



Local Government funding and financing

LGNZ's response to the Productivity Commission's draft recommendations and findings

12 September 2019

We are. LGNZ.

Local Government New Zealand (LGNZ) is the national organisation of local authorities in New Zealand and all 78 councils are members. We represent the national interests of councils and lead best practice in the local government sector. LGNZ provides advocacy and policy services, business support, advice and training to our members to assist them to build successful communities throughout New Zealand. Our purpose is to deliver our sector's vision: "Local democracy powering community and national success."

This final submission was endorsed by Dave Cull, President, Local Government New Zealand.

Introduction

Thank you for this opportunity to contribute to the Commission's review of local government funding and financing. We, along with the Productivity Commission, are intensely aware that the recommendations of past local government funding reviews have seldom been implemented. We are committed to working with you to ensure that this review does not follow the pattern of the past.

Summary

LGNZ shares the Productivity Commission's overall assessment that LGNZ's funding and financing system is, in the main, sound but fails to provide councils facing "extraordinary" pressures, such as rapid population growth, tourism growth and climate change adaptation issues, with sufficient funding instruments to adequately meet those pressures. The supplementary funding tools recommended by the Commission are generally supported but their value may end up being largely at the margin as opposed to any long term sustainable impact. In relation to the Report's key findings and recommendations, some of the points we wish to highlight are:

The current funding and financing framework measures up well; LGNZ agrees:

- That there is scope for councils to make better use of existing tools.
- While the benefit principle is important, we recommend a full review of section 101 (LGA 2002).

New funding and financing tools for growth supporting councils; LGNZ agrees:

- That value capture mechanisms should be introduced.
- That volumetric charging for waste water should be possible without creating a Council-controlled organisation (CCO).
- That use of "special purpose vehicles" to raise finance is needed.
- That central government should make payments to reflect residential growth.

Funding support for tourism hotspots; LGNZ agrees:

- That councils should have the option to introduce local accommodation levies.

Adapting to climate change is a significant challenge; LGNZ agrees:

- That a co-funding model to assist councils respond to the threats of climate change be established.

The relationship with central government needs to be reset; LGNZ agrees:

- That a primary exacerbator of funding pressures is the accumulation of functions and funding pressures passed on by central government.
- That the funding of Treaty of Waitangi co-governance arrangements is an area that needs to be addressed given that the Treaty relationship is between the Crown and Iwi, not local government.
- That roles and regulations given to local government to undertake need to be co-designed first with local government before being introduced.
- That the Commission's recommended "Partners in Regulation" protocol be established.

Equity and affordability; LGNZ considers:

- That the suggestion that funding decisions should follow a two stage process needs more examination.
- That while we agree with concerns about the Rates Rebate Scheme, we are not convinced that the Accommodation Supplement provides an effective alternative.
- That a national rates postponement scheme be established (which could be an extension of the existing rates postponement scheme).

Putting it into practice – the three waters; LGNZ believes:

- That the Governments' decision to establish a dedicated drinking water regulator will improve the incentives on water service providers to invest widely and operate well.

LGNZ is disappointed that the terms of reference excluded the impost of Crown land on councils. The proportion of non-rated land and properties within local authority areas is substantial in many councils and contributes significantly to the costs borne by households and businesses. The Crown is essentially free-riding on local assets and services. Flood protection is a classic example.

LGNZ's Response to the Draft report's recommendations

	Recommendation	LGNZ's comment
5.1	DIA, LGNZ and SOLGM should work together to improve local council 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, networking and sharing of resources and best practice, and a variety of delivery platforms. LGNZ should ensure resources are well evaluated.	<p>DIA, LGNZ and SOLGM meet every six weeks to discuss the most pertinent and current issues facing local councils. LGNZ and SOLGM have regular dialogue on cross-reference work to ensure alignment of educational messages and regular, if not pertinent, updates on necessary education and resources for skills and knowledge to ensure successful governance.</p> <p>For its part, LGNZ, through its business development arm EquiP, provides a broad range of training and professional development options for elected members, and is committed to extending the range of available training options. LGNZ also publishes the Elected Member Handbook which provides information and guidance on all aspects of an elected member's role.</p> <p>Our experience so far, however, highlights a lack of demand for training and professional development. This is influenced by pressure on resources and a belief held by some elected members that attendance at training courses implies a lack of competence.</p> <p>EquiP also executes the Local Government Excellence Programme (CouncilMARK™), evaluating the performance of councils that voluntarily participate in assessments. Approximately 30 councils are currently participating.</p>
5.2	LGNZ should work to achieve greater participation in ongoing professional development for including new and existing members, to develop and refresh priority knowledge and skills.	<p>LGNZ agrees with this recommendation. EquiP is committed to developing innovative platforms to deliver its training products to reduce cost and enable more participation.</p> <p>It should be noted, however, that training also occurs indirectly or less formally through the sector and zone meetings, national conference, and advisory groups.</p>
5.3	The Local Government Act should be amended to require all local authorities to have an Audit and Risk Committee (or equivalent means of providing assurance). The Committee should have an independent chair and ideally include at least one other external expert to ensure the necessary skills and experience. Independent members should be appropriately skilled and qualified. Committees should draw on the good practice guidance and resources that are available to develop and run their committees.	<p>We agree with the sentiment of this recommendation; however, it is difficult to prescribe high levels of detail in legislation. Given that the scale of local government extends from the Chatham Islands to Auckland, the legislation should be flexible enough to accommodate the diversity across councils and to not impose a one-size-fits-all model.</p> <p>One approach is to make reference to the importance of audit and risk in the principles of s.14 LGA 2002, prescribe the audit and risk committees in Schedule 7, LGA 2002, or make reference to a specific note in Part 4 of the LGA 2002.</p> <p>An overall improvement in the underlying risk and resilience framework that operates in New Zealand may also improve incentives on councils to professionalise this aspect of their business operations.</p>

<p>5.4</p>	<p>The local government reporting framework (including the financial disclosures, FIS, and performance measures for service delivery) should be subject to a fundamental first principles review. This review should be undertaken by a working group led by DIA, the External Reporting Board and representatives of the local government sector and information users. The Auditor-General should be consulted.</p>	<p>LGNZ fully agrees with this recommendation. The reporting framework has grown haphazardly since 1989 to the point where, in our view, the costs of implementing the framework will far exceed the benefits. Complexity is also an issue.</p> <p>We note, however, that the framework as it has developed is the responsibility of the Department of Internal Affairs. Consequently, it may be appropriate for a different ministry or department to lead this review. We suggest that Treasury or the State Services Commission lead any such review to ensure consistency with other frameworks.</p>
<p>5.5</p>	<p>DIA, LGNZ and SOLGM should work together to promote and encourage council participation in existing performance review and improvement initiatives such as CouncilMARK™ and the Australasian Performance Excellence Programme. The emphasis should be on learning for continuous improvement rather than as a one-off exercise and include efforts to boost public awareness to increase demand for their use.</p>	<p>On behalf of its board, LGNZ is committed to promoting CouncilMARK™ and we are pleased that that the number of councils participating continues to grow. CouncilMARK™ provides a means by which councils can assess their performance over time and address areas where potential improvements have been recommended.</p> <p>LGNZ has evaluated the Australian Performance Excellence Programme and, based on comparative evaluation, CouncilMARK™ provides a very different form of performance assessment.</p> <p>LGNZ would welcome DIA support for CouncilMARK™ but this has not been forthcoming.</p>
<p>5.6</p>	<p>The legislated information requirements for consultation processes should be amended to clarify that consultation documents should describe the reasonably practicable options and include high level information on rates and future levels of service for each option. Terminology on the analysis of options should be consistent across the Act.</p>	<p>LGNZ agrees with the intent of this recommendation but it is simplistic. The LGA 2002 already requires councils to identify practicable options (Part 6 Section 77). Consulting on options, including costings, is good practice in many circumstances; however there are circumstances where it can be impracticable. For example:</p> <ul style="list-style-type: none"> • Some consultations involve binary choices, such as whether to adopt an annual plan or not, or buy a specific policy or not; • Some consultations are designed to seek a community's views on the range of options that the council should consider without looking at any option in detail, which might be the subject of a formal consultation exercise. <p>Policy options analysis usually involves the selection of options, the identification of criteria which will support one option over the other and underpin recommendations given to decision-makers. In our view the current provisions in the LGA 2002 are probably about right.</p>
<p>5.7</p>	<p>The LGA should be revised to clarify and streamline the required contents of LTPs and reduce duplication, ease of compliance costs on councils and help make relevant information for communities more accessible.</p>	<p>Agree. The size and complexity of the LTP is a problem that should be addressed. Councils should decide what issues are pertinent to their communities.</p> <p>Specific issues that LGNZ has identified include:</p> <ul style="list-style-type: none"> • The difficulty of holding strategic conversations with communities; • The complexity of the LTP given the diversity of councils and the size and scope of its activities; a list of minimum requirements could be provided by the local useful guidance,

		<p>however councils (and not central government) will determine the issues which are relevant to their community;</p> <ul style="list-style-type: none"> • The statutory prescription against publishing the full LTP (except on its website) which can result in locally significant issues not being well understood by communities because they did not meet the threshold for the Consultation Document; • The need for a summary template that communicates a clear “vision” for what the community intends to achieve.
5.8	Audit should not be considered a substitute for internal QA, which should exist across the whole LTP process, including the use of expert peer review.	<p>Agree in principle but the recommendation regarding expert review is unrealistic. We are not sure what being an “expert” means in this context. After all, it is important that a council takes ownership of its LTP. Auditors already seem to have too much influence on the presentation of the final product for consultation. This is a matter that is strictly outside of the scope of the audit role. We are somewhat sceptical as central government does not have experience in producing long term plans which include consultation. Expertise should be found by individuals who work with the sector.</p> <p>Quality assurance and peer review represent good practice, however it is up to councils to determine when and how both are applied. LGNZ supports principles that underpin some measure of consistency across councils, but mandatory requirements toward quality should not be mandated and applied across 78 different councils.</p>
6.1	The Government, LGNZ and SOLGM should work together to develop standardised development contributions policies and council assessments of development contributions charges for individual developments. Councils should be required to use these templates.	<p>Not supported. Given the large number of councils that have development contribution policies that make a zero charge, it is unclear how a standard template would work. Three other factors also work against the value of a standard approach:</p> <ul style="list-style-type: none"> • Policies vary, depending on context and values, including whether developments are green field or brown field or whether some types of development are prioritised over others; • Development contributions comprise a very small proportion of income to cover costs for councils; on average two per cent of a council’s revenue; • Increasingly, councils and developers are using agreements which are largely bespoke and based on the nature of intended developments, local circumstances and council policy. <p>Rather than standardised policies, better guidance is required. The ongoing issue for councils is the Crown’s exemption from paying development contributions and rates; an exemption that is likely to become more problematic should the Kāinga Ora – homes and community Bill become law.</p>

6.2.1	Council decisions about the use of cash that ‘depreciation funding’ can give rise to should be part of formulating their wider financial and infrastructure strategies.	Agree. However, this recommendation highlights questions about the nature of the depreciation regime, and prompts the recommendation that research should be completed as to whether or not it is fit for purpose.
6.2.2	Councils should prioritise improving their knowledge of the condition and performance of their assets.	<p>This is agreed and greater emphasis is required. CouncilMARK™ assessments show it is already a priority for councils. Further, recommendations should not be mandated for all councils as each will need to set priorities and learn from other councils.</p> <p>Incentives matter. A more fit-for-purpose risk and resilience framework will drive improvements in this area, for example, by improving the quality of data that can be brought forward for insurance or replacement. Better data will improve the quality of preventative priorities.</p>
6.2.3	The Essential services benchmark should be reviewed as part of the wider review. Any review should avoid the implication that individual councils must invest as much in renewals each year as their depreciation expense.	LGNZ agrees. The financial prudence benchmarks are not capturing the financial information councils and communities need. In addition, the non-financial benchmarks also appear to have added little value, and are costly to councils to monitor and report
6.3	In choosing amongst funding tools 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 any significant concerns about ability to pay at a second stage.	<p>The Financial Management requirements (s.101(3)) set out the criteria to be taken into account in relation to how each activity should be funded. The Draft Report recommends that consideration of ability to pay, or affordability, should not take place until other factors including benefit are taken into account.</p> <p>This approach was first set in legislation in 1996, with amendments in 2002 and 2012. It is time for a serious review as it is not clear whether the administrative cost of complying is actually worth it. For example:</p> <ul style="list-style-type: none"> • Councils lack the necessary range of funding tools to properly give effect to the results of their analysis. • Where benefits clearly lie with the nation as a whole, as central government is not prepared to contribute. • Central government, which forces this process on councils, does not subject itself to anything similar. <p>However, in relation to the existing requirement, LGNZ agrees that the benefit principle is an important principle that needs to be taken into account when elected members are making decisions about how services should be funded and financed, along with other principles.</p> <p>Some key criteria for assessing the burden of rates and other funding tools include: economic efficiency, administrative efficiency (sometimes called administrative simplicity), and equity.</p> <p>We are not sure why the benefit principle should come first and the ability to pay is a second stage. Benefits from services may be private to an individual(s) and also confer public benefits</p>

		<p>(some of which may provide access to all individuals in the community, whereas some services are provided to visitors and non-residents). Sometimes councils fund community services which are supported because they confer public benefits to the entire community.</p> <p>Most services have both a private and also some public benefits. If there are only individual private benefits from council services, then service should be purchased by individuals. The council may finance some services, which are open to the public as well as services that may be subsidised to provide access to services which otherwise may not be affordable.</p> <p>We discuss this in more depth in our reply to Q. 7.2.</p>
6.4	The Government should consider implementing a system of payments to TAs based on new building work put in place in each TA, to incentivise councils to increase the supply of infrastructure-serviced land.	<p>LGNZ supports this recommendation in principle and supports the concept of a piloted and evaluated model before wider application since councils themselves have a limited impact on the demand for infrastructure-serviced land.</p> <p>Such an approach would go some way to assisting councils address the short-term costs associated with growth. We do not see this approach as a sustainable solution to local government’s funding pressures as providing resources to local government will be contingent on the support of the Government of the day and subject to budgetary competition from other departments.</p>
6.5	The Government should direct officials to continue to work on expanding the use of Special Purpose Vehicles to finance investment in growth councils that face debt limits. If required the Government should promote legislation to enable the placement of debt servicing obligations on existing residents who will benefit.	<p>Agreed. This work is already happening as part of the Infrastructure Funding and Financing review. However, LGNZ and SOLGM should be included in working groups and dialogue where appropriate to best inform/advise local government generally. We are not convinced that new legislation is required to enable placement of debt servicing obligations on existing residents who may benefit from new development as the current law enables this. One method would be through a targeted rate designed to meet the proportion of debt servicing appropriate to those existing residents.</p>
6.6	In its review of three waters, the Government should favour models capable of applying efficient scale and specialisation to help small communities to meet the challenges of maintaining and upgrading three waters infrastructure.	<p>The discussion on which this recommendation is based fails to fully consider some of the complexities in the issue. For example, it is often assumed that large water aggregations will deliver scale benefits, but there is little evidence to support this. Indeed the economic literature strongly suggests aggregation benefits are concentrated at the small end of the scale.</p> <p>LGNZ would question whether the Commission has properly understood the differing characteristics of New Zealand’s water networks from networks of other utilities. Unlike Auckland and Wellington, which operate on a single reticulated network, most water networks in New Zealand are not connected, limiting the ability to make significant efficiency gains.</p> <p>Funding: aggregation does not by itself address the funding issue, especially if a “benefit” approach is taken (councils tend to see the benefits of water and waste water schemes accruing to the direct users, often leading to significant affordability issues for small communities).</p> <p>We agree with finding 9.5 that government assistance will be required by some communities.</p>

		<p>Direct users may also include visitors and tourists who do not pay for these services, which are a national benefit, and may therefore require some subsidy to help small communities to fund and upgrade three waters infrastructure.</p> <p>Currently most councils appear to apply the benefit principle when considering the financing and funding of water and waste water schemes. The cost of meeting enhanced standards, as well as ongoing maintenance and renewal will not necessarily change under a different institutional arrangement.</p>
6.7	<p>The Government should legislate to enable councils in tourist centres to implement taxes (eg bed taxes and other charges) to recover the tourism induced costs of providing local mixed-use facilities. Councils in these centres should make greater use of user pays to fund these facilities, where possible.</p>	<p>LGNZ supports this recommendation. Around the world it is very common for councils to apply accommodation levies. The Stevens report¹ confirms that the use of hypothecated funds from levies and taxes on the tourist industry is international best practice for sustainable tourism management. The report affirms that many destinations have some type of tourism-related tax (bedroom, restaurant, and parking) which collects revenue from the consumer. These collection mechanisms are embodied in national, regional or local laws which often allow the hypothecated funds to be spent on developments within the local destination where tax is collected.</p> <p>Agree in principle but defining a “tourist centre” for the purpose of drafting legislation will not be simple and there will always be issues around the margin. We recommend that such a tax should be a discretionary power that councils can employ only if certain preconditions are met, such as the support of a majority of residents and businesses through a referendum.</p>
6.8	<p>The Government should use part of the revenues from the International Visitor Levy responsible for small tourism hotspots that cannot reasonably recover all of their operating costs of providing mixed-use facilities from user charges or bed taxes.</p>	<p>Agreed in principle, but work will be required to define “small” and “hotspots”. Further, small councils don’t currently have the ability to levy a bed tax, which should be allowed. To date no monies from the International Visitor Levy (IVL) have been applied to local council infrastructure used by tourists. This has impacted our confidence level that the IVL will not make a meaningful contribution to dealing with the core infrastructure funding issue.</p> <p>Since the government is not sharing a part of GST or national taxes, there could be a case for sharing revenue with councils, especially because government property is not taxed and there is not any compensation made through grants in lieu of rates which are paid by governments.</p>

¹ Stevens and associates, Learning from International examples of Regional Tourism development, Final report for MBIE 31 March 2018, p.g180

<p>6.9</p>	<p>The benefit principle and maintaining the integrity of local government autonomy should guide the funding of local government activities. This implies central government should generally limit its funding of local government to where there are national benefits, in areas such as transport, tourism and share economic and environmental costs</p> <p>Central government should not expect local government to act as the implementer of its regulatory agent. The two levels of government should seek a regulatory partnership based on mutual respect and an agreed protocol.</p>	<p>LGNZ agrees that the benefit principle should continue to be a factor in considerations about how the costs of providing local government services will be allocated.</p> <p>We agree that any funding sources must protect the autonomy of local government, however it is quite possible to design revenue sharing models that redistribute tax revenue to local governments based on formulas that do not impinge on autonomy. Such revenue sharing approaches could:</p> <ul style="list-style-type: none"> • Address the need for “equalisation funding” for councils that represent low socioeconomic communities, to ensure communities receive an equal level of public service (health, education, etc). • Compensate councils that are unable to rate large areas of their districts because land is non-rateable, such as where the land is a national park or stewardship land (acknowledging that this option is out of scope of this enquiry). • Reflect additional financial pressure facing some districts due to pressure from visitors. <p>LGNZ agrees strongly with the Commission’s recommendation that a regulatory partnership be established with agreed protocols. In relation to the comment that central government should not expect councils to be “regulatory agents”, there may be cases where, for efficiency and effectiveness reasons, it makes sense that local government takes on the role of regulator on behalf of the centre.</p> <p>Where this is the case, central government’s expectations should be set out in an agreed contract/protocol and resources transferred to local governments for implementing central government regulation. In cases where regulatory responsibilities are imposed on councils, the costs of carrying out those responsibilities should be met by central government.</p>
<p>6.10</p>	<p>Central and local government should strive to achieve an on-going and more interactive relationship and effective interface through:</p> <ul style="list-style-type: none"> • Greater input into policy-making processes; • Central government engaging in a dialogue with local government early on in the process of developing new regulations; • Cooperative approaches to tackling policy problems and their implementation of new legislation, consultation with local government regarding regulations or environmental standards; 	<p>LGNZ fully supports this recommendation and is pleased to note that important progress has recently been made with the publication of the “Guide for central government engagement with local government” (see https://dpmc.govt.nz/publications/guidance-central-government-engagement-local-government).</p> <p>Local governments support the requirement on central government to estimate and publish the costs to local government of new legislation or regulations under consideration.</p>

	<ul style="list-style-type: none"> • The creation of formal and informal feedback loops to identify problems as they appear; and • The spread of information through the system and the sharing of expertise and knowledge. 	
7.1	<p>The Rating Act should be amended to remove rates differentials and the UAGC. Councils should have five years to implement their removal.</p>	<p>The removal of differentials and UAGCs must be considered in relation to the tools available to councils to match the level of rates that sectors pay with the benefits received from local services. It is not yet clear whether targeted rates can fully compensate for the loss of the power to set differential rates. In LGNZ’s view, councils would need access to a broader range of funding options before any move to abolish differentials should be considered. One such possibility would be some compensation from central government which, at present, is exempt from rates, notwithstanding it benefits from local council services. We note the view, also promoted by the Shand Inquiry, that targeted rates are a more accurate way of rating groups of properties to reflect the benefits received from council services, however feedback from members expressed concern at the transactions involved and the overall complexity of systems that use multiple targeted rates.</p> <p>As mentioned in our comments on the Issues paper, differential rates are a “blunt instrument” and a case can be made for the development of stronger guidance on how differential rating can be used to better reflect the benefits particular sectors receive from council services. The principle of economic efficiency suggests that property tax should be levied at a common level based on valuation of the land and capital value provides the best base. Where councils choose to apply a differential tax, the reasons why should be made clear and reviewed regularly.</p> <p>Uniform Annual General Charges, while a regressive tax, are one of the few “tools” councils can use to partly ameliorate large changes in property values. As above, we do not support the removal of the power to levy a UAGC unless a broader range of funding sources are available to councils which reduce reliance on rates.</p>

7.2	<p>The LGA should be amended to require councils to:</p> <ul style="list-style-type: none"> • Match the burden of rates to benefits of council services as a first step in setting rates; • Consider ability to pay; • Set out the reasons for their rating decisions in a clear and transparent manner; and • When applying the ability to pay principle, consider coherence and consistency with the income redistribution policies to those of central government. 	<p>LGNZ agrees that it is timely to review the decision-making process associated with s. 101 (LGA 2002) that requires a local authority to consider, in relation to each activity (there are issues of definition here), the following:</p> <ul style="list-style-type: none"> • <i>The community outcomes to which the activity primarily contributes;</i> • <i>The distribution of benefits between the community as a whole and any identifiable part of the community, and individuals;</i> • <i>The period in or over which those benefits are expected to occur;</i> • <i>The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity;</i> • <i>The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and</i> • <i>At an overall level, consider impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural wellbeing of the community.</i> <p>S. 101 involves a distinction, not well stated, between the advice officials provide to elected members about the “technical characteristics” of council activities (disaggregated to some level) and the political judgements that local politicians are expected to make about the mix of taxes appropriate to any particular district and the economic incidence of those taxes.</p> <p>It is not clear to us that increasing the weight given to benefits in s.101 is, by itself, particularly helpful. More useful would be subjecting s.101 to a full review that looks at whether or not it has helped councils make wise decisions about how local public goods should be paid for. Local government has a more regressive approach to funding than central government; local government is taking the value of property and not the income of people. For example, the ratio of rates to income is often much lower for particular sectors (eg farming).</p> <p>A specific problem with the benefit principle is that when identifying beneficiaries of functions, councils are unable to invoice central government for the national benefits of its activities.</p> <p>S.101 is part of a complex accountability framework that is both costly and poorly aligned. A full review is required and we are pleased to see that the Department of Internal Affairs has commissioned advice on this issue, however a more formal review is ultimately required.</p> <p>It is important to note that local government is not simply a service provider; it is a sphere of government in its own right and local politicians are expected to give effect to the policies and platforms that they stand on.</p>
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7.3	LGNZ and SOLGM should develop advice for councils on applying the benefit principle in their rating decisions.	<p>LGNZ agrees that it is important to assist elected members through the process of balancing the criteria required to make sound decisions about how services will be funded and financed. Both LGNZ, to elected members through the Elected Member Handbook and webinars provided by EquiP, and SOLGM, through its Business School and good practice guides, cover the benefit principle as part of more general guidance. We note that guidance on the “ability to pay” principle is equally needed.</p> <p>Both organisations have the networks to rollout more detailed guidance; however, should the Government agree with the Productivity Commission’s recommendations about the primacy of the benefit principle, then the Government should contribute to the cost of developing that guidance.</p> <p>Understanding amongst elected members about the benefit principle varies. A particular service may be used by a specific individual(s); however, the benefits from public services arise because there are public benefits as well as private benefits. Many individuals are confused between what a private good is and a public good (non-rival and non-excludable). If there are no public benefits from services then there is not a strong case for providing a service and a council could then regulate a minimum level of service and leave individuals to purchase higher level of services.</p>
7.4	The statutory cap on uniform charging should be removed.	LGNZ supports the removal of the 30 per cent cap, noting that, since charges for water and waste water are excluded from the calculation, many council exceed it. We note however that if a council should raise all its income through uniform charges then rates would lose their relation to property value and thus cease being a tax. A range of negative connotations could occur if rates ceased to have tax-like features.
7.5	The Government should work with the sector and providers to develop and implement a National Rates Postponement Scheme.	LGNZ agrees with the Commission’s recommendations that the best option is for a national rates postponement scheme developed collaboratively by local government, central government and a preferred provider of finance. Based on experience of the last two decades, a level of public involvement is likely to be essential to ensure public confidence and achieve the necessary uptake.
7.6	The Government should phase out the Rates Rebate Scheme to coincide with the National Rates Postponement Scheme.	<p>LGNZ accepts that the Rates Rebate Scheme is uneven and inequitable in its application as it treats low income home owners differently according to age and further discriminates between owners and renters.</p> <p>We are not convinced that the Accommodation Supplement (AS) is the right solution. We understand that it is complex to apply, is a significant contributor to rent increases and may not be fiscally sustainable. Some individuals sign agreements that their rent will increase if rates increase. Those who own property and rent, can claim the cost of rates as an expenditure and reduces their return on rental properties.</p>

		Before any decision is made about the future of the rates rebate scheme a full evaluation of the pros and cons of Rates Rebate, Accommodation Supplement and a National Rates Postponement Scheme is needed. Would the government be setting out a uniform national rates postponement scheme and will it allow councils to set the rates and for the rates postponed to be paid once the property is sold?
8.1	The Government and local government should work together to establish centres of knowledge and guidance about climate adaptation. One should be an up to date source of advice on science and data while another should provide advice on policy, planning, risk management, legal issues and engagement.	LGNZ agrees that central and local government need to collaborate, particularly around information, knowledge and guidance relating to adaptation. However, the case for establishing two centres is not clear. One centre should be sufficient, and could undertake other functions, such as that proposed in Recommendation 8.6 below. This would be consistent with LGNZ's previous proposal for a Local Government Risk Agency (see: https://www.lgnz.co.nz/assets/9190f8591f/42600-LGNZ-Risk-Financing-Guide-Final-WEB.pdf). LGNZ recommends that the Centre should be co-funded by local and central government. We also recommend that the Centre should be well connected to universities and research centres and other sources of information and research include international information (OECD, etc).
8.2	The Government should review existing legislation and policy to ensure that considerations about climate-change adaptation are integrated and aligned with legislation and policy.	LGNZ has long been calling for such a review. LGNZ is pleased that there are high level indications from the Government that this work will be undertaken. However, to ensure that such a review is undertaken and effective, the Government will need to significantly increase the resources dedicated to adaptation policy. LGNZ cautions the Government to ensure that it does not limit its Stage 2 review of the Resource Management Act. Further, review should be targeted to outcomes (not outputs), and eliminate repetition. For example, existing statutory provisions exist in Section 10 of the LGA.
8.3	National and local authorities should adopt flexible and anticipatory approaches to adaptation. Any funding should be conditional on the use of such approaches.	Agreed. The uncertainty of the impacts of climate change, their intensity and timing means that a flexible but anticipatory approach will be necessary.
8.4	The Government should provide legal frameworks that give councils more backing to make land use and investment decisions that are appropriate to constantly changing climate risks.	Agreed. In the absence of direction from an overarching national legal framework, the courts will likely play a greater role in developing the law. This was highlighted in a paper by Jack Hodder QC for LGNZ, <i>Climate change litigation: Who's afraid of creative judges?</i> (see: https://www.lgnz.co.nz/assets/Uploads/f488365773/Climate-change-litigation-Whos-afraid-of-creative-judges.pdf)

<p>8.5</p>	<p>The Government should extend the NZTA’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 and each council’s 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 this option is superior to other options by a significant margin.</p>	<p>Agreed. Central government must work in partnership with local government to identify alternative means of addressing the costs of mitigating and adapting to climate change.</p>
<p>8.6</p>	<p>The Government should create a new agency and a local government resilience fund. The agency should work with at-risk councils and co-fund the redesign and possible relocation and rebuilding of wastewater and stormwater infrastructure when it is no longer viable.</p> <p>The new agency should assist regional councils and communities to work out the best way to lessen 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 river corridors.</p>	<p>LGNZ agrees with the intent of this recommendation, and, as noted above, supports joint work by central and local government to identify alternative means of addressing the costs of adapting to climate change.</p> <p>We believe that these functions could be carried out by the agency proposed in recommendation 8.1.</p>