

To the Productivity Commission

Submission by

Waimakariri District Council

In the matter of the

***Local Government Funding and Financing Draft
Report***

6 August 2019

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Introduction

The Waimakariri District Council considered the Productivity Commission's draft report into *Local Government Funding and Financing* at a Council briefing session on 9 July 2019, and approved this submission to the draft report at a Council meeting on 6 August 2019.

Not all of the 8 questions and 30 recommendations have been responded to in this submission. Rather this submission focuses on specific questions and recommendations in which Council has a particular interest. The numbering in this response follows the numbering in the Commission's draft report.

Trends in Council revenue and rates

It is noted that the Draft Report depicts ratios of revenue and rates to national and household income between 1993 and 2018 (Figure 3.1 on page 39), and that rates trends vary greatly across local authorities. It is further noted that the Inquiry's Terms of Reference note concern about the rate of increase in rates revenue in recent years and effects on affordability. A more finely grained analysis of rates affordability is suggested that depicts ratios of revenue and rates to territorial authority area's household income in the same period.

Questions

Question 5.1 - Frequency of Long Term Plans to > 3 Years

While the Local Government election cycle remains at 3 yearly intervals, the refresh of the Long Term Plan should also remain at 3 yearly intervals. It would be unreasonable for a newly elected Council not to have opportunity to review the forecast 10 year budget in the term of Council following the triennial election.

Question 5.2 - Incorporating Inflation When Setting Rates

Accounting for inflation when setting rates is reasonable in the short term, but with longer-range planning such as for the 30 Year Infrastructure strategy, inflationary forecasts are fraught, with both forecasting accurately, and with communicating inflated figures to the public.

Question 6.1 - Tax on Vacant Residential Land

While there is merit in developing policy settings that discourage land banking, a tax on vacant residential land may have more administrative costs and burdens than any benefits gained. Defining "vacant" would be difficult, for example if vacant meant at the time title was issued, developer delays could be anticipated, holding off titling with LINZ or seeking extensions of time to progress Section 224 matters. There is also a risk that the tax is taken on by the developer and passed on to the buyer. On balance a tax on vacant residential land is not supported.

Question 6.2 - Payments to TAs on new building work

In situations where Development Contributions take a number of years to be paid, payments to Territorial Authorities for new building work would seem to take the place of Council's collecting Development Contributions, and would appear to impinge on local government's powers of general competence, making growth Councils dependent on a Central Government discretion. It is likely to lead to fertile ground for dispute between Central and Local Government.

Recommendations

Recommendation 5.3 - Mandatory Audit and Risk Committees, with an Independent Chair

It is noted that this Council's long-standing Audit and Risk Committee is mentioned in the draft report (page 98), however this Council has decided not to have an independent chair, notwithstanding the CouncilMARK assessors recommendations. This is a decision that should remain with elected representatives, and not be prescribed in legislation. This Council supports the recommendation that the *Local Government Act 2002* should be amended to require all Councils to have an Audit and Risk Committee, but whether or not Council's decide to have an independent chair is a matter for elected representatives.

Recommendation 5.4 - A First Principles Review of Funding Impact Statement and Performance Measures

The sector has long argued that some of the financial disclosures and performance measures do not add to the public's understanding. A first principles review is supported. However the Department of Internal Affairs may not be appropriate to lead a review, since that Department is the architect of the current financial disclosures and mandatory performance measures.

Recommendation 5.7 - Streamline the Required Content of LTPs

This Council supports revision of the *Local Government Act 2002* to clarify and streamline the required contents of LTPs, to reduce duplication, ease compliance costs, and help make them more accessible to the public. The Act is currently quite prescriptive, and limits Council's ability to meaningfully engage with the public in a debate about rates and forecast expenditure.

Recommendation 6.1 - Develop Standardised Templates for DC Policies and Charges

There is some merit in standardising guidance to Councils on Development Contributions Policies, however the content and format of Development Contribution Policies is a policy decision for Councils.

Recommendation 6.6 - Consider Economies of Scale for 3 Waters Reform

Economies of scale do not necessarily equal better value for money or an improved level of service for small water supply schemes.

Recommendation 6.9 - Central Government Should Not Expect Local Government to Act Simply as its Regulatory Agent

The Productivity Commission have been making this point in successive inquiries, and this recommendation is fully supported by this Council. The two levels of government should seek a regulatory partnership, based on mutual respect and an agreed protocol. Despite this point being a core thrust of the *Towards Better Local Regulation* Inquiry (May 2013), there has been no demonstrable action in this space from Central Government.

Recommendation 7.1 - Amend the *Local Government (Rating) Act 2002* to Remove Rates Differentials and Uniform Annual General Charge,

Rates differentials are an important tool for this Council to share the rating load in a peri-urban District, which experiences both rapid urban growth, and has a significant productive rural sector. Councils should still have the ability to assess different levels of rates to different types of properties. Retention of the Uniform Annual General Charge is part of this rating mix. On the other hand, removal of the UAGC wouldn't have too much of an impact if the ability to have

fixed charges as targeted rates was still available. (This Council utilises fixed charges extensively).

Recommendation 7.5 - Remove the Statutory Cap on Uniform Charges

The current statutory cap on uniform charges is a legacy from a previous Rating Act. It is reasonable for a Council with the powers of general competence to determine its rating practices, and so the cap should be removed.

Recommendation 7.6 - Phase out the Rates Rebate Scheme

The Rates Rebate Scheme is well used in this District. While the system is administratively cumbersome, and not well targeted, an ageing population on fixed incomes rely on this scheme for rates relief. Having said that, it is likely that some households are being under declared, and despite publicity, there are a number of people in this District who would qualify for a rebate but do not apply. The system could be made more efficient with on-line applications and linking with Central Government agencies that hold data on household incomes. There is a place for direct targeted assistance for low income households who pay rates.

A national rates postponement scheme is not likely to be a useful replacement for the Rates Rebate Scheme. It could well be viewed by property owners as Local and Central Government eroding into home owner's equity. Given how dearly New Zealanders value home ownership, it is noteworthy that the voluntary rates postponement scheme currently available has not had a high support from property owners.

Recommendation 8.6 - Establishment of a Local Government Resilience Agency to Meet Adaptation to Climate Change

The Council supports the establishment of a national fund for Climate Change adaptation initiatives. It may be that this function could be carried out through the Climate Change Commission, but it is not currently structured to deliver it.

Thank you for the opportunity to submit on the draft report.