board and seek their views on the design of assets during the final phase of the Rawene landslide remediation project.

21. If you have any further questions please contact Anna Halliwell on anna.halliwell@aucklandcouncil.govt.nz
Memorandum

4 September 2019

To: Members of the Finance and Performance Committee
    Members of the Howick Local Board

cc: Ian Maxwell – Director Customer and Community Services
    Matthew Walker – Group Chief Financial Officer
    Taryn Crewe – Commercial manager, Customer and Community
    Directorate

Subject: 34 Moore St, Howick

From: Lisa Tocker – General Manager, Service Strategy and Integration

Contact information: lisa.tocker@aucklandcouncil.govt.nz

Purpose
1. To provide an update on 34 Moore St, Howick.

Summary
2. Staff and financial resource have been allocated to progress work on 34 Moore St, Howick.
3. Further investigations into community service need and the building condition are about to start.
4. The results of the investigations will be shared with the Howick Local Board in February 2020 and next steps identified.
5. An update will be provided to the Finance and Performance Committee by April 2020.

Context
6. 34 Moore Street is a non-service property, currently managed by Panuku Development Auckland. It has been vacant since 2016.
7. In November 2018, Panuku recommended to the Finance and Performance Committee to dispose of the property and progress development on the site.
8. Howick Local Board did not support the recommendation. They want to better understand the potential for 34 Moore Street to respond to community needs before a decision is made on its future.
9. The Finance and Performance Committee resolved the following on 20 November 2018 (FIN/2018/187):
   a) agree to retain the property at 34 Moore Street, Howick, comprised of an estate in fee simple more or less being Lot 4 DP 91111, Lot 3 DP 91111 and Lot 2 DP 91111 contained in computer freehold registers NA48B/510, NA48B/509 and NA48B/508, for a period of 12 months, to allow the local board the opportunity to work on a development proposal.
   b) request that the Howick Local Board deliver the required work to be undertaken to ensure that the building is fit-for-purpose.
   c) request that the Howick Local Board report to the Finance and Performance Committee on the confirmed lease for 34 Moore Street, Howick, by the end of February 2019.
10. Panuku initially took the lead on implementing the resolutions and coordinated the delivery of an Asset Risk Assessment for the property.

11. In a memo dated 8 April 2019, Panuku advised the local board chair that that if the board want to work towards retaining the building for community use they need to enlist the services of appropriate council staff.

**Discussion**

**Howick Local Board have now secured and allocated resource to progress work**

12. At their August 2019 business meeting the local board resolved to (HW/2019/97):
   a) include further investigation of community service needs in Howick in the 2019/2020 Service, Strategy and Integration local board work programme
   b) allocate $65,000 of LDI opex from the Community Response Fund to progress investigations into community service needs, options and implications for 34 Moore Street

**More information is needed on community service requirements and the building itself**

13. Further information on community service requirements in Howick and the building are required before a proposal on next steps for 34 Moore St can be completed.

14. To transfer a property to service requires identification of service need, options for service delivery, assessment of investment requirements and potential funding sources (initial capital and ongoing operational funding).

15. A social researcher is being contracted to investigate community service need for Howick, through in-depth interviews with community organisations that builds on previous research. The contract is estimated to cost up to $15,000.

16. The building has been assessed as potentially earthquake prone and has existing water tightness issues. To understand what is required to ensure the building is inhabitable requires further seismic assessments, an invasive inspection and quantity surveying services. These investigations will build on previous work and are estimated to cost up to $50,000.

**Once we have this information, we can understand what is possible for 34 Moore St**

17. Once further investigations into community service need and the building are complete, 34 Moore Street can be considered for suitability as a service property as outlined in the below diagram.

  Diagram 1: Guiding questions for 34 Moore St work

**Next steps**

18. Investigations will be carried out between September and December 2019. Staff will analyse the findings of these investigations, considering implications for 34 Moore St and options for next steps, in preparation for a workshop with the local board in February 2020.

19. Next steps will be identified depending on the outcome of the investigations and workshop.

20. An update will be provided to the Finance and Performance by April 2020.
Memo

To: Members of the Finance and Performance Committee
cc: Stephen Town, Matthew Walker
From: Nicola Berghaus, Executive Officer Finance Division

Subject: Eden Park Update

On 19 March 2019 the Finance and Performance Committee considered matters relating to the Eden Park Trust loan and funding arrangements. The purpose of this memo is to update the committee on the status of implementation of the resolutions.

The committee resolved as follows:

a) authorise and delegate all necessary powers to the chief executive to:
   
   i) reach an agreement with Eden Park Trust and ASB Bank for Auckland Council to take over the $40 million loan from ASB Bank to Eden Park Trust together with other facilities provided by ASB Bank to Eden Park Trust before 30 September 2019.
   
   ii) reach an agreement with Eden Park Trust to consolidate the loans acquired from ASB Bank and Auckland Council loans into one or more new facilities on commercial terms including:

       A) first-ranking security over Eden Park Trust's assets
       B) a term of up to ten years
       C) an interest rate set at council’s cost of funds plus a margin.

b) authorise the chief executive to agree a grant to fund capital expenditure of up to $9.8 million over a three-year period from 1 July 2019 under a Development Funding Agreement.

c) agree that the chief executives of Auckland Council, Eden Park Trust and Regional Facilities Auckland jointly prepare an operational partnering proposal to be completed by March 2020.

d) invite Eden Park Trust Board to report to the Finance and Performance Committee on at least a six-monthly basis to outline its performance and financial projections.

e) initiate discussions with the Government to seek amending the Eden Park Trust Deed to appropriately align the governance of Eden Park with funding.

Resolution a) – Loan

On 9 September 2019 Auckland Council signed agreements with Eden Park Trust and ASB Bank Limited to take over the $40 million loan in favour of Eden Park Trust from ASB Bank Limited effective 30 September 2019. Auckland Council will become the lender to Eden Park Trust and the guarantee from Auckland Council to ASB Bank Limited will terminate. All rights, titles and interests in ASB’s loans and security in relation to Eden Park will transfer from ASB Bank Limited to Auckland Council.

The transaction is made up of the following steps:
1. Transfer of the ASB facilities to Auckland Council – Assignment and Termination Deed
   
   • ASB will transfer all of its loans and facilities with Eden Park that are outstanding as at 30 September to Auckland Council along with all security it holds over Eden Park’s assets;
Finance and Performance Committee  
17 September 2019

- Auckland Council will pay ASB an amount equal to the par value of all amounts outstanding from Eden Park to ASB as at 30 September 2019. This amount is expected to in the region of $40,220,730 however ASB will confirm the exact amount on the date of settlement;
- Auckland Council will become the Lender under the facilities; and
- The guarantee from Auckland Council to ASB will be terminated.

2. Consolidation of the loans acquired from ASB and existing Auckland Council loans to Eden Park – Amendment and Restatement Deed
- Immediately following acquisition of the loans from ASB the existing ASB Revolving Credit Facility will be amended and restated to combine the other facilities acquired from ASB and the existing Auckland Council loans into a single facility on commercial terms including:
  - Extend the term of the facility for 10 years;
  - reducing the interest rate to 1.25 per cent. over the 10-year swap mid-rate; and
  - first ranking mortgages over Eden Park’s land.

On 26 August 2019 Auckland Council received a letter from Doug McKay, Chair of the Eden Park Trust Board, regarding the loan facility agreements. Refer Attachment A.

Resolution b) – Funding

Auckland Council’s Parks Sports and Recreation team supported by Legal Services and ATEED have been progressing the terms of the Development Funding Agreement with Eden Park. Auckland Council is waiting for Eden Park to finalise the schedule of capital works to be funded by the grant and phasing of the works programme. ATEED are also discussing branding and promotional opportunities with Eden Park.

Resolution c) – Operational partnering proposal

Auckland Council engaged Jim Doyle to work with the chief executives of Auckland Council, Eden Park Trust and Regional Facilities Auckland to prepare an operational partnering proposal. Drafting of the proposal is well underway.

Resolution d) – Eden Park reporting to Finance and Performance Committee

Following the publication of its annual report for the year ending 31 October 2019, Eden Park Trust will be requested to report to the Finance and Performance Committee as part of the Auckland Council group’s second quarter reporting, either in February or March 2020 and six-monthly thereafter.

Resolution e) – Governance

On 17 June 2019 a letter was sent to the Chief Executive of the Ministry of Culture and Heritage. Refer Attachment B. Staff have had discussions with the Ministry of Culture and Heritage in response to the letter and are working through possible options and implications.

Attachments:
A – 26 August 2019 letter to Stephen Town from Doug McKay, Chair, Eden Park Trust Board
B – 17 June 2019 letter to Bernadette Cavanagh, Chief Executive, Ministry of Culture and Heritage, from Stephen Town
26 August 2019

Auckland Council
Private Bag 92516
Wellington Street
Auckland 1141

Attention: Mr Stephen Town, CEO

Dear Stephen,

We refer to:

- $40 million loan facility ("the ASB Loan") provided by the ASB Bank Limited to The Eden Park Trust ("the Trust") dated 6 August 2010 and RCF and overdraft facilities in an aggregate amount of $7,638,000 dated 23 September 2013 (Uncommitted ASB Facilities) which are to be assigned to the Auckland Council ("Council"), by a deed of assignment shortly to be entered into;

- The existing mortgage security granted by the Trust over the entire Eden Park facility, to better secure the ASB Loan, Uncommitted ASB Facilities and existing Council loans ("Existing Council Loans"); and

- Draft documentation to amend and restate the ASB Loan and Uncommitted ASB Facilities into a single loan facility combining that indebtedness with the Existing Council Loans,

all of which will see the Trust’s existing indebtedness to ASB and the Council, aggregating to a single facility of $54 million, provided by the Council on the improved terms set out in the amended and restated revolving facility agreement including extension of the term for a further 10 years and reducing the interest rate to 1.25 per cent over the 10-year swap mid-rate and as secured by the existing mortgage security (the "Amended and Restated Facility").

The Trust records that:

- The Trust is of the view that the existing and likely future circumstances of the Trust as borrower mean that it will be likely to seek a further extension of the loan facility upon the expiry of the ten year term. The Trust acknowledges that the Council is under no obligation to agree to an extension of the Amended and Restated Facility and any such extension will be subject to a decision by Council’s Governing Body at the time; and

- The Trust looks forward to working with the Council and other interested parties under the Trust Deed constituting the Trust (Auckland Rugby Union, Auckland Cricket Association and the Crown) to achieve an ongoing commercial solution to repayment of the loan on the expiry of the ten year term which is mutually agreeable to all parties, desiringly avoiding an enforcement of the mortgage security and the sale of the mortgage property necessitated by that.
Item 9

The Trust will be sending a similar letter to the Auckland Rugby Union and Auckland Cricket Association, as beneficiaries under the terms of the Trust Deed constituting the Trust.

Lastly, on behalf of the Board, I would like to acknowledge and thank Auckland Council for its support in providing this facility and thus securing the future of Eden Park to serve Auckland for at least the next ten years.

Yours sincerely,

Doug McKay
Chairman
The Eden Park Trust
17 June 2019

Bernadette Cavanagh
Chief Executive
Ministry of Culture and Heritage

By email: bernadette.cavanagh@mch.govt.nz

Tenā koe Bernadette

Eden Park Trust Board

I am writing to you following decisions by Auckland Council’s Finance and Performance Committee on 19 March 2019 regarding funding for Eden Park's capital renewal programme.

The Committee agreed that Auckland Council will take over Eden Park's existing loans with ASB Bank, and will provide a grant of $9.8 million to Eden Park Trust to fund capital expenditure over the next three years.

The Committee also resolved that council staff should initiate discussions with the government to seek to align the governance of Eden Park with its funding. As you are aware, this may require an amendment of the Eden Park Trust Board deed.

Auckland Council staff will develop and consider possible options for changes to the governance of Eden Park, and would appreciate an appointed contact within the Ministry of Culture and Heritage to work with on this matter.

Yours sincerely

[Signature]

Stephen Town
Chief Executive
Komiti ā Pūtea, ā Mahi Hoki / Finance and Performance Committee
Workshop:
MINUTES

Minutes of a workshop held in Meeting Room 1, Level 26, 135 Albert Street, Auckland on Thursday, 15 August 2019 at 2.00pm.

PRESENT
Chairperson  Cr Ross Clow
Deputy Chairperson Cr Desley Simpson, JP
Members  Cr Josephine Bartley
          Cr Linda Cooper, JP
          Mayor Hon Phil Goff, JP
          Cr Penny Hulse
          Cr Paul Young
          From 2.13pm

APOLOGIES
Members  Cr Dr Cathy Casey  For absence
          Deputy Mayor Bill Cashmore  For absence, on council business
          Cr Fa’anana Efeso Collins  For absence, on council business
          Cr Chris Darby
          Cr Alf Filipaina
          Cr Hon Christine Fletcher, QSO
          Cr Richard Hills  For absence, on council business
          IMSB Member T Hohneck
          Cr Mike Lee
          Cr Daniel Newman, JP  For absence
          Cr Greg Sayers
          Cr Sharon Stewart, QSM
          IMSB Chair David Taipari
          Cr Sir John Walker, KNZM, CBE  For absence
          Cr Wayna Walker  For absence
          Cr John Watson

Minutes
Note: No decisions or resolutions may be made by a Workshop or Working Party, unless the Governing Body or Committee resolution establishing the working party, specifically instructs such action.

### Purpose of workshop:
To discuss the key points of the Productivity Commission’s draft report and ensure that issues that councillors wish to raise are incorporated into the submission prior to it being considered at the Finance and Performance Committee meeting scheduled to be held on Tuesday, 20 August 2019.

### Apologies
Apologies from Cr B Cashmore, Cr C Darby and Cr R Hills for absence, on council business; Cr C Casey, Cr A Filipaina, Cr D Newman, Cr G Sayers, Cr J Walker and Cr W Walker for absence were noted.

### Declarations of Interest
There were no declarations of interest.

### Auckland Council submission on the Productivity Commission draft report on Local Government Funding and Financing
Ross Tucker, General Manager Financial Strategy and Planning; Andrew Duncan, Manager Financial Strategy; Alec Tang, Chief Sustainability Officer; and David Norman, Chief Economist outlined the council’s submission and provided a PowerPoint presentation. The staff report and attachments (for consideration at the Finance and Performance Committee scheduled to be held on 20 August 2019 had been circulated to members. A copy of the circulated information and the PowerPoint presentation are appended to these minutes.

*Cr J Bartley joined the meeting at 2.13pm.*

The workshop closed at 3.05pm.
Submission to the New Zealand Productivity Commission on the July 2019 Local government funding and financing draft report

File No.: 

Te take mō te pūrongo

Purpose of the report


Whakarāpopototanga matua

Executive summary

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

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

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

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

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

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

8. Officers do not agree with the changes proposed to the rating system and the removal of the rate rebate scheme. The draft submission does not support these proposals and sets out the reasons for this position. The draft submission supports a national rates postponement scheme but does not support the proposed removal of the rates rebate scheme.

9. Council staff have engaged with staff from Auckland Tourism, Events and Economic Development (ATEED), Auckland Transport and Watercare Services Limited during the drafting of the submission. Local Board views have been incorporated throughout the submission. The Independent Māori Statutory Board (IMSB) and mana whenua were notified and engaged with when the Draft report was released. Officers understand that the IMSB and the Mana Whenua Kai Tiaki Forum will be making their own submissions.
Ngā tūtohunga
Recommendation/s
That the Finance and Performance Committee:

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

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

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

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

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

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

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


Tātaritanga me ngā tohutohu
Analysis and advice
Overall conclusions
16. The Commission finds that the current funding and financing system is both simple and economically efficient compared to alternatives. While the system is sound the Commission finds that new funding tools are required to address a range of cost pressures.

17. The commission finds that there is no evidence that rates have become less affordable over time. However, the Commission suggests that legislative changes are required to make the current funding system more equitable and transparent.

Financing and funding growth
18. The Commission also finds that councils need new funding and financing tools to help them deal with the specific cost pressures of being required to fund infrastructure to support growth, adapt to climate change, cope with growth in tourism and take on additional responsibilities delegated by Central Government.
19. The Commission makes five recommendations regarding the funding and financing of infrastructure to support growth. The submission mainly supports these proposals and makes some suggestions for change.

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

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

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

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

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

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

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

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

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

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

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

Three waters

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

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

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera

Council group impacts and views

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

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

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe

Local impacts and local board views

35. All local board members were advised of the submission process in a memorandum on 4 July 2019.
36. The memorandum informed local board members that a report would be prepared for consideration in their July meetings. Local board members were also invited to provide comments and feedback for inclusion in the submission.

37. Staff have incorporated the local board views received into the relevant sections of the submission and included all comments in full in Attachment Two: Local board views of the submission.

**Tauāki whakaaaweawe Māori**

**Māori impact statement**

38. The way in which councils are funded and financed will affect all Auckland ratepayers and residents, including Māori. The draft submission considers the impact on all ratepayers and residents of the Commission’s proposals.

39. In its draft report, the Productivity Commission asked a question on costs to local government associated with fulfilling Treaty settlement obligations (such as the establishment of co-governance arrangements involving council and mana whenua) and asks to what extent they should be considered business as usual costs to local government or new costs. The council’s response is provided in Attachment One: Response to questions and recommendations.

40. The council is committed to supporting the implementation of Treaty settlement redress in a fair manner. The council supports a cost-sharing approach between councils and the Crown rather than the current approach of modest and one-off Crown contributions to cost.

41. Other issues raised by the Commission include adaptation to climate change and management of the three waters. These issues have relevance to mana whenua and the draft submission addresses both issues.

42. The Independent Māori Statutory Board (IMSB) and mana whenua were notified and engaged with when the Draft report was released. Officers understand that the IMSB and the Mana Whenua Kaikākako, representing the nineteen iwi of Tāmaki Makaurau, are developing independent submissions.

**Ngā ritenga ā-pūtea**

**Financial implications**

43. There are no financial implications in deciding to make a submission. However, there may be financial implications if Central Government chooses to implement policy changes.

**Ngā raru tūpono me ngā whakamaurutanga**

**Risks and mitigations**

44. There are no risks in deciding to make a submission.

**Ngā koringa ā-muri**

**Next steps**

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

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

**Ngā tāpirihanga**

**Attachments**

There are no attachments for this report.
### Signatories

| Authors            | Saree Thomson Peachey - Finance Graduate  
|                   | Andrew Duncan - Manager Financial Policy |
| Authorisers       | Ross Tucker - General Manager, Financial Strategy and Planning  
|                   | Matthew Walker - Group Chief Financial Officer |
Auckland Council submission

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

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

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

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

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

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

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

Executive summary

Overall conclusions

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

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

Financing and funding growth

5. The council supports the recommendation that the government continue work on the development of the Special Purpose Vehicle (SPV) model for third parties to invest in infrastructure and to have a secure mechanism to provide for repayment. The council is working closely with government on this. Access to capital to invest in the infrastructure required to support growth is the key challenge facing the council. The SPV model is the most effective means to address the capital shortfall.

6. The legislation which provides for an SPV to set a levy to repay the capital raised needs to be permissive. This will ensure levy design can be tailored to the individual characteristics of each development area. The national rates postponement scheme noted above could be a useful mechanism to manage the incidence of SPV levies on owner occupiers allowing them to defer payment until development or sale of their property.

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

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

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

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

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

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

Coping with growth in tourism

13. The council agrees with the recommendation to allow councils that are tourism centres to apply an accommodation levy, or bed tax. Auckland is a key tourism centre for New Zealand, both as the primary gateway to the country and as a destination for its many attractions. Bed taxes are widely used overseas and are superior to a targeted rate.

Additional local government responsibilities

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

Equity and affordability

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

16. Auckland has already been through a major overhaul of its rating regime following its establishment. Rates standardisation resulted in large shifts in the distribution of the rates burden and the council considers Aucklanders will have little appetite for more of the same. Removing all rates differentials would raise residential rates in Auckland by 22 per cent. Another exercise of this scale would consume the energy of staff and elected members and the goodwill of the community. These resources would be better spent addressing the cost pressures the Commission identifies.
17. The council supports a national approach to rates postponement to assist ratepayers who are asset rich but cash poor. However, we do not see this as a replacement for the rates rebate scheme. The rates rebate scheme is popular among Aucklanders on lower incomes or relying on benefits. The council does not support the removal of the rates rebate scheme unless the same support was replaced with a satisfactory alternative.
Financing and funding growth

18. The council agrees with the Commission’s conclusions that councils require new financing and funding tools to support the demands of growth. The council has long accepted that growth presents challenges. Existing residents face increased demand on council services and finances. Both new and current residents face housing affordability issues. The council has responded to this challenge not by stifling growth but by setting out a vision for our growing city in the Auckland Plan 2050 and planning how we will get there through the Unitary Plan, our 30-year Infrastructure Strategy and our Long-term Plan 2018-2028. However, the council’s lack of debt headroom has meant that we have had to prioritise our investment in infrastructure to support growth. The following sections address each of the Commission’s recommendations that relate to this challenge.

Special purpose vehicles

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

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

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

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

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

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

Incentive payment to territorial authorities for new building work

24. The council agrees with the Commission’s recommendation that government provide council with an incentive payment for growth but questions whether building work completed is the best indicator. The council recommends that the Commission should also consider options for additional government investment to support growth.
25. The council’s strategies and plans show its commitment to growth. The council’s ability to put these plans into action is limited by the debt constraints that cap our access to capital to fund investment in infrastructure. The provision of additional revenue after development has occurred will make a small positive difference to our ability invest. The council notes that more upfront government support for the investment that will allow development to proceed would have more impact. For example, a forecast view of new development could be used to allocate payments to councils that invest in new infrastructure ahead of the development. Future payments could be adjusted to reflect realisation or otherwise. The council welcomes further investigation and discussion on this.

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

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

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

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

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

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

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

**Value capture rate and road congestion charges**

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

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

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

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

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

Vacant land tax

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Land type</th>
<th>Number of properties</th>
<th>Land value ($m)</th>
<th>Rates $</th>
<th>Rates to land value percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>26,303</td>
<td>$30,254</td>
<td>$74,067,969</td>
<td>0.24%</td>
</tr>
<tr>
<td>Business</td>
<td>2,856</td>
<td>$9,352</td>
<td>$52,772,566</td>
<td>0.56%</td>
</tr>
</tbody>
</table>

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

**Universal DC template**

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

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

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

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

Adapting to climate change

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

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

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

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

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

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

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

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

59. The council agrees with the Commission’s finding that coping with the growth of tourism is presenting councils with funding challenges. The council supports the Commission’s recommendations that the Government:

- legislates to enable councils to implement an accommodation levy to recover the tourism induced costs of providing local mixed-use facilities
- provide funding from the international visitor levy for councils responsible for small tourist hotspots which cannot reasonably recover all their operating costs of providing mixed-use facilities from tourists through user pays or accommodation levies.

60. Auckland Tourism, Events and Economic Development (ATEED), an Auckland Council controlled organisation, works alongside industry and government at all levels to activate the opportunities and help address the challenges of managing the impact of Auckland’s visitor economy. The council’s Destination AKL 2025 strategy, is focused on destination management and making Auckland visitor-ready, particularly as we prepare for a strong line-up of events in 2021 including the 38th America’s Cup, APEC 2021, the World Softball Championship, and the Women’s Rugby World Cup.

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

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

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

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

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

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

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

Additional local government responsibilities

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

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

Equity and affordability

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

Weighing benefits in rates decision making

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

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

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

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

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

- section 101(3) a) requires an analysis of who the beneficiaries are (and/or who may be imposing the costs that drive expenditure)
• 101(3) b) then requires an assessment of the "overall impact of any allocation of liability for revenue needs on the community", essentially consideration of affordability. These decisions are made transparently as all decisions on rates must be consulted on as part of an annual or long-term plan.

76. Auckland Council has included an analysis of the factors set out in s101(3) in the consultation and decision making materials for all its recent major rating and funding decisions.

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

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

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

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

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

Removal of rates differentials and the UAGC

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

83. The council has calculated that a removal of the current general rate differentials on the general rate, water quality targeted rate (WQTR) and natural environment targeted rate (NETR) would cause significant changes in rates incidence. On average, on top of any overall budget increase, residential rates would increase by 22 per cent and farm/lifestyle rates would increase by 50 per cent. Business rates would decrease by 54 per cent.
84. Removing the UAGC (currently set at $424) would shift the rates burden from lower value residential properties to higher value properties. The 20 per cent of properties valued above $1.33 million would have rates increases of 4.5 per cent or more. The 20 per cent of properties valued at $620,000 or less would have a rates decrease by 10 per cent or more. As the UAGC is levied per separately used or inhabited part of a rating unit\(^1\) (SUUP) it would also shift some of the rates burden from the 30,000 multi-SUUP properties to properties with only one SUUP.

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

**Introduction of a national rates postponement scheme**

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

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

88. A national scheme should also allow Auckland residents to fund their water and wastewater charges. This would ensure they are treated fairly relative to other regions where water and wastewater charges are included in rates bill. This should also apply to any other council’s that establish separate water authorities in the future.

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

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

**Rates Rebate Scheme**

90. The council does not agree with the Commission’s proposal to phase out the Rates Rebate Scheme over a defined period until a national rates postponement scheme has been implemented. The council does not support the removal of the scheme unless the ratepayers currently receiving a rates rebate were transferred to a scheme with similar benefits. The council agrees that the level of assistance the scheme provides is small, at a maximum of just over $12 per week, and that most recipients wouldn’t qualify for

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\(^1\) A separately used or inhabited part of a rating unit includes both the main house and granny flat and treats each shop in a shopping mall separately.
the government’s accommodation supplement. However, the additional support provided by the Rates Rebate Scheme is popular among Aucklanders on low incomes or relying on benefits such as superannuation or disability. The scheme is also simple to administer and if promoted to increase its uptake, its value could be maximized.

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

Three waters

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

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

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

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

96. The council notes that the government approved a dedicated water regulator and new water regulations in early August. The council looks forward to reviewing the new legislation which is expected to be introduced to parliament by the end of the year.

97. Most of the local boards that provided feedback were in support of this proposal.
### Attachment B: Response to questions and recommendations

<table>
<thead>
<tr>
<th>Productivity Commission Questions and recommendations</th>
<th>Auckland Council Comment</th>
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</thead>
<tbody>
<tr>
<td><strong>Trends in local government revenue, expenditure, prices and debt</strong></td>
<td>It is important that each council critically assess whatever index they use to inform budgeting decisions to ensure that they are appropriate to their particular circumstances. Auckland Council makes use of BERL indices, other public economic projections, and our in-house economist unit to inform inflationary impacts on cost projections.</td>
</tr>
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</table>

**Question 3.1**
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?

**Pressures on funding and financing**

**Question 4.1**
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 fulfill obligations on behalf of the Crown under the Treaty of Waitangi?

The council is committed to meeting its responsibilities under Te Tiriti o Waitangi – Treaty of Waitangi and its broader legal obligations to Māori. The goals under its Māori Responsiveness Framework are embedded into business as usual activities.

The council is also committed to supporting the implementation of Treaty settlement redress in a fair manner.

There are currently three arrangements provided through Treaty settlement legislation in Auckland requiring the establishment of permanent co-governance bodies. The council participates in and provides support for these bodies. When all Treaty settlement negotiations are completed, Auckland Council will likely participate in and be responsible for supporting no fewer than six co-governance bodies with iwi. Other co-governance arrangements will also be provided, but these will not require establishing permanent bodies.

Current Crown policy limits Crown funding for Treaty settlement co-governance outcomes to at most one-off set-up costs for the co-governance body, the cost of preparing plans not timetabled in a council’s long-term plan and ongoing costs for up to three years. The Crown does not consider costs beyond three years. This is despite co-governance entities being permanent statutory bodies.

The cost of administering co-governance entities are almost entirely placed with local councils. The Crown justifies this by arguing that co-governance arrangements are “business as usual” for councils and exist as an extension to their responsibilities under the LGA and RMA to involve Māori in local decision making.

The Council has a different view, believing co-governance bodies are provided by the Crown as Treaty settlement redress to settle long-standing historical grievances of Māori, including grievances relating to the loss and degradation of natural resources over 152 years. Treaty settlement legislation is used to establish the co-governance bodies. Local body authorities are not the Crown and undertake these arrangements on the Crown’s behalf.

The Council nevertheless recognises co-governance bodies can provide an effective vehicle for partnership between councils and Māori, in particular to enhance Māori participation in natural resource decision-making. This means the council has an interest in supporting co-governance entities.

The Crown also benefits from and has a significant and ongoing interest in the success of co-governance bodies to protect the durability of Treaty settlement outcomes, to ensure Māori are able to effectively participate in partnership with councils, and to support natural resource management outcomes which align with government policy objectives.

This means a cost-sharing approach between councils and the Crown is more appropriate than the current approach of modest and one-off Crown contributions to cost.

In addition, placing long term funding for Treaty settlement co-governance arrangements solely on ratepayers is a significant risk to the success and longevity of co-governance entities. It assumes ratepayers will support the establishment of new rates to provide funding to support the co-governance bodies through the Long-term Plan consultation process. If this does not occur this could result in co-governance entities that do not have the financial resources they need to fulfil their functions.
<table>
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<tr>
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<tr>
<td>The council suggests that the Crown should consider Treaty settlement co-governance entities as both valuable Treaty settlement outcomes, and as a means to promote integrated and effective public policy outcomes with national benefits. The council further suggests that the Crown should be committed to supporting the ongoing costs of Treaty settlement co-governance bodies in a manner that is fair to local government and supports participating iwi/hapū.</td>
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**Improving decision making**

**Question 5.1**  
The Commission is seeking more information on the advantages and disadvantages of reducing the frequency of Long-Term Plan (LTP) reviews, while retaining the requirement for annual plans. What would be the benefits, costs and risks of reducing the frequency of LTPs, from every three years to every five? What if five years were a minimum, and local authorities were free to prepare LTPs more frequently if they wished?

**Adverse**

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

**Disadvantages**

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

**Question 5.2**  
Is it appropriate for local authorities to include an adjustment for anticipated price inflation when they set rates each year? If not, what disciplines could be applied to the rate-setting process, to encourage local authorities to seek to manage cost and price pressures through productivity improvements? What would be the benefits and drawbacks of such an approach?

**Rates setting is a political decision.**

This is informed by our financial strategy which seeks to balance the need for investment in assets and services with ensuring that the costs of that investment are acceptable.

When setting budgets for individual cost lines an inflation factor is appropriate to reflect market movements. The council separately sets efficiency savings targets, either centrally or by service area, to ensure productivity improvements and the best use of ratepayer funds.

**Question 5.3**  
Would establishing a capital charge for local authorities be an effective way of incentivising good asset management? What would be the advantages and disadvantages? Are there other, more effective ways of encouraging better asset management practices in local government?

**Recommendation 5.1**  
The Department of Internal Affairs, Local Government New Zealand (LGNZ) and the New Zealand Society of Local Government Managers should work together to improve basic governance, including financial governance, skills and knowledge across elected members. In undertaking this work, they should consider:
- a range of mechanisms, such as formal training, peer support, mentoring (e.g. via “sister council” links), and networking, and sharing of resources and best practice; and
- a variety of delivery platforms, including online media and collaboration tools. LGNZ should ensure that resources and initiatives are well evaluated.

**Support**

The council actively works with LGNZ, SOLGM and DIA on many matters of shared interest. In addition, the council has a structured elected member induction and development programme known as Kura Kawana. Our induction programme already covers funding and financing matters, we will ensure a particular focus on this post the 2019 Local Government Election and also within our next Long-Term Plan process.
<table>
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<tr>
<th>Recommendation 5.2</th>
<th>Auckland Council Comment</th>
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<tr>
<td>Local Government New Zealand should work to achieve greater participation in ongoing professional development by elected members, including new and existing members, to ensure skills and knowledge are built and periodically refreshed.</td>
<td>Support</td>
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<td>The council is happy to assist LGNZ as necessary.</td>
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<tr>
<th>Recommendation 5.3</th>
<th>Auckland Council Comment</th>
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<td>The Local Government Act 2002 should be amended to require all local authorities to have an Audit and Risk Committee (or equivalent assurance committee).</td>
<td>Support</td>
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<td>• Audit and Risk Committees should have an independent Chair; and ideally include at least one other external expert, to ensure they span the full range of necessary skills and experience.</td>
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<td>• Independent members should be appropriately skilled and qualified.</td>
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<td>• Councils should draw on the good practice guidance and resources that are available to develop and run their committees.</td>
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<tr>
<td>Auckland Council has an Audit and Risk Committee in place. The council’s committee has an independent chair and two independent members who are appropriately skilled and qualified.</td>
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<tr>
<th>Recommendation 5.4</th>
<th>Auckland Council Comment</th>
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<td>The local government reporting framework (including the financial disclosures, Funding Impact Statement and performance measures for service delivery) should be subject to a fundamental, first principles review. This review would:</td>
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<td>• identify financial disclosures of low value to users of financial statements;</td>
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<td>• examine the mix of financial and non-financial disclosures, and recommend a revised framework that provides the most efficient, coherent and accessible way of reporting the range of information sought by both types of users;</td>
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<td>• consider the potential for new forms of external reporting, including integrated reporting, to shape changes in the reporting framework; and</td>
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<td>• be undertaken by a working group comprising the Department of Internal Affairs, the External Reporting Board and representatives of the local government sector and information users. The Office of the Auditor-General would be consulted.</td>
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<tr>
<td>The council agrees with a first principles review.</td>
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<td>Currently, a lot of the reporting requirements are too prescriptive. This impacts on our ability to tell a more relevant performance story for both “customers”, the community, and “owners”, elected members. A simplification of the reporting requirements is desired where a more meaningful story can be told in fewer words.</td>
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<td>The review should consider the relevance of the content. This will ensure consideration is given to helping stakeholders understand and use reports better, especially from the resident’s perspective. The focus should shift from compliance to providing more relevant information.</td>
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<td>The review should consider providing guidance on the principle-based approach e.g. on how we could achieve this approach along with setting out some key minimum reporting requirements rather than mandate a framework like integrated reporting.</td>
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<td>The review should also consider enabling organisations to shift towards digitalisation (allows depth of information at the hand of user instead of paper-based information which will facilitate a common platform across different authorities).</td>
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<td>It might appear that the FIS and cashflow statement show the reader similar information, however they serve quite different purposes. The FIS is presented on an accruals basis and also more clearly differentiates operating and capital items (such as capital grants from NZTA). Given the importance for councils of aligning operating revenue sources with operating expenditure (balanced budget tests) and explaining how they fund their capital investment the FIS serves an important purpose in financial planning and reporting.</td>
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<td>Councils should have some flexibility in determining the structure and presentation to enable them to most effectively communicate their financial story to the community. For example, where Development Contributions are used to fund interest costs on investment this portion should be able to be shown as an operating funding source.</td>
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<td>The council agrees that the proposed Working Group should be truly collaborative, and councils and customers should be part of any core group.</td>
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<th>Recommendation 5.5</th>
<th>Auckland Council Comment</th>
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<td>The Department of Internal Affairs, Local Government New Zealand and the New Zealand Society of Local Government Managers should continue to work together to promote and encourage councils’ participation in existing performance review and improvement initiatives, such as CouncilMARK™ and the Australasian Local Government Performance Excellence Program. The emphasis should be on learning for support.</td>
<td>Support in principle</td>
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<td>The council consider this would require a lot of effective collaboration and may require dedicated local authorities’ resources to support.</td>
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<td>The purpose of the work would need to be clearly defined including whether it should formally include a benchmarking element.</td>
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<td>Productivity Commission Questions and recommendations</td>
<td>Auckland Council Comment</td>
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<td>continuous improvement, rather than a one-off exercise. This work should include efforts to boost public awareness of initiatives such as CouncilMARK™ to increase demand for their use.</td>
<td>Support</td>
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**Recommendation 5.6**  
The legislated information requirements for the consultation processes of local authorities should be amended to:  
- make the terminology around the required analysis of alternative options consistent across relevant sections of the Local Government Act 2002;  
- clarify that Long-Term Plan (LTP) consultation documents must describe the reasonably practicable alternative options for addressing each identified issue; and  
- explicitly require that LTP consultation documents include high-level information on the implications for rates and future service levels associated with each of the identified options.  

Support  
Consistency across relevant sections is sensible. However, it is very difficult to cover all the legal requirements while keeping consultation documents simple enough for residents to understand. Large councils have complex issues, and this should be recognised. The difficulty with explaining a potential service level reduction means staff are forced to identify areas where these should be political decisions.  
The definition of high level will need to be clearly defined to ensure the requirements are met.  

**Recommendation 5.7**  
The Local Government Act 2002 should be revised to clarify and streamline the required content of Long-Term Plans so as to reduce duplication, ease the compliance costs on councils, and help make them more accessible documents.  

Support  
Any simplification will help make the documents more accessible to residents. The LTP should be relatively high level with a strategic focus. This will make it simpler for “customers” to understand. The current form is too “owners” focused. It should also be focused on the significant marginal changes for the local authority’s key activities (a reprioritisation focus rather than a reset).  

**Recommendation 5.8**  
The scrutiny on long-term planning provided by the audit requirements should not be considered a substitute for internal quality assurance processes. Councils should have robust quality assurance procedures across their Long-Term Plan process, including the use of expert review where appropriate (such as for significant decisions).  

Support  
Auckland Council already follows this approach.  

**Future funding and financing arrangements**  

**Question 6.1**  
How desirable and useful would a tax on vacant residential land be as a mechanism to improve the supply of housing for New Zealanders? How would such a tax measure up against the principles of a good system of local government funding and financing?  
Refer to paragraph 36-45  
Tax on vacant residential land  

**Question 6.2**  
What would be the advantages and disadvantages of a system of payments to territorial authorities based on new building work put in place in each territorial local authority?  
Refer to paragraph 24-32  
Incentive payment to territorial authorities for new building work  

**Recommendation 6.1**  
The Government, Local Government New Zealand and the New Zealand Society of Local Government Managers should work together to develop standardised templates both for the  
Do not support  
Refer to paragraph 46-50  
Universal DC template
<table>
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<tr>
<th>Productivity Commission Questions and recommendations</th>
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<tr>
<td>development contribution (DC) policies of councils and council assessments of DC charges for individual property developments. Councils should be required to use the standardised templates.</td>
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</table>
| **Recommendation 6.2**  
While local authorities' general approach to depreciating their infrastructure assets is satisfactory, there are issues of concern and may require action:  
  - councils' decisions about the best use of the large amounts of cash that depreciation funding can give rise to should be part of formulating their wider financial and infrastructure strategies;  
  - councils should prioritise improving their knowledge of the condition and performance of their assets to, among other benefits, avoid the risk of underestimating asset lives and overestimating depreciation expense; and  
  - the Essential Services Benchmark should be reviewed as part of the wider review of the local government performance reporting framework referred to in Recommendation 5.4. Any reframing should avoid the implication that individual councils must invest in as much asset renewal each year as their depreciation expense. |  
The council agrees that a focus on asset management planning and knowledge of asset information is important in the flow through to better rate funding.  
The council also agrees that the treatment of funded depreciation and the resulting operating funding surplus should be a core feature of financial strategies.  
The council notes that depreciation is driven by major capital expenditure which is generally depreciated over around 50 years. Depreciation will not reduce with the decrease in capital expenditure. For this reason, spending on renewals should be based on sound asset management plans and viewed over a 50-year horizon rather than annually. |
| **Recommendation 6.3**  
In choosing among funding tools, rating bases and whether to charge rates as a percentage of property values or as uniform charges or some other targeted feature, councils should emphasise the benefit principle and efficiency in the first instance. They should also balance greater economic efficiency against lower compliance and administration costs. Councils should factor in any significant concerns about ability to pay at a second stage in their decision making. | Do not support  
Refer to paragraph 71-81  
Weighting benefits in rates decision making |
| **Recommendation 6.4**  
The Government should consider implementing a system of payments to territorial authorities, based on new building work put in place in each territorial local authority, to incentivise councils to increase the supply of infrastructure-serviced land to match growth in demand. | Support  
Refer to paragraph 24-32  
Incentive payment to territorial authorities for new building work |
| **Recommendation 6.5**  
The Government should direct officials to continue work on how to expand the use of Special Purpose Vehicles to finance investment in growth infrastructure in fast-growth local authorities that face debt limits. If needed, the Government should promote legislation in Parliament to enable the placement of debt-servicing obligations on existing residents who will benefit from the infrastructure. | Support  
Refer paragraph 19-23  
Special purpose vehicles |
| **Recommendation 6.6**  
In its review to improve the service delivery of the three waters, the Government should favour models capable of applying efficient scale and specialisation to help small communities meet the | Support in principle  
Refer to paragraph 92-97  
Three waters |
<table>
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<td>challenges of maintaining and upgrading their water, wastewater and stormwater infrastructures.</td>
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**Recommendation 6.7**  
The Government should legislate to enable councils in tourist centres to choose to implement accommodation levies to recover the tourism-induced costs of providing local mixed-use facilities not otherwise charged for. Councils in tourist centres should make greater use where possible of user pays for mixed-use facilities.

Support  
Refer to paragraph 59-67  
Coping with growth in tourism

**Recommendation 6.8**  
The Government should provide funding from the international visitor levy for councils responsible for small tourist hotspots which cannot reasonably recover all their operating costs of providing mixed-use facilities from tourists through user pays or accommodation levies.

Support  
Refer to paragraph 59-67  
Coping with growth in tourism

**Recommendation 6.9**  
The benefit principle and maintaining the integrity of local government autonomy, responsibility and accountability should guide central government funding of local government activities. This implies that central government should generally limit its funding to where there are national benefits. Central government should not expect local government to act simply as its regulatory agent. Rather, the two levels of government should seek a regulatory partnership based on mutual respect and an agreed protocol.

Support  
The council agrees with the approach recommended for the government taking a role in local matters. However, given Auckland’s scale “local” economic benefits are often really national e.g. America’s Cup. The council considers that Government should take a greater role in funding these investments. The returns to Auckland Council and its ratepayers aren’t commensurate with the investments made or related to the incidence of rates.

The council agrees on the need to develop a stronger relationship where the council is its regulatory agent.

**Recommendation 6.10**  
Central and local government should strive to achieve a more constructive relationship and effective interface through:
- central and local government providing input (formally or informally) into each other’s relevant policymaking processes, under an agreed set of principles or a protocol;
- central government engaging in a meaningful dialogue with local government early in the process of developing relevant new regulations;
- cooperative approaches to tackling problems with implementing relevant new legislation, regulations or environmental standards;
- the creation of formal and informal feedback loops to identify problems with delegated regulations when they first appear; and
- the spread of information through the system and the sharing of expertise and knowledge.

Support  
Refer paragraph 68-69  
Additional local government responsibilities

**Equity and affordability**

**Recommendation 7.1**  
The Local Government (Rating) Act 2002 should be amended to remove rates differentials and uniform annual general charges. Councils should have five years to implement their removal.

Do not support  
Refer paragraph 82-85  
Equity and affordability

**Recommendation 7.2**  
Local government legislation should be amended to require councils to:

Do not support  
Refer paragraph 71-81
<table>
<thead>
<tr>
<th>Productivity Commission Questions and recommendations</th>
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<tbody>
<tr>
<td>• match the burden of rates to the benefits of council services, as a first step in setting rates;</td>
<td>Equity and affordability</td>
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<tr>
<td>• consider ability to pay as a second step;</td>
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<tr>
<td>• set out the reasons for their rating decisions in each step in a clear and transparent manner; and</td>
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<tr>
<td>• (in applying the ability-to-pay principle) consider coherence and consistency with the income-redistribution policies of central government.</td>
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<td>• Councils should continue to have the power to determine, on reasonable grounds, the appropriate allocation of rates within their distinct or region.</td>
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**Recommendation 7.3**
Local Government New Zealand and the New Zealand Society of Local Government Managers should develop advice for councils on how to apply the benefit principle (the burden of rates should reflect the benefits received) in their rating decisions.

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

**Recommendation 7.5**
The Government should work with local government and suitable financial providers to develop and implement a national rates postponement scheme. The scheme should:
- have a single set of clear and generous eligibility rules;
- be accessible and have provisions that are easy to understand and work with;
- have moderate and transparent fees; and
- be nationally promoted.

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

**Adapting to climate change**

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

The ability for a council to impose conditions on a land-use consent is limited by the terms of sections 108 and 108AA of the Resource Management Act 1991 (RMA).

Of particular relevance to the question are paragraphs 108AA(1)(a) and (b) which say:

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

In order to be able to include a consent condition having the effect of assigning future risk of harm to land resulting from the effect of natural hazards to the land owner for the time being it seems likely that s108AA(1)(a) would have to be relied upon. In the absence of agreement by the applicant it is difficult to see how such a condition could be required.
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<tr>
<td>Such a condition would be most effective if it required the registration of a covenant (in gross) on the relevant record of title having the required effect. Any covenant could be subject to legal challenge by future owners and could prove costly and potentially difficult for a council to defend when measured against the purpose and principles of the RMA. Consequently, the long term security of such a mechanism in “all future circumstances” is very uncertain. In addition, legitimate questions might be raised by future owners as to whether a council had effectively fulfilled its obligations under the RMA by not seeking to apply the provisions of the Act and relevant planning documents, but by effectively contracting out of liability that might arise as a result of not applying those provisions.</td>
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<td>A potentially better, more effective, and nationally consistent mechanism would be the adoption of a law change to the RMA that mirrors the essential features of the provisions of the Building Act 2004 that apply to buildings located on land subject to natural hazards (sections 71-74, inclusive, in association with s392). In summary, the Building Act provisions mentioned above require a building consent to be issued for the construction of a building, or alteration of an existing building, where the land on which the building is located is subject to 1 or more natural hazards (erosion, falling debris, subsidence, inundation, or slippage) in specified limited circumstances.</td>
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<td>If such a consent is granted then a notification must be issued by the relevant territorial authority and the Registrar-General of Land must record, on the record of title to the land on which the building work is carried out, both that the building consent was issued under s72 of the Building Act and the particulars identifying the natural hazard.</td>
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<td>Where a building consent has been issued under s72 and the subsequent notification processes have been completed then s392 provides that civil proceedings cannot be brought against the territorial authority or its members, staff or agents in relation to damage to the building resulting directly or indirectly from the natural hazard involved.</td>
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<td>The effect of those provisions is that the building owner (for the time being) who accepts the risk of the building being damaged as the result of a natural hazard and they are unable to involve the territorial authority in civil proceedings and the statutory basis of the limitation provides a high degree of certainty in terms of future enforceability.</td>
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**Recommendation 8.1**
The Government and local government should work together to establish centres of knowledge and guideance about climate-change adaptation for councils. One centre should be an authoritative and up-to-date source of advice on science and data while another should be a source of specialist advice on policy, planning, risk management, legal issues and community engagement.

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

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

**Recommendation 8.2**
The Government should implement a review of existing legislation and policy to ensure that considerations about climate-change adaptation are integrated and aligned within that legislation and policy where relevant.

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

**Recommendation 8.3**
National and local authorities should adopt anticipatory and flexible approaches to climate-change adaptation, in line with recognising the constantly changing nature of the risks. Any additional funding for climate-change adaptation should be conditional on the use of such approaches.

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

**Recommendation 8.4**
The Government should provide legal frameworks that give councils more backing and knowledge to make land-use planning and

**Support**
Councils need the support of central government through legal frameworks to help with decision making when considering the development of potentially hazardous areas.
<table>
<thead>
<tr>
<th><strong>Infrastructure investment decisions that are appropriate in the face of constantly changing climate risks.</strong></th>
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**Recommendation 8.5**
The Government should extend the New Zealand Transport Agency’s role in co-funding local roads to include assistance to councils facing significant threats to the viability of local land-transport infrastructure from sea-level rise and more intense storms and flooding due to climate change. The amount of assistance should reflect the size of the threat facing each council and its rating capacity. Assistance should be conditional on a strong business case and meeting engineering and environmental quality standards. It should only be available to defend existing infrastructure when business cases indicate that this option is superior to other options by a significant margin.

**Auckland Council Comment**
Support
Council supports the extension of NZTA’s role to support local infrastructure where councils are experiencing increasing problems with coastal assets, such as sea walls, being severely damaged during storms and roads such as Tamaki Drive experiencing inundation on a more regular basis.

To provide this support NZTA will require additional funding to ensure that existing projects are not compromised. The National Land Transport Fund may also require new funding sources as the impacts of climate change are not linked to current funding tools, road user charges and petrol tax.

**Recommendation 8.6**
The Government should create a new agency and a Local Government Resilience Fund. The new agency should work with at-risk councils and co-fund the redesign and possible relocation and rebuilding of wastewater and stormwater infrastructure when it becomes no longer viable because of sea-level rise and more intense flooding due to climate change.

The new agency should also assist regional councils and communities to work out the best way to lessen future flood risks from rivers. This could include moving to a new, more sustainable and best practice paradigm of giving rivers room and developing multiple innovative uses of the wider river corridors.

**Auckland Council Comment**
Support
The council supports the creation of a Local Government Resilience fund. This fund could also be used to support councils responding to the cumulative impacts of roads on water quality and hydrology and stormwater mitigation of road runoff such as more frequent catch pit clearing.
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-irrigated/off the grid. The answer is not 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 whenever 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 Waitakere 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 (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 Betany [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 these 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 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 from tourism related infrastructure, noting that the current approach in Auckland using targeted rates or business rates is a blunt tool that has the potential to unfairly punish bed and breakfast operators who have high value properties but receive relatively
minimal income from guests; a proper per night or per visitor rate may be a much fairer method of addressing this need.

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

Authorisation

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

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

That the Hibiscus and Bays

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

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

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

Contact Details

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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 paying rates

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

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

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

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

q) endorse a tax on vacant land

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

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

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

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

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

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

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

Background

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

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

Submission points

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

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

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

Improving equity

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

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

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

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

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

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

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

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

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

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

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

Adapting to climate change is a significant challenge

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

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

**Funding support for tourism hotspots**

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

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

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

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<th>Key Findings</th>
<th>Papakura Local Board feedback</th>
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<tr>
<td>1.</td>
<td>The current funding and financing framework is broadly sound</td>
<td>The Papakura Local Board broadly agrees with this statement, subject to the further feedback below.</td>
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Whilst current funding and financing framework is broadly sound, councils need new tools to help them deal with some specific cost pressures.
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<td>2.</td>
<td>The Commission favours the “benefit principle” as the primary basis for deciding who should pay for local government services. That is, those who benefit from (or cause the need for) a service should pay for its costs. Councils may also use “ability to pay” as a consideration, taking into account central government’s primary role in income distribution.</td>
<td>The benefit principle is generally an appropriate way of categorising where the burden of funding services should lie. However, councils have a broad mandate to deliver the four well beings, and the benefits (or the costs) of services aren’t always locally contained. A number of social services supported by councils such as caring for older people, citizens advice bureau, and supporting homelessness, as central government funding and services are inadequate to pay for local needs. So along with the benefit principle, a clearer articulation of respective local and central government responsibilities (and funding accountability) is needed, so ratepayers aren’t effectively subsidising taxpayers for complex needs and services. The Papakura Local Board notes that the Commission has been asked not to explore the rating of crown land. The board however agrees with the Commission’s previous recommendations that the Crown should pay rates on its land. The board also believes charging GST on rates needs to be revised, or GST collected on rates returned to councils.</td>
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<td>3.</td>
<td>Where local services also benefit national interests, central government should contribute funding.</td>
<td>Papakura Local Board support this view, and more clarity is needed on what these services are. As explained above communities expect councils to fill the gap in funding or services where central government support is inadequate. The distinction here is not co-funded services such as regulatory regimes or transport infrastructure, but inadequately funded government services.</td>
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<td>4.</td>
<td>User charges or targeted rates should be used wherever it is possible and efficient to do so.</td>
<td>The Papakura Local Board agree that user charges and targeted rates are important tools to offset general rates and support the benefit principle. However, the Papakura Local Board is concerned that the use of targeted rates and user charges will benefit more affluent communities and disadvantage poorer communities whose disposable income to pay for public services will be limited. For instance, targeted rates and user charges for basic services such as swimming pools, libraries, playgrounds will disadvantage</td>
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<td><strong>5. Improving equity - legislative changes are needed to make the current funding system more equitable and transparent, including:</strong></td>
<td><strong>poorer communities as these communities rely on generally funded public services.</strong>&lt;br&gt;&lt;br&gt;The danger of a targeted rate is that it could become the norm to achieve services that would normally be picked up in the general council rate. A targeted rate should be the exception and be supplemented by tests on maintaining minimum service levels and provision for “equity” and the ability to pay principle to ensure disadvantaged communities are not disadvantaged further.</td>
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<td>• 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.</td>
<td>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.</td>
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<td><strong>6.</strong> phasing out the current rates rebate scheme (which is not equitable or effective) and introducing a national rates postponement scheme.</td>
<td>The Papakura Local Board supports a national rates postponement scheme in principle, subject to further detail.</td>
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<td><strong>7. New funding tools are needed to address key pressures</strong></td>
<td>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.&lt;br&gt;&lt;br&gt;The Papakura Local Board questions whether value capture should be limited to the provision of infrastructure, rather that 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.</td>
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<td>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.</td>
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<td><strong>8. Special Purpose Vehicles (SPVs) could help councils nearing their debt limits - SPVs are a financing option for new development, that involve debt sitting off a council’s balance sheet. This provides a</strong></td>
<td>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</td>
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<td>means for high growth councils approaching their debt limits to continue to invest in development.</td>
<td>infrastructure. The Papakura Local Board suggests further consideration of central government support for the building of costly infrastructure, as the benefits of the efficient and timely provision of infrastructure has significant regional and national benefits in economic activity, housing provision and productivity.</td>
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<td>9.</td>
<td>Additional options –</td>
<td>The Papakura Local Board support the option of a new funding stream from central government to local authorities, based on a system of central-government payments to territorial local authorities based on the amount of new building work put in place in each territorial authority’s jurisdiction. Another option to consider is the government stopping charging GST on rates.</td>
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<td>(i)</td>
<td>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:</td>
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<td>- be largely consistent with local autonomy and accountability;</td>
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<td>- link council revenue directly to local growth and development; and</td>
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<td>- 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).</td>
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<td>10c</td>
<td>(ii) The Commission is also seeking submissions on whether a tax on vacant land would be a useful mechanism to further improve the supply of land for housing.</td>
<td>The Papakura Local Board believe a tax on vacant land would be a useful mechanism to turn vacant land into more productive land. The tax however should target land-bankers and speculators rather than genuine developers, based on implied intent or a bright line test of time period. The board notes other work such as the powers of urban development authorities could also support the supply of adequate land for development in the future.</td>
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<td><strong>Adapting to climate change is a significant challenge</strong></td>
<td>A value capture tax based on council land use planning should also be used to disincentivise</td>
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<td>As the impacts of climate change unfold over coming decades, local authorities</td>
<td>speculation and land banking.</td>
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<td>will face a significant and growing challenge.</td>
<td>The Papakura Local Board supports NZTA co-funding local roads to include assistance to</td>
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<td>councils facing significant threats to local roads and bridges from climate change.</td>
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<td>The Government should extend the role of the New Zealand Transport Agency in</td>
<td>Communities in the Papakura Local Board area suffer from coastal erosion. The costs of</td>
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<td>co-funding local roads to include assistance to councils facing significant</td>
<td>repairs are significant and are likely to increase from the effects of climate change.</td>
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<td>threats to the viability of local roads and bridges from climate change.</td>
<td>Therefore, the board welcomes the creation of a climate-resilience agency and associated</td>
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<td>fund and hopes that funds will be forthcoming and distributed equitably.</td>
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<td>**The Commission also recommends that the Government creates a climate-</td>
<td><strong>Funding support for tourism hotspots</strong></td>
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<td>resilience agency and associated fund to help at-risk councils redesign, and</td>
<td>The Papakura Local Board agrees that legislation should allow local authorities, who can</td>
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<td>possibly relocate and rebuild, wastewater, stormwater and flood-</td>
<td>evidence tourist pressures, to charge an accommodation levy.</td>
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<td>protection infrastructure threatened by the impacts of climate change.</td>
<td>The Papakura Local Board agrees the government should provide funding from the international</td>
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<td>visitor levy to local authorities. This should not be dependent on the size of the local</td>
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<td>authority or its ability to use accommodation levies or user pays mechanism. Tourism has</td>
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<td>local, regional and national benefits and in accordance with the benefit principle, the</td>
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<td>costs must be borne by central and local government and user pays.</td>
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<td><strong>Funding support for tourism hotspots</strong></td>
<td><strong>Need to reset the relationship with central government</strong></td>
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<td>The Government should legislate to enable councils in tourist centres to</td>
<td>The Papakura Local Board supports a general approach towards localism where government and</td>
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<td>implement an accommodation levy. Councils in tourist centres should also</td>
<td>Governing Body Services are devolved locally as local boards are able to be more responsive</td>
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<td>make greater use of user pays for mixed-use facilities.</td>
<td>to local needs. This however needs to be supported with adequate funding, funding tools and</td>
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<td>For small councils that cannot reasonably use either accommodation levies or</td>
<td>decision-making authority (and transparency and accountability) for local boards. A Treasury</td>
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<td>user pays, the Government should provide funding from the international</td>
<td>initiated funding impact statement and cost recovery model should accompany all legislation</td>
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<td>visitor levy.</td>
<td>or policy that central</td>
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<td><strong>A new regulatory regime for the three waters</strong></td>
<td>The three waters infrastructure is significant multi-generational investments with added challenges around climate change and environmental impacts. Further incentives and support is needed for smaller councils to collaborate across boundaries and share expertise, costs and oversight to manage their three waters assets/standards.</td>
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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.

Brent Catchpole
Chairperson Papakura Local Board

Date: 24 July 2019

Felicity Auva’a
Deputy Chairperson
Papakura Local Board
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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Phone number: 021 800 819
Email contact: jonathan.hope@aucklandcouncil.govt.nz
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, sewage 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.

29 July 2019

Local Board member John Meeuwsen
Memorandum

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 – Waitāmatā Local Board informal feedback on the Productivity Commission Issues Paper – Local Government Funding and Financing
ATTACHMENT A
Memorandum

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

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

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

From: Waiapu Local Board

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

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

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

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

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

Future Funding and Financing

As the Productivity Commission has already concluded in its 2015 and 2017 reports there is considerable scope for Value Capture to be introduced in New Zealand, as already applies in many United States cities. This would enable major increases in land values generated by public action, such as investments in infrastructure that directly benefit private landowners, to have part of the windfall gains returned to councils. This could be achieved by directly levying this uplift in land values. At the core of the Waitamata Local Board area the Central Rail Link is costing billions in public investment and all the businesses along the route will consequently gain billions in value uplift. The whole of the community should be enabled to gain benefit from that windfall.
A similar case can be made for allowing local authorities to utilize tax increment funding. This would enable a local authority to forecast the increase in revenue or in capital value that would result from its infrastructure investment and to be able to borrow against that future income without this resulting in a credit downgrade.

There ought to be public financing to encourage, enable and respond effectively to councils that seek to provide appropriate infrastructure and sustainable economic development. Development contributions need to be extended to cover all useful infrastructure. It also needs to be recognised that such contributions are only received well after the capital costs are incurred. Councils can do a lot to contribute effectively to sustainable local economic development and job creation through advice, co-ordination and working with businesses to get through regulations and access markets and they should be recompensed and rewarded for this from relevant central government funds such as a share of taxation or grants.
Item 9

Attachment G

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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 Waitamata 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.
Local government funding and financing

Submission
Productivity Commission draft report

Andrew Duncan / Ross Tucker
15 August 2019

Overview

1. Introduction to the draft report
2. Funding infrastructure to support growth
3. Adapting to climate change
4. Coping with growth in tourism
5. Rating and financial policy
6. Other issues raised
Introduction

- Terms of reference include
  - Key drivers of cost
  - Focus on efficiency, adequacy, sustainability, equity and affordability
  - Seeks comment on tax on vacant land
- Draft report released - 4 July
- Final report due 30 November 2019

Submission process

- February 2019 - submitted on issues paper
- 29 August - submission due
  - Focus: four key funding pressures and rating policy
  - Developed with COO input
  - Local boards feedback in submission
  - IMSB and Mana Whenua Kai Takai Forum may submit
Commission general findings

- No evidence that rates are less affordable
- Changes needed for equity and transparency
- Current funding and financing framework is sound
- New tools required to address four key cost pressures

Funding infrastructure to support growth

- **Support** continued development of SPVs
  - Compulsory levies require legislation
- **Support** payment for completed building work
  - Consider other options for additional government funding
- Tax on vacant land and unoccupied dwellings
  - Counter to benefits principle
  - No alignment between unoccupied dwellings and services provided
Adapting to climate change

- **Support** central government’s role in addressing climate change
  - National funding with local decisions
  - Legislation to manage at risk land use
  - Integrate adaptation and mitigation

- **Support** centres of knowledge and guidance
  - Suggest national risk thresholds for mandated retreats

- **Support** alignment of existing legislation and policy on climate change

- **Support** extension of role of NZTA to fund local roading

Coping with growth in tourism

- **Support** implementation of an accommodation levy
  - Should also fund visitor attraction and major events

- **Support** funding from international visitor levy to councils
  - Not only for smaller centres
Rating and financial policy

- **Do not support** review of rating systems, removing differentials and UAGCs
  - Rating regime overhauled from 2010 - 2016
  - Removing differentials would raise residential rates by 22%
- **Agree** benefits primary factor in funding decisions
- **Do not support** legislative change to make benefits primary factor
  - Four well being required in existing legislation
  - Services are public or merit goods
  - Benefits vs affordability should be determined by elected members
- **Support** national rates postponement scheme
- **Do not support** removal of rates rebate scheme

Other issues raised

- **Improved decision making** – support proposals
  - Risk and assurance committee
  - Streamline LTPs
  - Reporting
  - Benchmarking
  - Council already undertaking many recommendations
- **Impacts of Treaty settlements**
  - Committed to supporting Treaty settlements
  - Cost-sharing approach is more appropriate