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Submission by

Hamilton City Council

NEW ZEALAND PRODUCTIVITY COMMISSION'S DRAFT REPORT ON LOCAL GOVERNMENT FUNDING AND FINANCING

13 September 2019

1.0 INTRODUCTION

1.1 Hamilton City Council (HCC) welcomes the opportunity to provide feedback to the New Zealand Productivity Commission's July 2019 draft report on Local Government Funding and Financing.

1.2 We strongly encourage and support all efforts by the Commission and the government to recognize and respond to the unique challenges and opportunities faced by growth councils such as ours.

1.3 This submission focuses on the eight theme areas outlined in our 15 March 2019 submission to the Commission's November 2018 Local Government Funding and Financing Issues Paper (refer here).

1.4 The eight theme areas outlined in our March 2019 submission were:

1. **Support Interest-Free Government Loan Arrangements for Core Infrastructure.**
2. **Supportive of New Off-Balance Sheet Financing Tools.**
3. **Efficiency Gains – Support Alignment of Local Government and Government Spending/Programmes.**
4. **Open-Minded on Aggregation for Delivery of 3 Waters and Other Core Services.**
5. **Development of National Guidelines that Support Implementation of a Community Facilities Funding Framework.**
6. **Support Standardisation and Increased Efficiencies of Systems in Local Government Facilities and Services.**
7. **Supportive of Regional Fuel Tax; Variable Road Pricing/Tolling; Increase in the Funding Assistance Rate (FAR) for Public Transport; New Targeted Enhanced Funding Assistance Rate (TEFAR).**
8. **Supportive of Economic Benefit Revenue Linked to Growth and Development in a Council's Administrative Area.**

1.5 In addition, this submission to the Commission's draft July 2019 report also comments and provides recommendations on:

- Rates Affordability.
- The Cost-Benefit Analysis of new Government Policies and Standards.
- Asset Management Plans.
- Development Contributions.

- Climate Change.

1.6 Theme Area 1: Support Interest-Free Government Loan Arrangements for Core Infrastructure

1.7 **HCC's Recommendation:** We support further rounds of interest-free Government loan arrangements for core infrastructure for high growth councils, as well as councils facing significant infrastructure challenges.

1.8 **Commentary**

1.9 HCC is disappointed that there is no mention in the Commission's draft report about the government's recent $1 billion Housing Infrastructure Fund that provided 10-year interest-free loans to high-growth councils.

1.10 While the Ministry of Housing and Urban Development's website notes that this was a "one-off contestable fund", HCC advocate that the government should consider providing further rounds of such funding.

1.11 We noted in our March 2019 submission to the Commission that clearly, interest-free Government loan arrangements offer substantial benefits for councils, and that each application for further funding rounds would still be subject to provision of a clear, comprehensive and compelling business case.

1.12 We note the Commission's support of Special Purpose Vehicles for both greenfield and brownfield development. HCC supports this position.

1.13 Applications should only be available for:

- Transport.
- 3 Waters.
- Land for Parks and Reserves.

1.14 Theme Area 2: Supportive of New Off-Balance Sheet Financing Tools

1.15 **HCC's Recommendations:**

a) We are supportive of new financing tools (such as Special Purpose Vehicles) being explored and ultimately available for use by local government.

b) Such tools are being specifically designed to finance infrastructure off a council's balance sheet.

c) We are also supportive of the commission's recommendation to develop 'value capture' funding tools.

1.16 **Commentary**

1.17 As noted in our March 2019 submission, new financing tools, such as Special Purpose Vehicles (SPVs) that are being explored as part of the Government's Infrastructure Funding and Financing workstream (to strengthen the infrastructure strategy, planning, investment and delivery) will add to the 'toolbox' available to councils.

1.18 HCC supports recommendation R6.5 in the Commission's draft report i.e.: *"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".*

1.19 As part of this work, we would also encourage the Commission to consider investigating opportunities for central government investment agencies, such as the NZ Super Fund or ACC, to invest in local infrastructure.

1.20 HCC is a strong advocate for the principle that growth should 'pay for itself' and, as a general rule, would like to have more tools and options available to us to help realise this.

1.21 We therefore support the Commission's recommendation for developing a 'value capture' tool that would allow councils to levy targeted rates on properties that enjoy 'windfall gains' as a result of nearby publicly funded infrastructure. We do note though, that application of such a tool is likely to be contentious for affected property owners and discretion would be needed in how it is used.

1.22 Theme Area 3: Efficiency Gains – Support Alignment of Local Government and Government Spending/Programmes

1.23 HCC's Recommendations:

a) We advocate that greater alignment of spending and programmes between local and central government is beneficial and indeed critical for investment and operational alignment opportunities.

b) Greater alignment with Government programmes will ensure councils have a more stable and meaningful planning horizon and enable them to leverage greater investment opportunities.

c) Alignment of spending and programmes between neighbouring councils is also critical.

1.24 HCC, in its March 2019 submission to the Commission, advocated that greater alignment of spending and programmes between local and central government is beneficial and indeed critical.

1.25 For example, the Hamilton-Auckland Corridor Plan offers significant investment and operational alignment opportunities. HCC is working with Government, iwi and local authorities on the Auckland to Hamilton Corridor Plan and Hamilton-Waikato Metro Spatial Plan to progress the Government's Urban Growth Agenda spatial planning actions/objectives i.e. to achieve competitive urban land-markets, where supply meets demand and prices cover the cost of growth.

1.26 Scale is important to achieving efficiencies – particularly, for example, regarding Hamilton's position in the metropolitan area and attaining further scale and a commensurate rating base to reflect services it provides to a wider area.

1.27 Alignment with Government programmes will ensure councils have a more stable and meaningful planning horizon and at the same time enable them to leverage greater investment opportunities.

1.28 The Commission's draft report does not appear to have picked this issue up in a wider sense. While Section 6.8 of the draft report covers aspects of central government funding for local government infrastructure and services, it doesn't seem to cover alignment of local government and central government spending and programmes.

1.29 Greater alignment of spending and programmes between local and central government is critical and indeed essential for achieving greater financial and resourcing efficiencies in the local government arena.

1.30 A further example of the potential of such alignment is the use of parks and open spaces provided by a council and the use of similar open spaces provided by public schools funded by the Ministry of Education.

1.31 HCC is of the view that greater collaboration should occur around identifying both the current and future needs of the community on the use of such open spaces. This would involve discussions covering the likes of funding and ongoing operating costs.

1.32 Agreement between a council and school on the community's use of parts of the open spaces provided by school, particularly where they adjoin a council park, could result in greater community usage and well-being.

1.33 In addition, we would also like to add that greater alignment of spending and programmes between neighbouring councils can also result in more financial and resourcing efficiencies. As noted in HCC's 11 July submission to the Kaainga Ora - Homes and Communities Bill (refer here):

- *HCC anticipate that opportunities identified through the Hamilton-Waikato Metro Spatial Plan will often involve an area of land area administered by more than one council. This could potentially involve city and district councils as well as the regional council, the latter primarily in regard to Regional Policy Statements.*

- *We welcome HUDAs role as having the necessary purpose and tools to facilitate/navigate key legislation (e.g. the Resource Management Act and the Local Government Act) and funding arrangements/challenges more efficiently that will enable councils to consider and progress opportunities in cross-boundary proposals identified by the Hamilton-Waikato Metro Spatial Plan.*

1.34 These initiatives need to be acknowledged in the Commission's final report to Government in November 2019.

1.35 Theme Area 4 - Open-Minded on Aggregation for Delivery of 3 Waters and Other Core Services

1.36 HCC's Recommendations:

a) Government should provide financial support towards investigative work that councils may need to undertake when looking at more cost-effective and efficient 3 waters models.

b) Government should investigate introducing a 3 Waters subsidy to fund provision of core infrastructure - similar in nature to the NZ Transport Agency's funding/subsidy model for transport.

c) Government intervention may also be an appropriate mechanism to use when looking at/reviewing models, structure and management of other council core services.

1.37 **<u>Commentary</u>**

1.38 The Commission's draft report (page 247) notes that:

- *Hamilton City Council's submission to the three waters review supported the idea of an independent regulator for water and pointed to the need for the government to provide incentives for aggregation.*
- *HCC supports a new independent regulator for drinking water…. An independent regulator will provide consistency, dedicated/focused technical competency and expertise to drive the required level of compliance to ensure water is safe to drink…. Any new regulator will need to be funded and resourced appropriately…*
- *To provide an incentive for aggregation, Government assistance for addressing any funding gaps in resilience, asset management and service delivery deficiencies (which nationally are estimated to be significant for water and wastewater), including meeting environmental and waters standards, should only be available to councils who are part of an aggregated service delivery model i.e. a CCO…. It would be unacceptable for taxpayers to subsidise small, inefficient three water schemes. (Hamilton City Council, 2018b).*

1.39 HCC concurs with the Commission's commentary outlined in F9.4 (page 248) of the draft report – in particular:

- *The performance of the three waters sector would substantially improve by using an approach that (1) rigorously enforces minimum performance standards; and (2) is permissive about how councils meet these minimum performance levels.*
- *The new regulatory regime should be administered by an existing, credible and independent regulator such as the Commerce Commission, which already regulates similar activities, has a credible "industry watchdog" reputation and has significant experience applying light-handed regulation to some suppliers and stronger forms of control to other suppliers.*

1.40 However, the Commission does not appear to have noted HCC's initiative outlined in its March 2019 submission where we recommended that Government should provide financial support towards investigative work that councils may need to undertake when looking at more cost-effective and efficient 3 waters models.

1.41 We also recommended that:

- Government should investigate introducing a 3 Waters subsidy to fund provision of core infrastructure - similar in nature to the NZ Transport Agency's funding/subsidy model for

transport.
- Government intervention may also be an appropriate mechanism to use when looking at/reviewing models, structure and management of other council core services.

1.42 As neither of these initiatives appear to have been taken on board in the draft report, we strongly urge the Commission to include them in its final report to Government in November 2019.

1.43 Theme Area 5: Development of National Guidelines that Support Implementation of a Community Facilities Funding Framework

1.44 HCC's Recommendation:

a) National Guidelines that support development and implementation of a Community Facilities Funding Framework should be available to assist in a council's decision-making on financing new facilities that provide clear benefit beyond a council's administrative area.

1.45 **Commentary**

1.46 HCC is disappointed that there is no mention in the Commission's draft report on the development of National Guidelines that support the implementation of a Community Facilities Funding Framework.

1.47 Our March 2019 submission noted that *"New community facilities delivering regional benefit are potentially being 'duplicated' (and therefore can result in over-capitalisation and poor utilisation of such assets relative to the operating costs) throughout the country by councils e.g. stadiums, theatres, libraries. Greater collaboration between councils is essential to develop and fund such facilities. As a metropolitan city providing significant community facilities that benefit a wider sub-region, it is crucial for Hamilton that there is agreement between surrounding councils on how we fund sub-regional facilities".*

1.48 We believe that this is a critical issue facing many councils. Development of National Guidelines has the potential to effectively rationalise the cost and 'spread' of such facilities throughout the country and as such this initiative needs to be included in the Commission's final report to Government in November 2019.

1.49 Theme Area 6: Support Standardisation and Increased Efficiencies of Systems in Local Government Facilities and Services

1.50 HCC's Recommendations:

a) Greater standardisation of the current multitude of local government systems (e.g. payroll, procurement and information services) is required for the various facilities and services provided by New Zealand's 78 councils to ensure increased efficiencies and cost-savings.

b) Scale of service delivery will also bring efficiencies – development of an effective Shared Services model is a key means of achieving this.

c) Government regulation may be required for such standardisation and consolidation to occur.

1.51 **Commentary**

1.52 HCC acknowledges the Commission's analysis and general support of shared services arrangements on pages 100-101 of its draft report.

1.53 However, we are of the view that this aspect need to be given much more emphasis in the commission's final report to Government in November 2019. It has the potential generate immense efficiencies and cost-savings to councils throughout the country.

1.54 As noted in our March 2019 submission, *"HCC supports standardisation and increased efficiencies in the multitude of corporate systems used throughout local government's various facilities and services. Currently, a number of differing systems are used throughout the country's 78 councils e.g. payroll, procurement, information services".*

1.55 There are significant opportunities for all councils throughout the country to be using a standardised system/platform for 'services' such as payroll, procurement and information services – we should not have 78 different systems in use.

1.56 Government regulation may be required for such standardisation and consolidation to occur.

1.57 Theme Area 7: Supportive of Regional Fuel Tax; Variable Road Pricing/Tolling; Increase in the Funding Assistance Rate (FAR) for Public Transport; New Targeted Enhanced Funding Assistance Rate (TEFAR)

1.58 **HCC's Recommendations:**

a) Support and acknowledge regions (or part of a region) to apply for a Regional Fuel Tax from 1 January 2021 via the Land Transport Management (Regional Fuel Tax) Amendment Act.

b) Support variable road pricing and tolls for road users.

c) Support an increase to the Funding Assistance Rate (FAR) for Public Transport.

d) Support an extension of the current 3-year timeframe of the NZ Transport Agency's new Targeted Enhanced Funding Assistance Rate (TEFAR) to 10-years.

1.59 **Commentary**

1.60 HCC made a submission on 20 April 2018 to the Land Transport Management (Regional Fuel Tax) Amendment Bill (refer here). Our submission and hearing appearance was supportive of the Bill.

1.61 Subsequently, the Land Transport Management (Regional Fuel Tax) Amendment Act received Royal Assent on 26 June 2018 and will enable regions, or part of a region, to apply for a fuel tax to fund transport infrastructure programmes from 1 January 2021.

1.62 HCC is supportive of variable road pricing and tolls for road users - funding and financing tools that are used extensively and operate successfully overseas. However, these tools do not appear to be addressed in the Commission's draft report.

1.63 HCC also noted the following key points in its March 2019 submission:

- *HCC advocates that the Funding Assistance Rate (FAR) for Public Transport should be increased, which will mean fares can be reduced, resulting in increased patronage. This will mean decreased congestion, less spending on new transport infrastructure, decreased crashes, and increased personal health - a 'win-win' result for the NZ Transport Agency and councils. The FAR for public transport should be calculated on the full cost rather than the balance after fare revenue.*
- *The NZ Transport Agency's new targeted enhanced funding assistance rate (TEFAR) to assist councils in bringing forward new high and very high priority locally-led improvement activities for the 2018–21 National Land Transport Programme (NLTP) needs to be extended for a much longer timeframe.*
- *HCC has a number of high priority public transport projects that would benefit significantly from TEFAR, but these will be ongoing and require greater funding certainty over a longer timeframe than the current three-year timeframe. A 10-year timeframe should be considered.*

1.64 Again, as none of these suggestions appear to have been taken on board in the draft report, we strongly urge the Commission to include them in its final report to Government in November 2019.

1.65 Theme Area 8 - Supportive of Economic Benefit Revenue Linked to Growth and Development in a Council's Administrative Area

1.66 **HCC's Recommendations:**

a) HCC is supportive of the concept proposed by the Commission of a new funding stream from central government to local authorities, based on new building work put in place within an authority's boundary.

1.67 **Commentary**

1.68 We agree that there is a strong national interest in an adequate supply of development ready land

and that such a payment would help align the costs of providing such land with the national benefits that would accrue.

1.69 However, we would also like the Commission to consider the impacts and incentives for city councils relative to surrounding local authorities.

1.70 As Hamilton, and other metro cities, often act as hubs for surrounding regions, we would not want neighbouring authorities to be overly-incentivized to grow on our boundaries when some of the additional infrastructure and operating cost to support that growth would be borne by Hamilton City.

2.0 OTHER KEY ISSUES

2.1 Rates Affordability

2.2 **HCC's Recommendations:**

a) The Rates Rebate Scheme, in HCC's case, works extremely well – it should not be phased out and should not be replaced with a nationwide postponement scheme.

b) The idea of having a nationwide consistent template does have merit as a way for all councils to be uniform and to simplify the approach to rates postponement when required over and above the rebate.

c) HCC agrees with the Commission that, in choosing amongst funding tools, Councils should emphasise the 'benefit principle' and efficiency in the first instance and 'ability to pay' as a second step. However, we would like to re-emphasise the point made in our March submission that a clear and consistent methodology is required to assess rates affordability.

d) An effective and meaningful rates affordability tool needs to be developed as a key mechanism to assist councils in reviewing various rating policies and in determining the annual rates strike.

e) We do not support the removal of the Uniform Annual General Charge from the rating toolkit. The option of the UAGC has allowed HCC a greater level of consideration when it comes to the overall incidence of rates, and assessing impacts to ratepayers, particularly when moving from land to capital value rating.

2.3 **Commentary**

2.4 We noted in our March 2019 submission that, in regard to the affordability of rates and the ability of the community to pay, HCC is not aware of any guidance on how to measure and assess this matter and recommended the Commission advocate development of a method that measures rates affordability: *"In regard to the affordability of rates and the ability of the community to pay, HCC is not aware of any guidance on how to measure and assess this matter. We therefore encourage the Commission to strongly recommend in its November 2019 report to Government that the current rating mechanisms used in New Zealand (as prescribed under the Local Government Rating Act) need a radical review. We also recommend that the Commission advocate development of a method that measures rates affordability"*

2.5 The Commission does not appear to have noted this in its draft report.

2.6 **Rates Rebates and Rates Postponement**

2.7 The Commission's draft report covers the issue of rates affordability in Section 7 'Equity and Affordability', with recommendations around the development and implementation of a national rates postponement scheme and then subsequent phasing out of the Rates Rebate Scheme. HCC does not support these recommendations.

2.8 In 2018/19, HCC processed 2,266 rates rebates. Note: this number excludes situations where multiple applications were completed for residents of retirement villages, where the village is a single rating unit.

2.9 Rebates get applied as a credit to the applicant's rates account, and HCC is then reimbursed by the Department of Internal Affairs.

2.10 HCC also offers an additional rebate under its Rates Remission Policy (refer here), which is Council funded. This is somewhat unique when compared with other councils i.e. although some councils offer a similar scheme, this is not common. HCC's rates rebate is similar to the government rebate but has further qualifying criteria. In 2018/19, 486 HCC rebates were applied, to the value of $250,275.

2.11 HCC agrees with SOLGM's recommendation that the rates rebate scheme **not be phased out** and replaced with a nationwide postponement scheme. This would in reality move the cost (financial and administrative) back to councils and effectively would defer payment of rates until such time as the property transfers ownership. This would place an encumbrance on the ratepayer.

2.12 Under the Rating Act, a local authority may on charge financial and administrative costs to the ratepayer ('postponement fee') in addition to registering a land charge against the rating unit. This would be additional costs to the ratepayer.

2.13 Postponement typically has little uptake across councils as the rebate is at a significant level to assist ratepayers, without the need to defer payment. In saying that, HCC does have a Rates Postponement Policy (as part of the Rates Remissions and Postponements Policy) and we do see merit in the idea of having a nationwide consistent template as a way for all councils to be uniform and to simplify the approach to rates postponement when required over and above the rebate.

2.14 **Uniform Annual General Charge**

2.15 As part of its 2018-28 10 Year Plan, HCC introduced a Uniform Annual General Charge (UAGC). Prior to this, the majority of HCC rates were set based on a property value. The option of the UAGC has allowed Council a greater level of consideration when it comes to the overall incidence of rates, and assessing impacts to ratepayers, particularly when moving from land to capital value rating.

2.16 HCC therefore does not support to the removal of the Uniform Annual General charge from the rating toolkit.

2.17 Cost-Benefit Analysis of New Government Policies and Standards

2.18 HCC's Recommendation:

2.19 The issue around local government having to resource/fund Government imposed policies and standards is still of pre-eminent importance and needs to be top of mind in discussions between the two entities.

2.20 **Commentary**

2.21 HCC support the Commission's recommendation R6.10 to achieve a more constructive relationship between central and local government.

2.22 Our March 2019 submission outlined HCC's concern around the imposition of new policies on local authorities by central government with the aim of creating national benefit, with the requirement for all councils to develop, implement and monitor a Local Alcohol Policy (LAP) being a case in point e.g.in the case of Christchurch City Council, development of its LAP cost the council over $1 million.

2.23 HCC's view is that Government needs to give much greater consideration to the 'cost-benefit' analysis when introducing new policies or standards, particularly where the implementation of such policies/standards falls directly on local authorities, with no commensurate funding from Government**.**

2.24 HCC supports the Commission's recommendation R6.10 i.e.: *"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.*
- *The spread of information through the system and the sharing of expertise and knowledge".*

2.25 However, we would like to stress that the issue around local government having to resource/fund Government imposed policies and standards is still of pre-eminent importance and needs to be top of mind in discussions between the two entities.

2.26 Development Contributions

2.27 HCC's Recommendations:

a) That recommendation R6.1 be removed.

b) If recommendation R6.1 is retained, that it should not be mandatory for councils to use the standardised templates.

c) That instead of standardized mandatory templates, that the DIA in collaboration with the sector should develop guidance, which could include DC policy example templates, and encourage standardization through advocating best practice outlined in the guidance.

2.28 **Commentary**

2.29 HCC does not support recommendation R6.1, that "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 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."

2.30 Instead, HCC supports the development of sector guidance in collaboration with the DIA and led by the sector (including councils, SOLGM, LGNZ, the Development Contributions Working Group (DCWG) and the development community), with a view to delivering the broader benefits intended through recommendation 6.1. Such benefits may include lowering compliance and administrative costs faced by councils, greater consistency in the presentation and structure of development contribution policies, ease of use for developers, transparency of policy application and substance, and a common resource for officers to refer to.

2.31 Unintended outcomes are likely if standardised templates are implemented as recommended, regardless of the best efforts of those drafting the templates. In addition, HCC is unconvinced that the standardised templates could be updateable without major process or legal impediments. To meet the needs of the sector the standardised templates would need to be perpetually updated.

2.32 The mandatory nature of the standardised templates introduces rigidity which cannot mould to the variation between councils. The two primary differences between councils are that each council has its own district plan, and the volume and rate of growth varies substantially across the sector and so does the level of required investment in growth infrastructure. The power to require DCs is linked to resource consents through s198 LGA 2002. This in turn links each DC policy to each council's respective district plan. DC policies and district plans do not completely align. The proposed standardised template guarantees further and probably significant misalignment with district plans.

2.33 A non-exhaustive list of other variations between councils which may be factored into the formulation of DC policies include historic capital and funding decisions, financial constraints, regional developer and business community views and preferences. These variations are reflected in the formulation and application of DC policies.

2.34 Standardised templates have the potential to limit the breadth and freedom of Elected Member decision making in relation to DCs. DCs make up part of councils funding which if restrained could have a material effect on infrastructure funding and delivery. Through DC policy consultation and subsequent deliberations Elected Members deliver on community preferences, this may be somewhat constrained if the standardised templates restrict decision making in areas such as remissions, definitions, the timing of when DCs are invoiced, etc.

2.35 HCC welcomes the Commissions finding that the Hamilton DC Policy “generally reflect the DC principles to the greatest extent practicable, and thus provide a transparent and reliable platform for setting DC charges”.

2.36 HCC agrees with finding F6.2, that “The complexity of development contributions (DCs) causes them to have higher administration and compliance costs.”

2.37 Transitioning to a standardised template would cause significant additional administrative and compliance cost. HCC has developed a bespoke growth modelling environment to generate charges and project DC revenue. Also, HCC has developed an assessment application which is used to assess all consents for DCs. The development of these tools was resource intensive. The implementation of a standardised template would require HCC to adapt these tools to be fit for purpose.

2.38 Instead, HCC suggest that the DIA, in collaboration with the sector, develop DC guidance. This guidance could include DC policy example templates and should encourage standardization through advocating best practice outlined in the guidance. It is HCCs understanding that draft guidance had historically been drafted by the DIA but has not finalised.

2.39 Asset Management Plans

2.40 HCC’s Recommendation:

2.41 Given that Section 14 (1) (g) of the Local Government Act 2002 already requires councils to undertake planning for their assets, HCC does not believe that there is a need for a legal requirement to produce Asset Management Plans.

2.42 **Commentary**

2.43 The Commission recommend that local authorities be legally required to prepare asset management plans, with the content of an asset management plans being specified in regulations rather than legislation.

2.44 HCC is of the view that it is critical to undertake good planning for the future management of public assets. This is a fundamental building block for improving the wellbeing of communities both now and in the future. If assets are not well understood and planned for then they will not be able to deliver the appropriate services to communities.

2.45 Section 14 (1) (g) of the Local Government Act 2002 already requires councils to undertake planning for their assets. Robust asset management planning needs to be part of a wider planning system in the organisation and having an integrated system of people, processes and information that links together to understand and forecast asset needs should be the focus for local authorities.

2.46 There is a risk that by specifying in legislation the need for, and content of, an Asset Management Plan document - that focus is placed disproportionately on production of a document to comply rather than on a wider management system that supports quality asset planning. HCC has AMPs for its activities and continues to focus on improving the entire asset management planning system.

2.47 Climate Change

2.48 HCC’s Recommendations:

2.49 HCC supports the Commission’s proposal and recommendations to extend the NZ Transport Agency’s co-funding model to support resilience of roading infrastructure to climate impacts and creating a similar agency (and fund) for three-waters infrastructure

2.50 Such funding also needs to be available to build resilience into at-risk roads and bridges. It also must be ‘new’ funding and not divert funding away from the NZ Transport Agency’s funding of existing and planned projects.

2.51 **Commentary**

2.52 On 8 August 2019 HCC resolved to develop a Climate Change Action Plan for the city that includes an assessment of Hamilton's carbon footprint.

2.53 In its submission to the Climate Change (Zero Carbon) Amendment Bill, HCC noted that it is committed to adapting to and mitigating the effects of climate change and supports the intention and direction of the Bill.

2.54 The Commission's draft report notes that *"The Commission proposes extending the New Zealand Transport Agency (NZTA) co-funding model to support resilience of roading infrastructure to climate impacts and creating a similar agency (and fund) for three-waters infrastructure. The success of such a model will depend on the NZTA recovering its former status in the eyes of local authorities, and reversing the decline in performance that councils have observed over recent years…..Without central government leadership and support for climate adaptation, there is a real risk that adaptation will happen in an ad hoc and inequitable way, or focus only on the short term".*

2.55 The Commission makes the following recommendations in its draft report:

2.56 R8.5 The Government should extend the New Zealand Transport Agency's role in co-funding local land-transport infrastructure to include assistance to councils facing significant threats to the viability of local roads 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.

2.57 R8.5 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.

2.58 R8.6 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.

2.59 HCC agrees with the Commission's recommendations noted above, with the proviso that such funding also needs to be available to build resilience into at-risk roads and bridges, and that it must be 'new' funding i.e. it must not divert funding away from the NZ Transport Agency's funding of existing and planned projects.

3.0 FURTHER INFORMATION AND OPPORTUNITY TO MEET

3.1 Should the New Zealand Productivity Commission require clarification of the above points, or additional information, please contact Sean Hickey (General Manager Strategy and Communications) on 07 838 6432, email sean.hickey@hcc.govt.nz in the first instance.

3.2 Hamilton City Council representatives would be happy to meet with staff from the New Zealand Productivity Commission to discuss in more detail how the points outlined in this submission could be applied in a Hamilton and national context.

Yours faithfully

S. Hickey

Sean Hickey
ACTING CHIEF EXECUTIVE