

**14 February 2019**

Local Government Funding and Financing Inquiry  
New Zealand Productivity Commission  
PO Box 8036  
The Terrace  
WELLINGTON 6143

[info@productivity.govt.nz](mailto:info@productivity.govt.nz)

**Postal Address**

Private Bag 544  
Ngaruawahia, 3742  
New Zealand

0800 492 452  
[www.waikatodistrict.govt.nz](http://www.waikatodistrict.govt.nz)

Dear Sir/Madam,

**RE: Submission from the Waikato District Council on the Local Government Funding and Financing Issues Paper**

The Waikato District Council (WDC) welcomes the opportunity to make a submission on the Productivity Commission's ("the Commission) Local Government Funding and Financing Issues Paper.

The Waikato district is one of the fastest growing territorial authority areas in New Zealand. The district's current population is 74,000 and is projected to reach 116,000 by 2045. Its location – being sandwiched between Auckland and Hamilton (and at the heart of the golden triangle between these two cities and Tauranga) - is a key factor contributing to the district's appeal as a place to invest, work and live.

The district is also a key focus of government's Urban Growth Agenda initiative through the Hamilton to Auckland Corridor Plan. We are heartened by the level of interest that government is placing on this corridor (the longest portion of which is within the Waikato district).

Ours is a very diverse district with communities that are growing rapidly and those which are not expected to grow. Our district also has a very diverse socio-economic profile due to its history, its geographical expanse and its location.

**Submission**

Waikato District Council supports the sector submissions from Local Government New Zealand (LGNZ) and the Society of Local Government Managers (SOLGM). Rather than re-answering the questions, and to ensure we are not being unproductive with our time, we have submitted to provide context around the specific pressure points for our high growth provincial council.

Sustainable communities, both in growth and decline, is about people not bureaucracy

As mentioned previously, Waikato district has experienced high growth for a number of years and being situated between two major cities of Hamilton and Auckland we expect this to continue.

One of the biggest challenges we have faced as a council is how to meet the demands of the people who settle in our towns and villages who want opportunities for employment, connectivity to health services, good schools and so forth.

Our council is focused on delivery of what we term “Liveable Thriving and Connected Communities”. It’s clear that providing infrastructure in itself does not create liveable thriving and connected communities. Putting a road, drainage, water connection, neighbourhood park and community hall in place does not address the social, economic, environmental and cultural aspects of creating functional communities.

Central government agencies and local councils in a democratic society exist to serve the people yet too much of what gets delivered on the ground boils down to legislative process rather than priorities for providing a sustainable standard of living for people. This gives an impression that local government lurches from one regulatory hurdle to the next rather than concentrating on the delivery, and the cost of compliance (or not) is high.

In line with the agility aspects raised by the LGNZ submission we believe local government funding and financing tools must be flexible enough to allow for the uniqueness of the communities we serve. Having too many constraints limits our ability to think innovatively which is an unsustainable position, particularly where the rate of growth is high.

#### Appropriate national to localised funding mix

The key to determining which local government funding mechanisms need to be looked at, requires us to take a step back and decide what infrastructure, services and risk mitigations apply to the nation as a whole or are truly localised. This is what will help us to keep focus on the priorities for our country and collaboratively deliver the best solutions. The delivery and management may continue to be administered locally to account for the vast differences in communities, but addressing nation-wide issues should not be solely funded at the local level.

The transportation system has been administered in this collaborative fashion for a number of years and it works well as it recognises the importance of roading as a nation-wide core piece of infrastructure and the subsidy to local government from the New Zealand Transport Agency (NZTA) results in an optimised central to local government funding mix. In fact, this programme has been so successful for provincial and rural councils that sometimes it has felt like we were a roading company at the expense of having concentrated on three waters services, which are essential services but less affordable for councils with smaller communities.

Climate change, civil defence (including the need to build more resilient communities), and water quality are three such services that need a review of the funding mechanisms to get the national to local equation right.

We have recently taken advantage of co-funding opportunities through the Tourism Infrastructure Fund and the Housing Infrastructure Fund and while these opportunities are fantastic for our communities, the cost and amount of red tape to work collaboratively with government is onerous. The business case process seems to be tailored for large city council structures and funding capabilities, with smaller councils or smaller requests subject to the same rigour. We just don’t have the same resources financially or staff wise. This type of funding mechanism should be risk based and the associated administration appropriate to the situation.

Greenfield development costs are high and while provincial and rural councils have opportunities to ease the housing shortage by releasing additional land, we lack the critical mass and economies of scale to fund the infrastructure required without central government assistance. Developers are in it for the money; we are in it for communities.

### **Local attempts to collaborate not entirely supported by legislation**

Waikato District Council is fortunate to have a group of elected members who work well together and display alignment on the strategic issues our district faces. This has been evident through the work we have been taking across the sub-region to find a solution for providing better quality and more effective water services to our communities. Our councillors unanimously supported the establishment of a Waters Council Controlled Organisation (CCO) partnering to the south with Hamilton and Waipa due to the critical nature of this service and the benefits that would come through economies of scale. However, this has been incredibly time consuming and expensive, and while the recommendation from the business case was to support the creation of a sub-regional CCO, the individual councils, and in some instances factions within the councils, could not agree – politics rather than priorities.

We have had success working with Watercare and contract negotiations are underway for services to be provided in partnership with them. The Local Government Act 2002 is an enabler in most areas but is a constraint from a funding perspective, in relation to the ability to roll this partnership out in full by the 1 July 2019.

While our council has taken proactive steps to resolve the challenges we face around the increasing compliance of water services, we fundamentally believe that this is a national issue and that these services need to be co-funded between central and local government. Our council previously took advantage of the subsidies provided by the Ministry of Health for wastewater schemes, but with the withdrawal of this funding (some of our schemes had 80% of the costs subsidised) and the expectations of infrastructure provision remaining our communities have struggled to fund these projects.

When it comes to development in key towns, much of the land identified for growth is held by multiple landowners. This can ultimately mean that council is expected to take the lead on infrastructure that is local in nature (serves the development area only) which takes up valuable debt capacity and adds further to the administration of our development contributions regime. It has been much easier to deal with single large landowners to progress development at pace and scale, a good example of which is in Pokeno where the infrastructure costs have been borne upfront by the developer which has provided half of the 2200 houses planned for over 30 years in only 6 years. Government assistance for smaller landowners to release their land through subdivision could be an incentive programme worth investigating further in terms of bringing more affordable housing to the market.

We would also like to highlight that unfunded and under-funded mandates from central to local government can be greatly challenging for WDC (and other Territorial Local Authorities). A lot of these pressures are experienced in the regulatory area in particular where implementation needs go unidentified or unaddressed; costs are not identified; and funding is not often considered by central government. A good example of this is the requirement for councils to comply with the

NPS-UDC requirements without any financial support from central government to help with its implementation.

### **Summary**

- Waikato District Council supports the sector submissions from Local Government New Zealand (LGNZ) and the Society of Local Government Managers (SOLGM).
- The cost of legislative compliance in local government is high
- Creating sustainable communities is about people not bureaucracy
- An appropriate national to localised funding mix is required
- Climate change, civil defence, three waters and greenfield development should receive national funding assistance
- New or improved funding and financing mechanisms should be agile – not same size fits all

WDC would like to thank the Commission for the opportunity to make a submission. The Council will speak to this submission if required and are willing to be part of any discussion on new planning, funding and financing tools.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Allan M Sanson', with a long horizontal flourish extending to the right.

Allan M Sanson  
**MAYOR**