Submission

Local government funding and finance – Draft Report

PREPARED BY: Ashburton District Council
PO Box 94
ASHBURTON

SUBMITTED TO: NZ Productivity Commission
PO Box 8036
WELINGTON 6143

Rachel Thomas; Policy Adviser
Rachel.Thomas@adc.govt.nz

Introduction

1. Ashburton District Council ("Council") welcomes the opportunity to submit on the NZ Productivity Commission *Local Government Funding and Financing – Draft Report*. This submission is being made on behalf of the Council.

2. Located between Selwyn and Timaru Districts respectively, more than 34,100[1] residents live in the District, with the main town of Ashburton accounting for 19,280 or 56% of residents. The rest of residents live rurally or in smaller towns or villages.

3. Ashburton District is one of New Zealand's fastest growing districts in New Zealand following the 2013 Census[2]. Since 1996 the district has grown by 23% and this period of rapid but consistent growth follows an earlier period of little to moderate growth. Recent growth has occurred in both urban and rural parts of the district, driven primarily by strong growth in the local rural economy.

General discussion

4. Council supports the intent of the Productivity Commission's *Inquiry into Local Government Funding and Financing*.

5. Council would like to refer the Commission to the submissions prepared by Local Government New Zealand (LGNZ) and the Society of Local Government Managers (SOLGM). In general, Council supports both organisations' submissions, however, this submission highlights where the Council holds a differing view or opinion to that of SOLGM or LGNZ.

6. Council's approach in this submission is not to provide responses to each of the 30 recommendations. Council provides comment where an Ashburton District specific example is relevant, or where Council strongly disagrees/agrees with a recommendation/finding.

Submission topics

Accommodation and international visitor levies

7. In the Draft Report, the discussion regarding an accommodation levy and councils accessing the international visitor levy is based on providing support to 'tourist centres'. These 'small' or 'larger' hotspots are not defined therefore it is difficult to determine which jurisdictions these levies are intended to support.

---

[1] Source: Statistics New Zealand Population Estimates 30 June 2017
[2] Source: Statistics New Zealand 2013 Census

8. Ashburton District may not be considered either a small or large tourist hotspot; however, the impact of tourism on Council's infrastructure is still evident. Many tourists pass through the district and use services but yet ratepayers are expected to account for this cost.

9. Council suggests all councils should have the ability to set an accommodation levy and access the international visitor levy, proportionate to the number of visitors an area may receive.

10. The Commission should further investigate how these levies are distributed.

Rates rebate and remission policies

11. Council's rates rebate scheme is popular amongst qualifying ratepayers in the district, while our rates postponement scheme is not. Council agrees with the claim that the rates rebate scheme is administratively inefficient. However, if this scheme were to be removed and replaced with a national rates postponement scheme, Council is concerned the people currently receiving a rebate would not be eligible to join this and potentially be left out of pocket. Furthermore, Council is aware many ratepayers are reluctant to join the existing postponement scheme.

12. While change to the system is supported, the Commission should further consider the wider implications of the transition process and how other benefits, such as the Accommodation Supplement, could support the people who would no longer receive the rebate.

Taxation on vacant land

13. Council notes the Commission is seeking feedback on a tax on vacant land; however, there is very little information provided in the Draft Report regarding how this tax would operate. Council does not support taxation on vacant land.

14. Council is largely in agreement with SOLGM that 'vacant land' would need to be clearly defined. The Commission should provide more information regarding the rationale behind this scheme, beyond simply incentivising productive land use. The vacant land in Ashburton District is already subject to the UAGC therefore Council does not see any benefit in further taxing these landowners.

Funding policies

15. Council agrees with the Commission's discussion regarding the application of the benefit principle in determining who should pay for activities/services. In many respects, the Local Government Act 2002 already attempts to direct local authorities to consider beneficiaries. The problem therefore is how councils are interpreting this requirement.

16. Council is aware there are many different ways to determine how rates should be set. The approach taken by Ashburton District is to apply the benefit principle in the first instance, as recommended by the Commission. Elected members will always apply their own judgement in determining the public/private beneficiaries of Council services.

Rating tools

17. Council does not agree with the recommendation to remove the UAGC entirely. The UAGC is a useful rating tool for assessing the beneficiaries of a service. Council considers issues of fairness and affordability when determining who should pay for activities and services. Removing the UAGC could result in an inequitable distribution of the rating burden.

18. Council is not satisfied that relying on the general rate with a UAC and no UAGC would provide a sufficient means to allocate the costs of providing public goods, or district-wide services.

19. Councils have a limited range of funding sources, and removal of the UAGC and differentials could limit the ability to ensure beneficiaries pay. Removing the UAGC should be considered in line with the principles proposed by the Commission. The Commission emphasises the 'benefit principle', however, removing the UAGC could force Council to use other funding tools, which potentially do not adequately match the activity or service.

20. Council agrees with removing the 30% cap on the UAC. The process Council undertakes to determine rates involves assessing the beneficiaries of each service (as is the process recommended by the Commission). Given the number of higher value properties, particularly in the rural sector of the district, removing the 30% cap would allow Council to appropriately fund activities and services with a district-wide benefit.

21. Council does not support the recommendation to abolish differentials. Council currently applies differentials to differentiate location and availability of services (i.e. wastewater is set either on a connected or serviceable rate and depends on the location of the property). Council is not confident that targeted rates would achieve the same outcome.

Development contribution policies

22. Council does not support the development of a national template for development contributions (DCs) policies. It is accepted the process for developing DC policies is complex, as is the assessment of DCs by individual councils. However, councils should maintain the freedom to determine policy at a local level.

23. Each jurisdiction experiences different levels of development. While the Draft Report does not provide much information on what the standardised template would contain, Council is concerned there would be no ability to determine when to charge the DC (i.e. subdivision or building consent stage). This could amount to a significant change in process for many councils, and provide less incentive to develop.

24. Council questions why the scope of this inquiry does not consider whether the Crown should be paying development contributions. Council notes both SOLGM and LGNZ also highlight this issue in their submissions. As council rates are subject to goods and services tax, it would seem logical the Crown should pay development contributions.

Frequency of long-term plans

25. Council does not support the move for the frequency of LTPs to be reduced to every 5 years. While it is clear there are advantages to a longer timeframe, such as reduced staff resource and use of external contractors (including Audit NZ), the disadvantages outweigh these benefits. Developing the LTP provides each term of council the opportunity to incorporate their vision and values. Inheriting an LTP produced by a previous term of council would inevitably lead to a greater chance of amendments, particularly if the incoming council had different values/views to the council who set the LTP.

26. The Commission requests feedback on whether a five-year review term for LTPs could be set at a minimum, with councils choosing to review more frequently if they wish. If the frequency were to change to five years, Council does not believe it is necessary to give the option of reviewing sooner. This could add unnecessary pressure on smaller councils to review more frequently, if there are larger neighbouring councils who choose to do so and are better resourced. The community are likely to support frequent reviews, which could add further pressure in the interest of achieving the wellbeing outcomes through good engagement practices and transparency.

27. LTPs are an onerous task, particularly for members elected the year prior to beginning this work. It is commonly accepted that any projects set beyond year three of the LTP are less

likely to proceed than those set in the first three. Any projects set in years 7-10 face an even greater risk of not being pursued. Council suggests the Commission should review the focus of LTPs, as opposed to the frequency. As an example, a six-year focus could help ensure the projects included are realistic and achievable.

Capital charge

28. The Commission requests feedback on whether a capital charge would be a good way to incentive good asset management. Council is not in support of a capital charge, and suggests there are better ways to incentivise better asset management practices (i.e. guidance on business cases).

Improved relationship between central and local government

29. Council strongly supports the Commission’s discussion regarding the need to improve the relationship between central and local government. Council also supports LGNZ’s claim that central government should be required to estimate and publish costs of new legislation. This is particularly relevant for regulatory policy, and must also be considered when developing legislation on climate change.

30. Council is pleased to see the Commission has attempted to address the unfunded mandates issue and looks forward to further details on the ‘partners in regulation protocol’ in the final report.

Reporting framework review

31. Council supports a review of the reporting framework as the current framework is complex and the costs of implementing in some cases outweigh the benefits. Simplifying the required disclosures could help to streamline the content of LTPs, and remove duplication.

Activity Management Plans

32. While not specifically mentioned in the Draft Report, SOLGM suggest Activity Management Plans (AMPs) should be a legal requirement. Council supports this suggestion. The quality of AMPs varies not only between councils, but also within councils depending on the activity or service the AMP covers. Better guidance and a clear legislative requirement would provide the basis to ensure a minimum standard is met across all activities.

33. Ashburton District Council thanks the NZ Productivity Commission for the opportunity to submit on the Local Government Funding and Financing – Draft Report. Council is happy to provide further information if required.

Donna Favel

DONNA FAVEL
Mayor