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New Zealand Productivity Commission  
PO Box 8036  
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Wellington 6143

To Whom it May Concern

**SUBMISSION ON THE ISSUES PAPER IN RELATION TO THE INQUIRY ON LOCAL GOVERNMENT FUNDING AND FINANCING**

Thank you for providing us with the opportunity to input into the inquiry into local government funding and financing.

Attached are the detailed Opōtiki District Council comments in relation to the questions in the issues paper.

Yours faithfully



Aileen Lawrie  
**CHIEF EXECUTIVE OFFICER**

Enc. Submission

<p>1.</p>	<p><b>What other differing circumstances across councils are relevant for understanding local government funding and financing issues?</b></p>	<ol style="list-style-type: none"> <li>1. <b>Demographics - Ability to Pay.</b> Ōpōtiki District has among the highest levels of deprivation in New Zealand, it features at the wrong end of many statistics – unemployment, median household income, benefit numbers, rate of home ownership, health etc. Of all ratepayers in New Zealand the Ōpōtiki District has the lowest ability to pay.</li> <li>2. <b>Extent of non-rateable land.</b> In the Ōpōtiki District, 72% of the districts land is unable to be rated because it is Crown owned and in conservation estate. Again this is one of the highest percentages of non-rateable land in New Zealand.</li> <li>3. <b>Extent of multiply owned Maori Land.</b> The Ōpōtiki District has a high proportion of multiply owned Maori land. This creates difficulties for the multiple beneficiaries in administering the land to find a productive use, and therefore rates income is reduced, or unable to be collected because the usual sanctions for non-payment of rates cannot apply to Maori land.</li> <li>4. <b>Physical Cost Drivers.</b> There are a range of matters that drive differing costs between councils for example environment and geology differences means the same activities can have significantly different costs e.g. costs of roading is driven both by the nature of the geology upon which the road is being built and on the ease of access to and quality of aggregate locally available. Other services can be affected by environmental circumstances e.g. nutrient rules, water quality parameters etc.</li> <li>5. <b>Availability of central government funded services in a district.</b> In the Ōpōtiki District there is very little physical presence of government and non-government organisations. More detail is provided later in the submission but the effect is that council is under much more pressure to fund things that may in other centres be considered government functions.</li> <li>6. <b>Small and isolated population base.</b> The Ōpōtiki District has one of the smallest populations in the country, and is relatively isolated. There are limited numbers of local contractors, and the size of our or contracts are small and are therefore attract less completion for council contracts. The costs associated with providing any service are often higher too, given there are less ratepayers contributing to the cost of the service.</li> <li>7. <b>Size restricts revenue gathering.</b> Given the small size of our district, our ability to gather</li> </ol>
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		<p>revenue from regulatory activities is restricted. For example, we are aware that larger Councils gather significant revenue from parking charges. However, despite administering this service, the small number of fines we collect as penalties for parking misdemeanours is minimal and when compared with the cost of administering the service, acts as a deterrent rather than a revenue stream.</p>
2.	<p><b>What explains the difference between the amount that councils account for depreciation and the amount spent on renewing assets? Are changes needed to the methods councils use to estimate depreciation? If so, what changes are needed?</b></p>	<p>Overall the net total renewal spend should be approximately equivalent to depreciation over the life of a network of assets. There are some factors that can change this base principle, primary among which is optimisation. Optimisation occurs when new technologies, methodologies and higher design standards improve the means in which assets and services are constructed. Modern technologies and methodologies can deliver a scheme replacement for less than its original cost and higher design standards can add cost. Depreciation should as such be adjusted to best match optimisation through regular revaluation. An example of this is relining of existing wastewater pipes which extends the life of the asset by 150% for a fraction of renewal cost. Or replacement of a traditional gravity scheme with an enhanced gravity scheme which avoids expensive deep pipe replacement by utilising additional pump stations.</p> <p>When looking at renewal spend versus depreciation on an annual basis or even over decades the two numbers shouldn't balance up. When a scheme or portion of a scheme is new there shouldn't be any renewals but there will be depreciation. Depreciation is calculated on a straight line basis. Renewals occur in waves. Every scheme is comprised of a number of assets each with varying lives. A water supply scheme has pipes lasting 80-120years, hydrants lasting 30-60 and meters lasting 15-25. Renewal waves as such will differ from depreciation as they come in around these timeframes.</p> <p>Notably these timeframes are not particularly accurate and for good reason. Asset lives can be subject to a number of different life altering variables. These can include things like soil composition i.e. the presence of chemicals that degrade assets, or installation quality, many schemes were installed in the early 1900's and being underground are not easily assessed.</p> <p>Asset management practice in NZ does however provide methods for effectively reducing uncertainty, though there will always be a degree. Asset managers should implement programmes of inspection and monitoring to identify the rate at which assets are degrading and any reduction in performance, and adjust lives accordingly. This process however does not happen all at once and should begin in the latter</p>

		<p>20% of an assets estimated life, lest the cost of such assessment spiral. Assets need to be prioritised based on criticality and risk. With Asset Management practice still being reasonably young, compared to many schemes around New Zealand, most Asset Managers are still compiling the necessary data, assessing and making improvements. Time will see asset management practice improve, especially as early 1900's assets reach the end of their lives and failure modes and degradation patterns are refined. Development of new assessment technologies and the sharing of collective data will also increase the sophistication of asset management practice. There are forerunner scheme owners that are hitting the end of life milestone first and should be sharing their learnings through the process.</p> <p>A greater concern is when Councils have budget for renewals in line with depreciation but are not spending it. If the reason isn't due to cost savings through optimisation then there is more than likely a problem with the contractor market. Christchurch showed us that the national contractor market can be quickly absorbed into large scale projects. There are many small and medium sized Council's that do not have local or even regional contractor bases capable of undertaking mass renewals, especially in feasible timeframes. While asset management practice attempts to stage renewals this is not always practical and often national contractors will need to be sourced but cannot be or at least cannot be affordably. Again asset management practice can adjust revaluations to attempt to account for these premiums but this can be highly variably as it is driven at a national level. Councils can and are driving each other's costs up with competing works.</p> <p>With many Council's soon to reach and some having already reached the end of life milestone a nationally driven approach makes a good degree of sense. The ground work has already started with numerous national infrastructure surveys, but a deeper level of understanding needs to be reached and no small amount of planning undertaken. This may be supported by a Ministry of Works type thinking i.e. To ensure the best outcome for all, with limitations on the building and constructional potential of the country, assemble and utilise in the most efficient manner.</p>
3.	<p><b>In what ways are population growth and decline affecting funding pressures for local government? How significant are these population trends compared to other funding pressures?</b></p>	<p>Marginal increases and declines are manageable, only large shifts will be significant and difficult to manage.</p> <p>Our rating system is based on capital value and is not affected by population increase and decline. Notwithstanding what is reported nationally in respect of population growth and decline, we are seeing a small increase in rating units (with some incidence of absentee ratepayers). It is noted that this increase is</p>

		<p>typically marginal and related to small subdivisions and possibly holiday homes. However, although there has been no decline in the number of rateable units, and therefore technically funding is unaffected, we are aware that a reduced population base can have a real impact on the affordability of the rates levied.</p> <p>We do experience increased pressure from transient populations, in particular influxes in tourist numbers. This influx results in pressure on infrastructure, in particular our public facilities, during peak summer season. Any upgrades to infrastructure required to deal with these influxes in population have to be borne by a small rate payer base who often do not see how investment in tourism infrastructure is of benefit to them. In addition, our absentee ratepayer base increasing – some ups and down – they often seek higher levels of service, but on the other hand are reliable rate payers.</p> <p>Council is awaiting decisions on the harbour development. If this project goes ahead, there will be demand for infrastructure that does not exist at present. The decision on whether investment in infrastructure should occur before growth is a difficult one, particularly given the uncertainty around the size and timing of any growth that occurs.</p>
4.	<p><b>What are the implications of demographic changes such as population ageing for the costs faced by local government?</b></p>	<p>As with the question above, a key consideration for us is the affordability of our services for our residents. With an ageing population we need to consider whether our residents, many of whom are on fixed incomes (retirees included), can afford the rates we set.</p> <p>Demographic changes can also drive changes in service needs/demands. For example, demand for wider and smoother pavements vs. playgrounds. It also increases the need for health services in the community, and makes accessibility to externally provided services outside the district, St John's ambulance, helicopter services all the more important.</p> <p>We also face questions around housing need. Will this be supplied by the market – who will provide the housing, what is the cost of the housing? Is it affordable for those on fixed incomes when there is a housing shortage in general, which will drive up rental costs?</p>
5.	<p><b>To what extent is tourism growth resulting in funding pressures for local government? Which councils are experiencing the greatest pressure, and</b></p>	<p>Tourism results in pressure for better facilities and the cost implications of delivering this, when coupled with increasing environmental standards, makes this tough for our community to absorb. For example, the provision of public toilets in areas not served by reticulated systems. The demand for these services often comes from tourist in campervans who drive through our district, and do not stop and spend and</p>

	<p><b>how is this manifesting?</b></p>	<p>therefore make little, if any, contribution to our local economy. Additionally, the Regional Councils control and restrictions around the management of treatment of waste, driven by central government policy, make provision of these services, expensive.</p> <p>Some facilities can receive government funding. However typically these funds only cover a portion of the initial capital cost, leaving the annual operational cost to local communities to bear. The cost implications of maintaining such facilities at worst make such opportunities out of reach, or at best, limit the nature of the facilities we seek funding for. Additionally, given the extent of crown owned land in our district, many of the opportunity and growth areas in the tourism sector are fully or partially on crown owned land. Much of this land is not worth of conservation (is of low value environmentally/ecologically) and yet the cost of obtaining concessions is largely prohibitive for start-up businesses in our district.</p> <p>An additional cost arises from applying for funding. Central government funds set high thresholds for information standards and it can be a costly investment without guaranteed return. Less affluent Councils would tend to make fewer applications and therefore receive less of the grant funding available.</p> <p>For ODC, the neighbouring Council is investing heavily in tourism. The spill over effects into our district mean that we have little choice but to invest in facilities.</p>
<p>6.</p>	<p><b>Is an expansion of local government responsibilities affecting cost pressures for local government? If so, which additional responsibilities are causing the most significant cost pressures and what is the nature of these increased costs? To what extent do these vary across local authorities?</b></p>	<p>There has been an incremental expansion in the responsibilities of local government.</p> <p>Any changes made at a national level to legislation or policy trickle down and have real implications for the way we provide services. Often these changes require changes to systems and processes we use, and rolling out these changes is time consuming and resource intensive. Many of the changes are made in response to demand that does not exist in this district. For example, the Resource Legislation Amendment Act 2017 was enacted in response to issues being experience in the bigger centres. None of the issues the Act <a href="#">was reported</a> to deal with were relevant in Ōpōtiki. However, as the legislative changes apply across the country, we were forced to respond to those changes. Having done our best to respond to these new legislative requirements and waded through the complexities of the changes made, it pained us to hear that the incoming government intends to <a href="#">repeal a number of blue changes shortly</a>.</p> <p>Our regulatory service is made up of twelve shelf reporting to one second tier manager. This team is responsible for administering multiple pieces of legislation including the following:</p>

- Biosecurity Act 1993
- Building Act 2004
- Dog Control Act 1996
- Freedom Camping Act 2011
- Food Act 2014
- Forest and Rural Fire Act 1977
- Gambling Act 2003
- Impounding Act 1955
- Hazardous Substances & New Organisms Act 1996
- Health Act 1956
- Land Transport Act 1998
- Litter Act 1979
- Local Government Act 2002
- Prostitution Law Reform Act 2003
- Reserves Act 1977
- Resource Management Act 1991
- Sale and Supply of Alcohol Act 2012
- Transport Act 1962
- Various regulations, Council policies, plans and bylaws

Given the small size of our team, staff are often responsible for administering more than one piece of legislation and/or function. In some areas, there is insufficient work to justify having a member of staff and therefore we are reliant on consultants. Keeping up with the ongoing changes to legislation is an ongoing battle. Government needs to be more aware that the number of changes being made and the timing of those changes can have real deliverability issues at the coal face, particularly in small councils where even delivering the status quo can be a challenge.

Additionally, worth noting here that where consultation is carried out and submissions are sought from local government, we often do not have the resources or sufficient capacity to be involved. Some of the larger councils struggle to keep up with the demands and volume of work coming out of government and so for us, it is simply unrealistic for government departments to rely on us showing up or providing comments in writing to inform their decision making. The time and cost associated with attending meetings (often in Wellington) and the small pool of people we actually employ and are therefore physically able to send, makes such involvement unachievable most of the time. For this reason there needs to be a better understanding of difference across the country. Government should not simply respond to those that are present or shout the loudest. They have a responsibility to act on behalf of everyone, including those who do not have a voice.

We would encourage the commission to be mindful that we have specifically chosen to be involved in this process because we think it is important and the results of the inquiry could have significant implications for our district. However, given the nature of our district, we have to pick and choose the projects we get involved in and the scale of our involvement in this inquiry is rare and unlikely to be repeated any time

soon given the resourcing required and available.

The Government also needs to consider in more detail whether the changes they are proposing at national level, are deliverable across the country. Mandating at a national level a specific level of expertise, that is to be delivered at a local level, can be problematic. For example, given the small number of food premises in our district, we have been relying on consultants to deliver this service. There is insufficient work to support a fulltime post, nor do we have the experience locally to deliver this service. However, recent changes to the Food Act, mean it is no longer acceptable to appoint consultants. Similar issues have been experienced with the Building Control Act. We simply are unable to recruit the calibre of staff required and therefore are reliant on consultants which are operating in an environment of limited competition (see response to question 10) and therefore are able to charge disproportionate rates which have knock-on effects for the cost of development in our district. There needs to be more of an awareness that standard setting in Wellington in respect of new/amended regulations, training, database, certification, etc all comes at a cost, and often the benefits are not experienced equally (if at all).

Coupled with all of the above, we have witnessed over the last few years a systematic withdrawal of government responsibilities from our district. In this situations we are faced with a decision of whether to subsidise the service or lose it entirely making Ōpōtiki District Council an organisation of last resort. In many scenarios, ratepayers do not appreciate the different between central and local government, government and non-government organisations. They just see a decline in the availability of services and we are the organisation they turn to, complain to, ask to advocate on their behalf, or to seek funding to continue providing the service. For this reason we end up involved in services that are well outside of the traditional remit or mandate of local government, but in the absence of anyone or anything else, we fill the void. Some recent examples include the following:

Government

- DOC
- Driver licensing service
- Cleaning of NZTA bridges (\$500k)
- PGF and Economic Development
- Court services
- Police services – CCTV and safety, not backing up of Council services, need to incur additional cost to provide our own security

		<ul style="list-style-type: none"> <li>• Specification and monitoring of building product manufacturing and certification, cost of weathertightness falling on Council. More onerous regulation than prior to deregulation.</li> <li>• Govt sees itself as the owner of good ideas and LG as incompetent</li> </ul> <p>NGOs'</p> <ul style="list-style-type: none"> <li>• St Johns ambulance</li> <li>• Health services</li> <li>• Aged services</li> <li>• SPCA</li> </ul> <p>Business</p> <ul style="list-style-type: none"> <li>• Banking – eg ATM machine at library</li> <li>• Connectivity</li> </ul>
7.	<p><b>How is the implementation of Treaty of Waitangi settlements, including the establishment of 'co-governance' and 'co-management' arrangements for natural resources, affecting cost pressures for local government? How widespread is this issue?</b></p>	<p>The settlement acts create costs for councils in terms of administration and additional work prompted from such forums.</p> <p>The majority of councils around the country are involved in the Marine and Coastal Area (Takutai Moana) Act 2011 as interested parties. The majority of councils, especially smaller councils like ourselves, are dependent on external legal advice to advise us in such matters, all of which results in increased overhead costs, borne by ratepayers.</p> <p>Another example of this is the decision by the Bay of Plenty Regional Council to establish a Māori Policy Committee at a cost of \$2 million, another cost which will need to be borne by our ratepayers.</p>
8.	<p><b>How are local authorities factoring in response and adaptation to climate change and other natural hazards (such as earthquakes) to their infrastructure and financial strategies? What are the cost and funding implications of these requirements?</b></p>	<p>We are doing our best to respond to the known risks from climate change, but we are aware that there is still a lot more work and investigation to go on. We also know that the costs of responding to climate change are likely to be high in our district, and so until we have more concrete information on how our ratepayers are going to be affected, it is difficult to have conversations or make decisions around investment. As much of our district is focused along the coastline, relocation is a real prospect for our communities. However, costs associated with this remain prohibitive and there is a lack of tools and frameworks available to assist with this.</p> <p>A national strategy or national policy statement would provide some certainty, consistency and direction which would be welcomed. However, as is set out in response to response to question 6 above, we would</p>

		<p>expect detailed consideration to be given to how the policy direction will play out across the country and affect all parts of our country's population, large and small, privileged and deprived. It is noted that our community is much more tolerant of risk and is likely to be able to sustain living with risk much more than communities in other parts of New Zealand.</p> <p>As is set out above, much of our district is in crown ownership. The upper reaches of most of our catchments are administered by the Department of Conservation. However, the Department of Conservation is missing when it comes to discussions about mitigating, responding or funding the management of catchments to respond to the effects of climate change.</p>
9.	<p><b>Why is the price of goods and services purchased by local government rising faster than the consumer price index? To what extent is this contributing to cost pressures for local government?</b></p>	<p>We believe that is local government is driving the costs in some respects due to requirements to adhere to our policies. For example, we are aware that our requirements to adopt appropriate health and safety practice can significantly drive up the costs to our contractors.</p> <p>Additionally, Audit New Zealand requires us to follow detailed and often unwieldy procurement processes which result in a lack of agility and inability to grab the bargain.</p> <p>More and more, local government is becoming reliant on external consultants to deliver services. This reliance may begin as a temporary fix to fill a vacancy, but in many places and in many services, becomes the status quo very quickly. Reliance on consultants reduces the robustness and resilience of local government services. Over time, and sometimes in desperation, many councils pay consultants exorbitant rates, which translates into salaries that the public sector is unable to compete with. This in turn makes it very difficult to recruit staff and creates a perpetuating problem. These costs are passed on to applicants and ratepayers, but also make staffing a council difficult. We experience this problem first, long before it appears in the major centres. Local government should have the ability to collectively cap the rates paid to contractors to address this issue.</p>
10.	<p><b>Do the prices of goods and services purchased by local government vary across councils? If so, what are the reasons for these differences?</b></p>	<p>Larger Councils can attract larger contractors and competitive pricing. Smaller Councils struggle around contracts, with few tenders, and high pricing. Joint procurement initiatives help where an agreed coordinate approach can be defined. For larger Councils there is little benefit in putting the resource to coordinate this. Some smaller tenders can get better prices than combining into a large one.</p> <p>It is also important to note that as a small relatively isolated district, the cost of carrying out work is</p>

		<p>comparatively higher than carrying out the same works in larger districts with better connections and greater levels of competition between contractors. The cost of transporting the materials to more isolated areas is higher and the number of contractors available is reduced which leads to less competition and higher costs. In our experience, it is more costly to develop in our district than it is in neighbouring districts (Whakatāne for example) or larger urban centres (Tauranga for example). We experienced this recently when tendering for works to a Council owned building. We received three quotes for the buildings works. None of the quotes came from local businesses (they were all from contractors based in Whakatāne, a 30 minute drive away) and there was 30% difference between the highest and lowest tender price.</p> <p>Worth noting too, that the geography and geology of a place can have a marked effect on the cost of carrying out works. Roading is a good example: the cost of putting a length of road in Taupō is going to be significantly cheaper on the whole, than putting the same length of road in Ōpōtiki because the nature of the terrain is different and the resulting construction requirements differ.</p>
11.	<p><b>Is local government expenditure shifting away from traditional core business into activities such as economic development, sport and recreation and community development? If so, what is the rationale for this shift, and could these activities be better provided by other parties?</b></p>	<p>We definitely feel as if our core business has shifted and expanded into new areas over the last few years. Additionally, there is always pressure to do more in areas that are not traditional part of our core business. The reasons for this are partly to do with the withdrawal of other government and non-government agencies (see response to question 6), but also to do with expectations arising from expectations set by what larger councils are delivering in more urban areas. We are aware that our communities would like us to invest more in these areas. However, we are often unable to redirect funds to these areas because our budget is tied up delivering mandatory requirements.</p>
12.	<p><b>Does the scope of activities funded by local government have implications for cost pressures? If so, in what ways?</b></p>	<p>Yes always. Once local government picks up the provision of a service to the community it is very difficult to stop providing it. Also if Local Government starts providing some services that should be provided by central government, there is an expectation that this will continue.</p>
13.	<p><b>What other factors are currently generating local government cost pressures? What will be the most significant factors into the future?</b></p>	<p>Key areas generating cost as follows:</p> <ul style="list-style-type: none"> <li>• Expectations and demand from national organisations - LGOIMA</li> <li>• Insurance</li> <li>• Fuel prices</li> </ul>

		<ul style="list-style-type: none"> <li>• Responding to mandatory requirements generated by Government and Regional Council policy</li> <li>• Managing waste: China not taking recycling and plastic bags withdrawal</li> <li>• Risk, health and safety, audit and assurance</li> <li>• Loss of AirNZ in Whakatane</li> </ul> <p>Significant factors into the future:</p> <ul style="list-style-type: none"> <li>• Climate change</li> <li>• Ageing population.</li> </ul>
14.	<b>How will future trends, for example technological advances and changes in the composition of economic activity, affect local government cost pressures?</b>	At this stage we are unsure. We know that technological advances will make some costs cheaper, but other factors and risks will keep costs driving upwards. Community expectations are likely to keep increasing as the disparities across the local government sector continues to widen. National expectations are also likely to continue influencing internal process and procedures. We expect the growth in the number and complexity of LGOIMA requests to continue increasing and this process to become more consuming.
15.	<b>How effective is the Long-term Plan process in addressing cost pressures and keeping council services affordable for residents and businesses?</b>	<p>Given the demographics of our community, affordability is almost a culture within our organisation. Whilst the Long Term Plan and Financial Strategy document affordability, being a small organisation with increasing costs and demands means we need to be innovative and constantly looking to streamline processes, and improve performance. A lot of the cost increases are imposed on us, and are not made by choice. We have to offset the community wants with the legislative must haves.</p> <p>We find the Long Term Plan renewal process is too constrictive and ever-changing. Producing the Long Term Plan comes at a significant cost, in terms of opportunity costs in both staff and elected member time, audit, production, meetings and general administration. We also find that responding to Audit requirements results in significant cost, estimated at a +1% rate increase.</p>
16.	<b>How effective are councils' Long-term Plan consultation processes in aligning decisions about capital investments and service levels with the preferences, and willingness and ability to pay, of residents, businesses and other local organisations?</b>	<p>They are effective in theory, but in practice there is a big separation between the simple views of the community and the complex world of asset management, financial modelling and audit. We spend a lot of time and energy dealing with detailed audit concerns, and less time than we would like engaging with the community.</p> <p>In our community, engaging with ratepayers is difficult but we are actively looking to improve this through new and innovative ways to ensure we are hearing more voices. However, we are also fortunate</p>

		<p>to have elected members who know their communities well, have regular interactions with community and bring the views to the table that are not necessarily heard through a formal consultation process.</p> <p>However, we feel that the Long Term Plan process provides another example of how mandated national requirements (audit) overtake our ability to properly engage and respond to the wants and needs of our community.</p>
17.	<p><b>Is there scope to improve the effectiveness of Long-term Plan processes? If so, what, if any, changes would this require to the current framework for capital expenditure decision making?</b></p>	<p>Yes, it is a lot for a small Council to do. It would make more sense to stagger the infrastructure strategy for the year before the Long Term Plan. Given most of the Long Term Plan decisions are based around asset management and renewal it makes sense to put some robust effort into developing that first, then look at the Long Term Plan, which includes the communities "nice to haves". Larger organisations may be able to manage development of the infrastructure strategy internally, but many contract in resource for this. For smaller organisations it is all hands on deck, and it may lack the internal review and finance checks needed to truly align and inform the Long Term Plan.</p>
18.	<p><b>How much scope is there for local government to manage cost pressures by managing assets and delivering services more efficiently?</b></p>	<p>In our opinion, there is very little scope without financial contribution.</p> <p>Collaboration across Councils to attract and retain large contractors could go some way to helping mitigate cost variability for smaller councils. However, it is noted that collaboration is difficult given our size and relative isolation. Additionally, it is noted that our immediate neighbours are often struggling in similar ways to us and are therefore in no better position to provide the service. We have history of failed attempts at collaboration where one Council in the shared service model becomes the priorities to the fate of all others, and where we, as a smaller council, end up propping up the overheads associated with the provision of a service in a larger council. That said, we continue to use this model successfully in some areas.</p>
19.	<p><b>What practices and business models do councils use to improve the way they manage their infrastructure assets and the efficiency of their services over time? How effective are these practices and business models in managing cost</b></p>	<p>Practices are mandated by Audit New Zealand and we follow their models.</p> <p>It is also noted that there is a shortage of asset managers and engineers and we struggle to fill vacancies in this area.</p>

	<p><b>pressures? Do councils have adequate capacity and skills to use these practices and business models effectively?</b></p>	
<p>20.</p>	<p><b>How do councils identify and employ new technologies to manage their infrastructure assets and produce services more efficiently? How effective are councils in using new technologies to manage cost pressures? Please provide specific examples of the use of new technologies to manage cost pressures.</b></p>	<p>In our district we often turn to technology as a necessity in order to continue providing services.</p> <p>In terms of engineering, our small size and geographical isolation means we have a number of tools that allows us to manage our assets remotely. We use a range of desktop GIS and mobile capturing applications to aid in improving the integrity of our infrastructure data. Data can be captured in the field which feeds directly to office staff who can monitor the data through a cloud based mapping software. Uses could extend to 3D modelling of the township, augmented reality of infrastructure and allowing us to push live data to the web for public use. We also use Telemetry &amp; SCADA systems to monitor and control the majority of our three water plants. This includes monitoring and control of water levels, pump operation, stages of treatment, temperatures of pumps, flow rates etc in both urban and rural sites. We also actively monitor the location of fleet including the management and booking through an online system. We have also improved our personnel safety by incorporating alert devices that will assist in locating lone workers via satellite when activated.</p> <p>Our regulatory section has recently developed a new system for receiving and dealing with planning inquiries. This system was developed in response to a period when we had no consents officer in post and inquiries were being dealt with by external consultants. To avoid having to pay a consultant to sit in the office full time (which would have been cost prohibitive) a system developed using a web based information management tool that allowed inquiries to be received (in person, over the phone or over the internet), logged, allocated to a consultant by the manager, responded to the staff member and recorded. The system is live and interactive, allowing the manager to see the progress of any response at any time. Although the system has not been received well by all members of the community (some of which prefer to be able be seen whenever they choose to visit the council office), it allowed us to continue providing an effective service, at a reasonable cost.</p> <p>We have also recently started using a new system "Antenno", a free mobile app that allows residents to send us notifications and receive alerts about things like roadworks, changes to rubbish collections and community events.</p>

21.	<b>What incentives do councils face to improve productivity as a means to deal with cost pressures? How could these incentives be strengthened?</b>	A good example of this is the Waste Minimisation Levy, which is hard to achieve and doesn't provide much in terms of financial incentive. In terms of strengthening the incentive consideration should be given to Government making the policy framework more robust and putting more responsibility on the producer for the residual waste associated with the product.
22.	<b>What are the most important barriers to local government achieving higher productivity?</b>	<ul style="list-style-type: none"> <li>• Central Government Legislation</li> <li>• Audit requirements</li> <li>• LGOIMA</li> <li>• Resourcing – for ODC attracting and paying for capability</li> <li>• Consultation process</li> <li>• Appeal processes</li> <li>• Central government financial contribution</li> <li>• Complex processes and procedures</li> </ul>
23.	<b>How does local government measure productivity performance? Are these metrics useful? If not, what metrics would be better?</b>	<p>We are unaware of any productivity performance measures that apply across the local government sector. There are Department of Internal Affairs Mandatory Performance Measures, although noted that these do not measure productivity, they measure prudence, and so may not be comparable. There are other timeframe related measures prescribed by government but these are only superficially useful.</p> <p>However, we wish to note that even when staff within an organisation are extremely productive, if the organisation as a whole is under resourced, then productivity in terms of specific outcomes may suffer.</p>
24.	<b>To what extent and how do councils use measures of productivity performance in their decision-making processes?</b>	As above, we are not aware of any specific measures of productivity performance in decision making.
25.	<b>Do councils dedicate sufficient resources and effort toward measuring and improving productivity performance? If not, why not, and how could effort toward measuring and improving</b>	<p>As is conveyed in the comments above, often we struggle to maintain the status quo and therefore dedicating specific resource and effort toward measuring and improving performance is not realistic or achievable within our organisation. For this reason, we would resist any attempts by government to mandate measure and/or improvement productivity performance.</p> <p>However, given the demographic of our community, affordability is almost a culture within our</p>

	<b>productivity performance be increased?</b>	organisation and with that comes a constant focus on how we can achieve more for less.
26.	<b>What measures do councils use to keep services affordable for specific groups, and how effective are they?</b>	<ul style="list-style-type: none"> <li>• Rating tools and policies, in particular using capital value rating and seeking to use a balance of fixed charge vs rating valuation</li> <li>• Our community often has to go without the “nice to have” services</li> <li>• We “sweat” our assets – only replacing them when they fail, regardless of how old they are</li> <li>• We keep overheads down, minimise staffing levels and have some staff responsible for undertaking multiple roles.</li> </ul>
27.	<b>How do councils manage trade-offs between the ability to pay and beneficiary pays principles? What changes might support a better balance?</b>	We find it difficult to judge ability to pay as we do not have access to the relevant information. If we were provided with that information we could make more informed decisions. At the moment we use lag measures around non-payment of rates to determine ability to pay, and feedback from ratepayers and councillors.
28.	<b>Do councils currently distribute costs fairly across different groups of ratepayers? If not, what changes to funding and financing practices would achieve a fairer distribution of costs across ratepayers?</b>	We seek to distribute costs fairly across different groups to the best of our ability. Our approach to this is set out in our Revenue and Financing Policy. However, there is always going to be difficulties defining what is and what is not fair. No matter what decision is made on how costs are distributed, there are always winners and losers.
29.	<b>Do councils currently distribute the costs of long-lived infrastructure investments fairly across present and future generations? If not, what changes to funding and financing practices would achieve a fairer distribution of costs across generations?</b>	<p>Yes, we probably do this better than other Councils through our funding policies.</p> <ul style="list-style-type: none"> <li>- All capex is funded by loan</li> <li>- Loan lives are for the useful lives of the assets</li> <li>- Funded depreciation pays for the loan repayments</li> <li>- So we are not building reserves at the cost of current ratepayers</li> <li>- And future generations pay for the assets they use.</li> </ul>
30.	<b>What principles should be used to appraise current and potential new approaches to local government funding and financing, and how should</b>	In our view, the current principals are appropriate. However, the application of them that differs, and can sometimes create inequities.

	<b>these be applied? What are appropriate trade-offs across these principles?</b>	
31.	<b>How effectively is the existing range of local government funding tools being used?</b>	Not sure, locally we think we use all available tools as effectively as possible. However, we do feel that nationally the tools available are not well understood and are not used well or in a consistent manner – see the examples in the question below. There are problems with understanding and application of the Rating Powers Act.
32.	<b>Is there a case for greater use of certain funding tools such as targeted rates and user charges? If so, what factors are inhibiting the use of these approaches?</b>	<p>We believe certain funding tools ought to be looked at by the Commission in detail. Difficulties experienced in our community in relation to some funding tools are detailed below:</p> <p><b>River Schemes</b>  River schemes are paid for by rating exacerbators and beneficiaries. In some circumstances the headwater of a river can be in another region making it impossible to collect the rate for the river scheme further down the river. For example the Waioeka River has its headwater in Gisborne but the River Scheme infrastructure in the BOP. Charges should be able to be passed onto Gisborne District Council to collect.</p> <p>Crown land as either an exacebator or a beneficiary are exempt from paying for a river scheme and should contribute.</p> <p>There are a number of classes of beneficiaries that do not pay yet obtain significant value from a river scheme – eg. utility providers.</p> <p>Ōpōtiki District Council has been submitting to BOPRC for over a decade that their current Targeted rate is set too high at 80% local users, given the numbers of exacerbators and beneficiaries that are unable to be charged with the rating system. The consequence is that the burden of the scheme falls on the most deprived ratepayers in the country.</p> <p><b>Coastal Occupation Charges</b>  These arise from S64A RMA and originated from the rental levied under the Harbours Act as a rental for foreshore and seabed. It was inserted in the RMA and is generally considered an unworkable regime. There are good policy reasons for charging for exclusive use of the commons. The regime needs to be reviewed and fixes found for the following failures:</p>

		<ul style="list-style-type: none"> <li>• Remove RMA First Schedule process to implement</li> <li>• Define the nature of the charge to allow methodology to be justified</li> <li>• Change purpose so that it is able to fund TA marine supporting infrastructure (eg wharves, marine training structure etc)</li> <li>• Clarify whether Ports can be charged under the S384A permits to occupy.</li> </ul> <p><b>Cross boundary collection of charges</b> Both issues discussed above are examples of cross boundary charges – where one authority should be able to gain revenue from another district or region. There are likely other examples where targeted rates are not able to access beneficiaries in another district.</p>
33.	<p><b>What is the rationale underlying councils’ approach to levying rates? What are the costs and benefits of shifting from a capital value system to a land value system?</b></p>	<p>We levy based on capital value. At present, we see no benefit in moving back to land value, it would create additional burden on those with inability to pay.</p>
34.	<p><b>In addition to restrictions on how targeted rates are applied and the types of services where user charges can be levied, do any other restrictions on existing funding tools unduly limit their uptake or usefulness?</b></p>	<p>Many small charges are expensive to collect and often not worth the administration – A good example of this being the costs of attempting to charge to requests for information through LGOIMA. We often find national organisations send out multiple requests to all regional and local council without giving any thought to the costs associated with those requests. In larger councils, with thousands of staff, there are teams dedicated to dealing with these requests. Those requests can be farmed out to the relevant parts of the Council and so no one individual is burdened with the request. Often the data management systems in larger councils are also much more advanced in their ability to retrieve the information requested. However, in our organisation, we have no staff dedicated to the management of these requests. They are distributed to the right people within the organisation by the staff member who is responsible for managing the influx of all incoming mail (his role also covers many other things). Given many requests relate to finances, they often fall on our chief financial officer. Dealing with these requests is resource intensive. However, whenever we seek to charge for the request (because the request would exceed the thirty minutes free we are required under the Act to allow), the requestor invariably argues and/or withdraws the request. We have attempted to engage with the organisations who make these nationalised requests most often, but to no avail. Under the relevant piece of legislation, we are limited in the hourly rate we can charge in dealing with these requests. As such, even when we do seek to recover our costs, they are not sufficiently recouped.</p>

		<p>In the regulatory sector, where many types of services, charges or infringements are few and far between, and the charges associated are minimal, the transaction costs exceed the charge itself, meaning it is hardly worthwhile to collect. Given the small size of our organisation, we often struggle to recoup costs associated with any fee or charge that is fixed nationally, because we do not benefit from the economies of scale experienced in other organisations.</p>
35.	<p><b>How does the timing and risk associated with future funding streams influence local authority decision making about long-term investments? What changes to the current funding and financing system (if any) are needed to address these factors?</b></p>	<p>The timing of government co-funding decisions can have significant repercussions in terms of costs and resourcing. In 2012, the New Zealand Transport Agency made a last minute decision on road maintenance decision when our Long Term Plan was past point of no return. As such, it could not be factored into financial considerations.</p> <p>The processes around applying for grants are inefficient and are often out of reach of those most in need of grants. Many government funding streams require applications or businesses cases that require a significant cost to produce and are turned down. The councils with the least resources struggle to meet the application standards and tend to make fewer applications. A good example of this was our attempts to secure funding for our library. We made three failed applications, and are now aware that it will cost approximately \$100k (representing a 1% rate rise) to get an application to the standard required for submission. As such, at this stage we have abandoned attempts to secure external funding.</p>
36.	<p><b>What are the pros and cons of a funding system where property rates are the dominant source of funding? Does the local government funding system rely too heavily on rates?</b></p>	<p>Pros – Provides certainty of funding, and a certainty that would not exist with a user pays system. Allows us to set consistent charging across the district.</p> <p>Cons - Seen as a less equitable system. Users pays is considered by some to be fairer. Less likely to promote user awareness, for example less likely to promote conservation of water use. Ōpōtiki doesn't really have any other source of income, and no other opportunities to collect revenue. We should fund community activities based on rates, but it may mean our community may miss out on some things.</p>
37.	<p><b>Under what circumstances (if any) could there be a case for greater central government funding transfers to local government? What are the tradeoffs</b></p>	<p>Funding ought to be distributed according to need and need is often better assessed at a local level. Even when need within an area is apparent, it can still be misdirected nationally. Toward the end of 2018, we wrote to the Minister for Minister for Children, Internal Affairs, Education and Seniors noting the following:</p>

	<b>involved?</b>	<p>"In the last twelve months the government collected close to \$50,000 in gambling levies from gaming machine users in this District. Yet in return, during an average each year, the Ministry of Health spent less than 20 hours assisting people with gambling problems in our district. In 2016 in particular, I am aware that less than one hour was spent by the Ministry helping members of our community with gambling problems. It is concerning that the Ministry of Health's appears to be focusing their attention and funding on the bigger metropolitan areas rather than seeking to assist smaller regional communities that suffer disproportionately from the worst aspects of gambling addiction. We would encourage you to engage with this issue directly to ensure that funding is allocated more fairly and targeted appropriately at the communities most in need".</p>
38.	<b>Do local authorities have sufficient financial incentives to accommodate economic and population growth? If not, how could the current funding and financing framework be changed to improve incentives?</b>	<p>We feel that there that government, treasury, and the Provincial Growth Fund should play a more important role in funding growth in provincial areas where investment generally comes before demand and flow on economic return.</p> <p>Changes nationally to the development contribution policies have made collection and use of these difficult.</p>
39.	<b>What funding and financing options would help councils to manage cost pressures associated with population decline? What are the pros and cons of these options?</b>	<p>Population decline results in problems with community cohesiveness and business viability. Decline in population leads to less investment in small centres with this investment being redirected toward more densely populated areas. This can sometimes leave behind liabilities like earthquake prone and historic buildings where there is no viable business or appetite to invest to bring up to standard.</p> <p>The Council wishes to retain and active and vibrant town centre and is prepared to invest funds to secure this, but it is difficult to justify public investment where there is no private investment. We end up faced with question like: Should the Council invest ratepayer money at the town centre when no one else is prepared to?</p>
40.	<b>Are other options available, such as new delivery models, that could help councils respond to funding pressures associated with a declining population? What conditions or oversight would be</b>	<p>The Provincial Growth Fund process is all about creating economic development in the provinces. This is generally in the small towns where there is population decline. Most of the decline can be associated or linked to central government investment, or lack thereof. So potentially there is an opportunity through the PGF to help, perhaps through an amendment of the criteria.</p>

	<b>required to make these tools most effective?</b>	
41.	<b>What are the pros and cons of local income and expenditure taxes?</b>	Rich getting richer, poor getting poorer.
42.	<b>What are the advantages and disadvantages of a local property tax as an alternative to rates?</b>	Is there any difference in reality? Would IRD collect the tax? Ease of collection if done at source, after tax payment of rates is visible. Value for money for tax/rates. Council rates more visible than government tax Rates would become invisible, and councillors would lose some of their interactions with the community.
43.	<b>Are there any other changes to the current local government funding and financing framework, such as new funding tools, that would be beneficial?</b>	Fixed income pensioners, rates rebate abatement levels reviewed annually.  We believe that Regional Councils should consider levying Coastal occupation charges more regularly (see response to Q32).
44.	<b>How can the transition to any new funding models be best managed?</b>	No comment.
45.	<b>To what extent does the need for particular funding tools vary across local authorities?</b>	It could differ greatly depending upon infrastructure life cycles, population, demographics, and industry.
46.	<b>To what extent are financing barriers an impediment to the effective delivery of local infrastructure and services? What changes are needed to address any financing barriers?</b>	Small provincial councils that need replace significant core infrastructure whilst also investing in promoting economic development growth to try to arrest the decline, will run into financial covenant constraints on the level of borrowing. This impacts affordability and prudence. Support from central government is needed to address either one or the other. Councils cannot do both without having the growth beforehand.
47.	<b>What role could private investors play in financing local government infrastructure and how could this help address financing barriers faced by local governments? What central government policies are needed to support private investment in infrastructure?</b>	The first question to be asked needs to be would private investment be more or less affordable to ratepayers. The problem is likely to be limited to smaller councils, or ones with significant growth and both will have different resources available. Private investment will come with internal resourcing requirements that may be able to be managed by larger organisations, but would be difficult for the smaller organisations to manage. Also need to take into account that private investors will need a return.

48.	<p><b>If New Zealand replaces rates on property with a local property tax, should it also adopt tax increment financing as a way to finance growth-related infrastructure investments? What are the advantages and disadvantages of tax increment financing?</b></p>	<p>Tax increment financing can create revenue shortfalls that need to be funded from other sources, other than the revenues from property taxes. To build a big enough reserve to develop anything significant could take a long time. This is difficult for small towns and districts where there is concentrated ratepayer bases, could almost be a district wide charge in those cases.</p> <p>Can work well if circled around an area where there is rating unit growth. Will be tied to three yearly district revaluation process, so could have a lag effect and lost revenue. Historically used for blighted areas of land and property, some unintended consequences arise from this.</p>
49.	<p><b>How effective are the current oversight arrangements for local government funding and financing? Are any changes required, and if so, what is needed and why?</b></p>	<p>DIA measures around prudence are over simplified and do not give an accurate depiction of prudence. Funding Impact Statement format has enabled better comparability between councils, but there is inconsistency around what activities are in each group. It is generally only the groups of activities that need to be reported.</p> <p>The government needs to have a better awareness around the expectations associated with new/amended legislation that then has to be picked up by territorial authorities. Government (RIS) first look is superficial and do not take into account all costs and funding requirements, nor the unintended consequences associated with such.</p>