



388 Main South Rd, Paroa
 PO Box 66, Greymouth 7840
 New Zealand
 Telephone (03) 768 0466
 Toll free 0508 800 118
 www.wcrc.govt.nz

29 August 2019

Productivity Commission
 PO Box 8036
 The Terrace
Wellington

By email: info@productivity.govt.nz

Submission on the Draft Report into Local Government Funding and Financing

Thank you for the opportunity to provide comment on the Draft Report into Local Government Funding and Financing. The West Coast Regional Council (the Council) welcomes the work that has gone into this draft report and recognises that funding and financing are significant issues that need to be considered given the pressures facing local government now and into the future. While Council has provided comment on a number of the recommendations set out in the report, our particular areas of concern are in regards to funding are:

- the accumulation of responsibilities placed on local government by central government - unfunded mandates; and,
- adapting to climate change.

We have set out our comments on the draft report below:

Recommendation	Council Comment
Improved decision making	
<p>Recommendation 5.3 The LGA 2002 should be amended to require all local authorities to have an Audit and Risk Committee.</p>	<p>Council questions the value that this would provide, particularly for smaller Councils. Being required to implement and Audit and Risk Committee would result in another unfunded mandate being forced on local government to be paid for by local communities (internal estimates believe that this committee would cost approximately \$15,000 - \$20,000 per year). This Council has seven elected members, with a broad range of skills and knowledge through their own professional experience who can provide much of this analysis already.</p>
<p>Recommendation 5.7 The LGA should be revised to clarify and streamline the required content of LTPs so as to reduce duplication, ease the compliance costs on councils, and help make them more accessible documents</p>	<p>Any streamlining of the LTP is welcomed provided that the end result is fit for purpose and is easily understandable by our communities.</p>
<p>Recommendation 5.8 The scrutiny on long-term planning provided by the audit requirements should not be considered a substitute for internal quality</p>	<p>Council would strongly recommend that the scrutiny of the audit requirements be focussed on matters of substance, that where peer review has been acquired that these are</p>

Recommendation	Council Comment
<p>assurance processes. Councils should have robust quality assurance procedures across their LTP process, including the use of expert review where appropriate.</p>	<p>recognised and adopted, and that audit reviews are undertaken in a timely manner in order to keep costs affordable for our communities. The audit has become a time consuming and resource hungry process, with auditors having increasingly greater influence on the 'presentation' of the final product for consultation. Audit is there to review the substance, not the communications tools and processes. This is a document that should reflect the Council it applies too. Quality assurance and peer review are good practice and are undertaken where required, and while their principles are supported, they should not be enforced when unnecessary.</p>
<p>Future funding and financing arrangements</p>	
<p>Recommendation 6.9 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.</p> <p>Central government should not expect local government to act as its regulatory agent – the two levels of government should seek a regulatory partnership based on mutual respect and an agreed protocol.</p>	<p>Councils are accumulating an ever increasing load of responsibilities on behalf of central government. These unfunded mandates are causing increased pressure on small councils and there are cases whereby additional revenue may need to be directed to assist these Councils to carry out the mandates as required. One such revenue assistance approach could be compensation for Councils that are unable to rate large areas of their regions/districts because the land is non-rateable, such as where the land is national park.</p> <p>Council agrees that central government should not expect local government to act as its regulatory arm. However, this seems to be happening with increasing frequency. Major changes to policy needs to be robustly informed by a well-researched Regulatory Impact Statement which critically assesses the impact and gains for a community. The work also needs to consider the issue across areas of government to ensure that the different pieces of legislation and policy deliver the outcomes sought. In the case of the Forestry National Environmental Standard (NES) it was developed over many years with the cost benefit analyses not 'stacking up' until central government shifted the major delivery costs onto local government. The NES delivers few gains for the West Coast region as its focus was addressing issues across the rest of the country, mainly in the North Island. The NES has simply created more bureaucracy in the West Coast region for forest owners for no environmental gain.</p> <p>Currently Local Government is dealing with a tidal wave of reform and legislative change along with development of new, and alterations to other, national direction tools. The Council is concerned that this legislation drive is not being considered in a holistic manner as the impacts of the different parts of the system under review have a flow on effect elsewhere. Policy and legislative change in isolation could lead to unintended consequences in that pulling one lever may undermine what is being sought in another area. The current National Policy Statement for Freshwater</p>

Recommendation	Council Comment
	<p>(NPS) sets national bottom lines for water quality and the overarching goal of maintaining or improving freshwater throughout the country. Our Council, like others, is working with its community via Freshwater Management Unit groups to arrive at an approach to achieve the outcomes sought by the NPS. There is a real risk that this work could be undermined by a national direction that overrides these processes losing the progress that has been achieved to date, and more importantly, disengagement with communities that had invested significant time and resources into the process.</p> <p>Central government, while having the best intentions, does not take into account that there are variations across the country and between regions. Cookie cutter policy may achieve little in one region where there are limited or no pressures on that particular resource resulting in significant time and resource being required to address it. Council recognises that it is challenging to apply workable policy across large areas but believe that it can be achieved.</p> <p>The Partners in Regulation protocol would be beneficial if it was a true collaboration between local and central government, and if it provided funding to alleviate pressure on the tasks pushed down from central government.</p>
<p>Recommendation 6.10 Central and local government should strive to achieve a more constructive relationship and effective interface through:</p> <ul style="list-style-type: none"> - Input into policy-making processes - Central government engaging in a meaningful dialogue with local government early on in the process of developing new regulations - Cooperative approaches to tackling problems while implementing relevant new legislation, regulations or environmental standards - 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 	<p>Council fully supports this recommendation. As noted in our comments regarding recommendation 6.9, there is significantly more work required in this area to move to a true partnership.</p> <p>Critical to this will be central government recognising the input of the regions and how to apply specific policy broadly.</p> <p>Council has made several efforts to use regional issues as case studies for various policy development processes which have not been taken up. This has been unfortunate and we believe has led to incomplete final policy outcomes. Council believes that potentially, central government is unable to make quick decisions when required, due to a concern of possible precedent setting in situations where real change and progress can be, and should be, made.</p>
Equity and affordability	
<p>Recommendation 7.1 The LGA 2002 should be amended to remove rates differentials and uniform annual general charges. Councils should have five years to implement their removal.</p>	<p>Council questions why the Productivity Commission would believe that removing rates differentials and uniform annual general charges would make rates more affordable.</p> <p>Council uses two forms of differentials.</p>

Recommendation	Council Comment
	<p>1. Fixed differentials limit the rate take from each of our three districts. These differentials were originally implemented following the removal of revaluation equalisation adjustments. Our differentials are Buller District - 31%, Grey District - 39% and Westland District - 30%. These differentials are quite closely supported by capital value and population data across the three areas (albeit the capital value data may be up to three years old). If forced to do away with these differentials, Council would see swings in the comparative share of total general rate liability between the three areas 'year-by-year' depending on what happened at each three yearly revaluation.</p> <p>2. Council has 15 separate rating areas for river, drainage and coastal protection, where targeted rates are collected across different classes of land to recognise 'degrees of benefit'. Class A may have a differential of 100, Class B 80, Class C 60 etc. If differentials were prohibited then Council would be unable to apply the benefiter's principle appropriately.</p> <p>The removal of the UAGC would create a significant impact at the higher capital value end of the scale. All ratepayers receive the same baseline level of service from the Council and should pay a similar amount. Those ratepayers who then require additional services should pay for those through user charges or targeted rate.</p>
<p>Recommendation 7.6 The Government should phase out the Rates Rebate Scheme over a defined period, such as five years, from when an effective national Rates Postponement Scheme is in place. In the meantime, the current income abatement thresholds and maximum payments should be maintained.</p>	<p>Rates in areas with small rating bases, pockets of high deprivation, high percentage of ageing population and with a large proportion of ratepayers on fixed income can have issues with rates affordability. The rates rebate should be available to anyone whose ability to pay is compromised by a low income. Means testing the rebate is sound practice.</p> <p>Council does not support a national rates postponement scheme as this would put even more pressure on small Councils with low rating bases and could have a significant negative affect on cashflow.</p>
Adapting to climate change	
<p>Recommendation 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.</p>	<p>Council agrees that central and local government need to work together on this. However, Council does not see a requirement for two centres as these can easily become disjointed losing the connections between the science and the application. Central government needs to recognise that local government is at the front line in tackling the effects of climate change, and ensure that they are closely involved throughout all of this work so that any implementation tools are practical and fit for purpose.</p>

Recommendation	Council Comment
	<p>The Risk Agency is a crucial step in dealing with the various natural hazards New Zealand faces in a more structured manner. In particular the ability to effectively plan and deal with natural hazards before they occur is something that central government need to provide leadership and guidance on in consultation with local government. Franz Josef is a living example of where an effective central and local government partnership is required to find the best solution for the community with a long term focus. The lens we look through is typically an election cycle. This needs to change to a 50-100 year timeframe to effectively support our communities.</p>
<p>Recommendation 8.2 The Government should review existing legislation and policy to ensure that considerations about climate change adaptation are integrated and aligned within legislation and policy</p>	<p>Council supports aligning legislation to ensure consistency, efficiency and clarity.</p> <p>Climate change is an issue that should not be siloed into a corner of thinking, the same as natural hazard risk. When undertaking any policy work, all risks should be assessed using the best information available. In the case of climate change, West Coast communities are impacted by various natural hazards throughout the region. Climate change is likely to make some of these hazards worse, for example coastal erosion, and in some cases flood risk through more frequent storm events. However, climate change should be included in policy work in addition to all the other risks that are investigated. Climate change should cut across the work Council undertakes on behalf of the community. Using the best information available across the hazardscape will enable better decision making.</p>
<p>Recommendation 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.</p>	<p>This is not always possible as some risks have already manifested themselves and local and central government are ‘playing catch-up’. Working with communities to put in place true adaptation processes takes time. As such, an anticipatory approach should be considered with caution.</p>
<p>Recommendation 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.</p>	<p>Previous attempts to address hazards more widely with local planning instruments have led to lengthy, and unsuccessful, court processes (Franz Josef Alpine Fault Avoidance Zone – Westland District Plan). Strong government direction through legislation would assist in this space to make decisions post event quickly (for example where flooding or coastal inundation have seriously impacted properties). Being able to do this while properties are still insurable would allow a property owner to take their insurance pay-out and rebuild in an alternative, and safer, location. Insurance will only be available in some locations for a finite time, and for a number of events. This may help alleviate greater long term costs on local and central government.</p>

Recommendation	Council Comment
<p>Recommendation 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 risk 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>Council supports the intent but does not believe it needs a third agency to provide this. These functions could be carried out by the agency referred to in recommendation 8.1.</p> <p>A unique opportunity presented itself following the March 2019 storm event on the West Coast which saw the Milton and Others stopbank washed away and the south side of the Waiau River inundated. Council has been working with the Franz community and a number of other stakeholders to consider a viable future for the Franz Josef township. Being able to relax the river protection on the south side has been a recommendation from engineers for many years. The flood event was an opportunity to consider a buyout option for those properties, utilising insurance payouts, and providing a long time solution. Concerns around precedent setting and an inability to make a quick decision by central government has led to landowners rebuilding the flood protection and the status quo remains with no firm or robust plan of action for the wider area for the future.</p>

Thank you for the opportunity to provide comment on the draft report. If you have any questions about the commentary provided please contact me.

Yours sincerely



Michael Meehan
Chief Executive Officer
West Coast Regional Council