

Tauranga City Council Responses to Questions and Recommendations

Productivity Commission - Local Government Funding and Financing Draft Report (Aug 2019)

Chapter number & heading	Chapter Subheading	Question / Recommendation	Response
3- Trends in local government revenue, expenditure, prices and debt	3.4 – Trends in local government prices	Q3.1 (p49) Is the current methodology for preparing the Local Government Cost Index sufficient for forecasting the prices that local authorities are likely to face? If not, should the methodology be improved, such as by one or more of: <ul style="list-style-type: none"> • carrying out more frequent reweighting; • including output indices; and • disaggregating by council type? 	We agree that a nation-wide index may have limitations. For the 2018-28 LTP cost inflation assumption, Tauranga used the Berl LGCI updated to reflect a specific geographical area impacted by accelerated population growth. Berl had advised that in their initial work they had identified a significant variance in prices within the 'golden triangle' of Auckland, Hamilton and Tauranga in terms of cost of planning and construction of capital projects.
4 – Pressures on funding and financing	4.4 – Treaty of Waitangi settlements and other Treaty obligations	Q4.1 (pg72) To what extent are the Treaty-related costs associated with fulfilling the obligations and requirements under local government statutes "business as usual" for councils? And to what extent should they be considered costs incurred to fulfil obligations on behalf of the Crown under the Treaty of Waitangi?	With no Treaty Settlements yet in place within the city, TCC has yet to experience any direct cost impacts or challenges through Treaty Settlement arrangements. There are minor costs associated with the joint administration body for Mauao with Nga Poutiriao o Mauao. We incur costs associated with treaty relationships with iwi partners, or how we fulfil our treaty obligations under LGA / RMA: <ul style="list-style-type: none"> • Takawaenga Unit Activity - \$381,878 per annum • Mana Whenua o Tauranga Moana Partnership - \$114,000 per annum
5 – Improving decision-making	5.3 – Decision-making capability	R5.1 The Department of Internal Affairs, LGNZ and the SOLGM should work together to improve basic governance, including financial governance, skills and knowledge across elected members. R5.2 LGNZ should work to ensure greater participation in ongoing professional development by elected members including new and existing members, to ensure skills and knowledge are built and periodically refreshed.	We support proposals for additional information sharing, training opportunities, peer support and networking.
5 – Improving decision making	5.3 – Decision-making capability	R5.3 (pg100) The Local Government Act 2002 should be amended to require all local authorities to have an Audit and Risk Committee (or equivalent assurance committee). <ul style="list-style-type: none"> • Audit and Risk Committees should have an independent Chair, and ideally include at least one other external expert, to ensure they span the full range of necessary skills and experience. • Independent members should be appropriately skilled and qualified. • Councils should draw on the good practice guidance and resources that are available to develop and run their committees. 	Our Council has considered options to make use of independent, expert representation on its Finance, Audit and Risk committee, but has not, as yet, decided to seek to do so.
5 – Improving decision making	5.5- Transparency of decision making	R5.4 (pg111) The local government reporting framework (including the financial disclosures, Funding Impact Statement and performance measures for service delivery) should be subject to	We agree with the suggestion of a review of the local government reporting framework. We believe that a change from Funding Impact Statements, back to Cost of Service Statements (which include depreciation) would provide more meaningful reports on the financial costs of providing a service.

Chapter number & heading	Chapter Subheading	Question / Recommendation	Response
		<p>a fundamental, first principles review. This review would:</p> <ul style="list-style-type: none"> • identify financial disclosures of low value to users of financial statements; • examine the mix of financial and non-financial disclosures, and recommend a revised framework that provides the most efficient, coherent and accessible way of reporting the range of information sought by both types of users; • consider the potential for new forms of external reporting, including integrated reporting, to shape changes in the reporting framework; and • be undertaken by a working group comprising the Department of Internal Affairs, the External Reporting Board and representatives of the local government sector and information users. The Office of the Auditor-General would be consulted. 	<p>A different way to approach this issue is to move away from the formal financial reporting requirements in relation to communicating with the community. While we still support the development of formal financial reports, that are fully audited and meet financial accounting requirements, these tend to be highly complex and lengthy documents (our last Annual Report was over 300 pages long).</p>
5 – Improving decision making	5.5- Transparency of decision making	<p>R5.5 (pg111) The Department of Internal Affairs, Local Government New Zealand and the New Zealand Society of Local Government Managers should continue to work together to promote and encourage councils' participation in existing performance review and improvement initiatives, such as CouncilMARK™ and the Australasian Local Government Performance Excellence Program. The emphasis should be on learning for continuous improvement, rather than a one-off exercise. This work should include efforts to boost public awareness of initiatives such as CouncilMARK™ to increase demand for their use.</p>	<p>We agree in principle.</p>
5 – Improving decision making	5.6 – Ascertaining and balancing community preferences	<p>R5.6 (pg120) The legislated information requirements for the consultation processes of local authorities should be amended to:</p> <ul style="list-style-type: none"> • make the terminology around the required analysis of alternative options consistent across relevant sections of the Local Government Act 2002; • clarify that Long-Term Plan (LTP) consultation documents must describe the reasonably practicable alternative options for addressing each identified issue; and • explicitly require that LTP consultation documents include high-level information on the implications for rates and future service levels associated with each of the identified options. 	<p>We agree with SOLGM's assessment in that this is largely already being done and it should not need to be further written into legislation.</p> <p>Noting there may need to be differences in the way the options are presented to make it easier for the intended audience to understand the options presented to them.</p> <p>Also, if legislation is overly prescriptive there maybe instances where Council is obliged to describe alternative options when really there may be only one viable option.</p>

Chapter number & heading	Chapter Subheading	Question / Recommendation	Response
5 – Improving decision making	Strategic planning and prioritisation	R5.7 (pg124) The Local Government Act 2002 should be revised to clarify and streamline the required content of Long-Term Plans so as to reduce duplication, ease the compliance costs on councils, and help make them more accessible documents.	We are in favour of reducing duplication within Long-term Plans and making such plans more accessible documents and also reducing compliance costs. We agree with SOLGM's comments on Long-term Plan content.
5 – Improving decision making	Strategic planning and prioritisation	R5.8 (pg125) The scrutiny on long-term planning provided by the audit requirements should not be considered a substitute for internal quality assurance processes. Councils should have robust quality assurance procedures across their Long-Term Plan process, including the use of expert review where appropriate (such as for significant decisions).	We are of the view that we currently have the appropriate internal checks and balances in the QA of our long-term planning and processes. We agree with SOLGM's comments in their submission on the section on "the future role of audit."
5 – Improving decision making	Strategic planning and prioritisation	Q5.1 (pg 126) The Commission is seeking more information on the advantages and disadvantages of reducing the frequency of Long-Term Plan (LTP) reviews, while retaining the requirement for annual plans. What would be the benefits, costs and risks of reducing the frequency of LTPs, from every three years to every five? What if five years were a minimum, and local authorities were free to prepare LTPs more frequently if they wished?	We endorse the SOLGM response to this question.
5 – Improving decision making	Strategic planning and prioritisation	Q5.2 (pg128) Is it appropriate for local authorities to include an adjustment for anticipated price inflation when they set rates each year? If not, what disciplines could be applied to the rate-setting process, to encourage local authorities to seek to manage cost and price pressures through productivity improvements? What would be the benefits and drawbacks of such an approach?	Councillors face political pressure to limit rates increases. The impact of this pressure can be seen across all our major cost centres in the LTP where general rates increases were held at low levels, despite evidence of cost pressures making this difficult while maintaining levels of service. To meet the ongoing increases in service requirements from central government legislation, environmental standards, and general cost movements (as evidenced by the LGCI for the high growth region) councils continue to improve processes and prioritise services to keep costs managed. This productivity improvement is part of sound business practice. However, the ability to find significant savings without reducing levels of service or undertaking significant capital investment (e.g. system improvements to reduce time and manual processing) is limited. Use of cost adjusters are also a standard part of sound budget management. Many costs do increase over time and it has been the experience of councils that this movement is not uniform and also not limited to the relatively modest levels of CPI. We note that we do not use inflation factors when compiling our detailed budgets. The budgets are reviewed from a base level and amended for actual changes (e.g. renegotiated contract prices) rather than a general inflation increase. Inflation factors are only added for the future LTP periods as part of the LTP document preparation (as is required).
5 – Improving decision making	Strategic planning and prioritisation (pg 122)	Q5.3 (pg130) Would establishing a capital charge for local authorities be an effective way of incentivising good asset management? What would be the advantages and disadvantages? Are there other, more effective ways of encouraging better asset management practices in local government?	A capital charge is appropriate for evaluation purposes for a commercial activity that can choose to participate in an activity or not. Local Government has limited options in relation to this. In addition, the valuation of certain assets would lead to a significant distortion of effort. The value of land under roads is approximately 33.5% of TCC's entire balance sheet (2018 Accounts). This asset, of itself, cannot be sold, requires no expenditure and provides no service. Councils are required to fund depreciation under the LGA. This provides a relevant proxy to the capital charge that is meaningful and measured currently within local government. A change from FIS's, back to Cost of Service Statements (which include depreciation) would provide more meaningful reports on the financial costs of providing a service.

Chapter number & heading	Chapter Subheading	Question / Recommendation	Response
			We are, however, concerned that the Commission is of the opinion that more reporting on the financial costs of providing a service will encourage improved asset management practices. Increased focus on service levels and future continuity of service are more likely to achieve this, with good financial reporting helping consumers to understand the implications of their choices.
6 – Future funding and financing arrangements	6.3 – Rating land and property should continue as the main tax revenue source for local government	Q6.1 (pg153) How desirable and useful would a tax on vacant residential land be as a mechanism to improve the supply of housing for New Zealanders? How would such a tax measure up against the principles of a good system of local government funding and financing?	<p>While we understand that land banking is a significant issue in some parts of New Zealand, this does not appear to be a significant issue in Tauranga. Current growth areas are being developed aggressively by developers and developers are also keen to work with Council in the provision of services to new growth areas. We do not have significant areas of vacant residential land that are not being developed.</p> <p>The most significant exception to this is in relation to multiply-owned Maori land. There are some reasonable sized blocks within existing residential areas that remain undeveloped. However, the lack of development relates more to the inability to finance development (lack of funds and the inability to use this land as security for debt) than a land banking measure. An additional tax on this land is more likely to prevent development (rates on these properties are generally remitted if they meet councils remission policy criteria and are unutilised) than encourage it.</p> <p>While the proposal warrants further investigation, it holds little current value for us.</p>
6 – Future funding and financing arrangements	6.4 – Making better use of existing funding tools	R6.1 (pg157) The Government, Local Government New Zealand and the New Zealand Society of Local Government Managers should work together to develop standardised templates both for the development contribution (DC) policies of councils and council assessments of DC charges for individual property developments. Councils should be required to use the standardised templates.	<p>We do not support this recommendation.</p> <p>We agree with Finding 6.5 that DC policies and their implementation are inherently complex. We also agree that some DC policies may ‘fall considerably short of good practice’ and recognise that some councils may choose not to levy DCs on limited amounts of development because of the difficulty in developing an appropriate policy. As such, the recommendation that standardised policy templates be developed is reasonable. This will allow those not evidencing best practice to improve the standard of their policies.</p> <p>What is not supported is the recommendation that the standardised policies become mandatory. As the Commission’s report notes, some high-growth councils, including Tauranga, have DC policies that ‘... represent sophisticated and well-written documents that reflect constant refinement over an extended period’ and which ‘... generally reflect the DC principles to the greatest extent practicable, and thus provide a transparent and reliable platform for setting DC charges.’</p> <p>These statements represented three different councils, yet the policies of those three councils have been developed, and are presented, in different ways. Each is considered fit-for-purpose for the relevant audience. The risk of moving to a standardised template is that these ‘sophisticated and well-written’ documents will not translate into the standard template in a way that improves the audience’s understanding of the policy. Given the many years of development and refinement of the policy with stakeholders, this is an unacceptable risk to this council.</p>
		Development contributions – Crown exemption	We recommend that the Crown exemption from paying development contributions be removed. This recommendation is consistent with the Act (section 101(3)(a)(ii) relating to funding decisions needing to follow a consideration of where the benefits lie, and section 197AB(c) requiring DCs to be levied proportional to where the benefits lie) and the Commission’s own recommendations that councils match funding (specifically rates, but using the broader principle) to benefits (R7.2) and that the benefit principle should guide central government funding of local government activities (R6.9).
		Development contributions – land not controlled	We recommend that the Commission encourages further flexibility in the DCs regime to enable the collection of DCs on assets that are not necessarily owned or controlled by the local authority. This is particularly relevant where the local authority makes a significant contribution to a growth-related project but is not the owner of the resultant asset. Examples of such transactions could include contributions to social or sporting infrastructure at a new school in a growth area, or a community-share relationship with a private developer. In such instances, Council’s contribution may be financially significant but if it doesn’t constitute capital expenditure (i.e. an asset is not established on Council’s balance sheet) then DCs are not available as a cost-recovery mechanism. For growth-related expenditure on such projects, this is counter to the intent of DCs.
6 – Future funding and financing arrangements	6.4 – Making better use of existing funding tools	R6.2 (pg158) While local authorities’ general approach to depreciating their infrastructure assets is satisfactory, three issues are of concern and may require action:	The statement that “depreciation spreads the initial investment cost of purchasing or constructing assets over their useful lives” p157 is actually incorrect. The initial investment cost of an asset is recovered from its funding source (e.g. loans, DC’s subsidies etc.) The depreciation charge represents the benefit gained from the use of (and thereby depreciation of) that asset for the current year by the user and will be used for the future replacement of that asset.

Chapter number & heading	Chapter Subheading	Question / Recommendation	Response
		<ul style="list-style-type: none"> • councils' decisions about the best use of the large amounts of cash that depreciation funding can give rise to should be part of formulating their wider financial and infrastructure strategies; • councils should prioritise improving their knowledge of the condition and performance of their assets to, among other benefits, avoid the risk of underestimating asset lives and overestimating depreciation expense; and • the Essential Services Benchmark should be reviewed as part of the wider review of the local-government performance reporting framework referred to in Recommendation 5.4. Any reframing should avoid the implication that individual councils must invest in as much asset renewal each year as their depreciation expense. 	<p>We would also like to highlight the difference between the depreciation expense recorded in the financial statements and the level of funded depreciation (amount of rates collected). The activity with the largest level of non-funded depreciation is roading. This is because about 51% of any renewal expenditure is expected to be funded from NZTA subsidies. Therefore we only collect rates for 49% of the expected cost of that renewal.</p> <p>It is not economically efficient to maintain depreciation funding in cash, particularly for a growth Council where net debt is increasing. This is because banks provide much lower interest rates for investments than they do loans. We resolve this issue by maintaining both depreciation reserves and an internal treasury process. This means that each infrastructure type maintains an internal investment for depreciation funds received. This investment fund is used to fund any renewals required. The balance of the reserve (if any) receives (or pays) interest from (to) the Corporate Treasury. The Corporate Treasury function uses this money to loan to activities that need to build new assets for growth or level of service purposes. This ensures that Council minimises its external borrowings and reduces its net interest costs.</p> <p>Council has a detailed Asset Management System (AMS) to track and monitor asset performance, including maintenance and long term performance issues. We continually work to improve the information we have on our asset at a high level of detail. While there is some risk of underestimating asset lives and overestimating depreciation expense, it is more common for us to find the opposite. A very recent example is the use of NPVC pipe for rising mains (wastewater). This material was only developed in the 1970's and was expected to last for 100 years. For practical purposes this means that we have not yet had a full life cycle from this material. We are now getting indications (through regular performance monitoring processes) that this material is showing signs of failure well before its expected lifecycle is complete. This indicates that depreciation is understated.</p> <p>We agree that the Essential Services Benchmark can be misleading. A good example of this relates to Stormwater (the lowest performing benchmark (p158)). Less than 1% of the stormwater network in Tauranga was put in before 1960. With a 100 year life for most of the asset (pipes) this activity is still going through its first life cycle.</p>
6 – Future funding and financing arrangements	6.4 – Making better use of existing funding tools	R6.3 (pg160) In choosing among funding tools, rating bases and whether to charge rates as a percentage of property values or as uniform charges or some other targeted feature, councils should emphasise the benefit principle and efficiency in the first instance. They should also balance greater economic efficiency against lower compliance and administration costs. Councils should factor in any significant concerns about ability to pay at a second stage in their decision making.	We agree in principle with the Commission's recommendations but share the concerns raised by SOLGM in its response. See our cover letter for further details.
6 – Future funding and financing arrangements	6.5 – Funding and financing growth	F6.7 (pg 162) Giving councils powers to levy a value-capture rate, congestion charges and volumetric wastewater charges would give them additional means to recover the costs of growth without burdening existing residents. Yet some councils and their residents may still not be willing to accommodate growth to the extent needed for supply to match demand	<p>We are concerned that the finding in relation to the charging of wastewater as a volumetric charge is not also a recommendation. Charging water as a volumetric charge has had a major impact on water usage for the Council. Water metering was introduced in 2009 and the impact on water usage has been such that, despite our growth, total water usage is only now exceeding the demand existing at the time. This has meant that TCC have been able to delay the construction of a new water treatment plant (costing over \$100 M) for over 10 years. We are extremely surprised that the commission doesn't see similar benefits, for both water and wastewater, by allowing Council's to charge wastewater based on water usage (similar to Watercare in Auckland).</p> <p>Besides the significant savings through delayed capital expenditure there are also benefits to sustainability in relation to:</p> <ul style="list-style-type: none"> • Reducing the extraction of water from rivers • Reducing the amount of treated water flowing out to sea

Chapter number & heading	Chapter Subheading	Question / Recommendation	Response
			<ul style="list-style-type: none"> Encouraging the use of environmentally friendly rainwater tanks <p>This is a relatively easy change to enact and is likely to have significant financial and environmental impacts. There does not appear to be any coherent logic behind the current prohibition.</p>
6 – Future funding and financing arrangements	6.5 – Funding and financing growth	R6.4 (pg168) The Government should consider implementing a system of payments to territorial authorities, based on new building work put in place in each territorial local authority, to incentivise councils to increase the supply of infrastructure-serviced land to match growth in demand.	<p>While we welcome any assistance in relation to managing growth, this proposal has some weaknesses:</p> <ul style="list-style-type: none"> Based on our experience (in relation to HIF debt) the Crown requires extremely detailed expenditure reconciliations adding considerable levels of administration costs to obtaining support. If the subsidy is related to growth capital expenditure then it would effectively just replace development contribution funding. This means that most of the benefit goes to the developer and provides only a reduced benefit to the Local Authority (i.e. lower debt). <p>If the subsidy was available for operational costs relating to growth, such as developing structure plans, supporting consultation in relation to new growth areas and studies required to support resource consents relating to new growth areas, this would provide a strong incentive to continue planning operations and consenting processes even when faced with fluctuating demand.</p> <p>We note that while we are experiencing significant debt constraints, the principal difficulties we are facing in relation to developing new growth areas relate to:</p> <ul style="list-style-type: none"> Obtaining Maori land court permission (by the owning Trust, not TCC) to change the nature of some of the land title to facilitate development. Getting access from planned growth areas onto State Highway connections Going through multiple consent processes over the same land (e.g. Regional Council urban limits, other council boundary adjustment and then TCC structure plan) that have to run sequentially rather than concurrently adding years to the development process.
6 – Future funding and financing arrangements	6.5 – Funding and financing growth	Q6.2 (pg168) What would be the advantages and disadvantages of a system of payments to territorial authorities based on new building work put in place in each territorial local authority? What would be the best design for such a mechanism? Would it be effective in incentivising councils to keep the supply of consented land (greenfield and brownfield) and local infrastructure responsive to growth pressures?	As discussed in regard to R6.4 above.
6 – Future funding and financing arrangements	6.5 – Funding and financing growth	R6.5 (pg171) The Government should direct officials to continue work on how to expand the use of Special Purpose Vehicles to finance investment in growth infrastructure in fast-growth local authorities that face debt limits. If needed, the Government should promote legislation in Parliament to enable the placement of debt-servicing obligations on existing residents who will benefit from the infrastructure.	<p>We generally agree with this recommendation and continue to work closely with Crown agencies to support the development of these tools. However we note that:</p> <ul style="list-style-type: none"> They are significantly complicated by the Crown requirement to link these vehicles to specific assets and housing developments. Vehicles such as IFF would be far simpler if councils could use them simply to ‘off-balance sheet’ general ratepayer funded debt with the incorporation of an additional charge on all ratepayers. The debt capacity created would enable growth funded debt to be incurred. The use of these vehicles will increase costs to the ratepayer, compared to normal Council debt funding (these funders require a higher rate of return than Council’s borrowing costs). The main beneficiary is likely to be the developer as their costs are likely to be lower (no Development Contributions) but overseas evidence seems to suggest no corresponding reduction in section prices (sales prices at Mildale in Auckland will provide interesting evidence in relation to this).

Chapter number & heading	Chapter Subheading	Question / Recommendation	Response
6 – Future funding and financing arrangements	6.6 – Funding in areas with static or falling (and ageing) populations	R6.6 (pg172) In its review to improve the service delivery of the three waters, the Government should favour models capable of applying efficient scale and specialisation to help small communities meet the challenges of maintaining and upgrading their water, wastewater and stormwater infrastructures.	<p>We agree that the technical and capital costs of many areas of council delivery require scale. Even a city like Tauranga, while of adequate size to resource our three waters operations, still looks for economies of scale across some of its functions (e.g. insurance, technical training, software investment). For a mid-size council like Tauranga the water and wastewater activities constitute a significant portion of total revenue. They therefore contribute to the viable scale for all of council's operations and share the overhead costs of our functions e.g., finance, HR and digital services. In choosing to amalgamate the water and wastewater functions - e.g. across a regional agency - could inadvertently reduce the capacity of the remaining organisation to cost effectively service the community with a lower revenue base and service coverage.</p> <p>In a related matter regarding the three waters review, we note that the planning of new growth areas also requires integrated planning investment and prioritisation across the waters activities, roading and other community infrastructure. Separating out the water functions from the core council planning and growth planning functions threatens the efficiency and cohesiveness of this planning and provision.</p>
6 – Future funding and financing arrangements	6.7 – Funding to address pressures from tourism	R6.7 (pg178) The Government should legislate to enable councils in tourist centres to choose to implement accommodation levies to recover the tourism-induced costs of providing local mixed-use facilities not otherwise charged for. Councils in tourist centres should make greater use where possible of user pays for mixed-use facilities.	We agree with this recommendation.
6 – Future funding and financing arrangements	6.7 – Funding to address pressures from tourism	R6.8 (pg178) The Government should provide funding from the international visitor levy for councils responsible for small tourist hotspots which cannot reasonably recover all their operating costs of providing mixed-use facilities from tourists through user pays or accommodation levies.	We agree with this recommendation.
6 – Future funding and financing arrangements	6.8 – Central government funding for local government infrastructure and services	R6.9 (pg181) The benefit principle and maintaining the integrity of local government autonomy, responsibility and accountability should guide central government funding of local government activities. This implies that central government should generally limit its funding to where there are national benefits. Central government should not expect local government to act simply as its regulatory agent. Rather, the two levels of government should seek a regulatory partnership based on mutual respect and an agreed protocol.	We agree and endorse the SOLGM response.
6 – Future funding and financing arrangements	6.8 – Central government funding for local government infrastructure and services	<p>R6.10 (pg181) Central and local government should strive to achieve a more constructive relationship and effective interface through:</p> <ul style="list-style-type: none"> • central and local government providing input (formally or informally) into each other's relevant policymaking processes, under an agreed set of principles or a protocol; • central government engaging in a meaningful dialogue with local government early in the process of developing relevant new regulations; • cooperative approaches to tackling problems with implementing relevant new legislation, regulations or environmental standards; 	<p>We agree and endorse the SOLGM response.</p> <p>While we strongly support a level of increased consultation when developing new policy, we are also concerned with the impact of ongoing reductions in central governments level of service, not just new policies. The most significant example in recent years is the impact of increased homelessness on the local community and the cost of meeting the local community's demands for support and action in relation to this. Another example relates to the increased cost of roading where expected NZTA subsidy has not been forthcoming due to funding shortages within the agency.</p>

Chapter number & heading	Chapter Subheading	Question / Recommendation	Response
		<ul style="list-style-type: none"> the creation of formal and informal feedback loops to identify problems with delegated regulations when they first appear; and the spread of information through the system and the sharing of expertise and knowledge. 	
7 – Equity and affordability	7.2 – Equity in a future funding system	R7.1 (pg194) The Local Government (Rating) Act 2002 should be amended to remove rates differentials and uniform annual general charges. Councils should have five years to implement their removal.	Whilst we agree with the principle of the approach recommended, we note that UAGCs are often used as reasonable proxies for the costs of services that are difficult to disaggregate or are public goods. In the case of commercial rate differentials, we have used these in the past as a proxy for 'beneficiary pays' (in relation to road network costs) and to account for equity and affordability.
7 – Equity and affordability	7.2 – Equity in a future funding system	<p>R7.2 (pg196) Local government legislation should be amended to require councils to:</p> <ul style="list-style-type: none"> match the burden of rates to the benefits of council services, as a first step in setting rates; consider ability to pay as a second step; set out the reasons for their rating decisions in each step in a clear and transparent manner; and (in applying the ability-to-pay principle) consider coherence and consistency with the income-redistribution policies of central government. <p>Councils should continue to have the power to determine, on reasonable grounds, the appropriate allocation of rates within their district or region.</p>	We agree in principle, but also endorse the SOLGM response, particularly in regard to the need for local flexibility and the real-world difficulty of satisfactorily and efficiently deploying user or beneficiary pays solutions.
7 – Equity and affordability	7.2 – Equity in a future funding system	R7.3 (pg196) Local Government New Zealand and the New Zealand Society of Local Government Managers should develop advice for councils on how to apply the benefit principle (the burden of rates should reflect the benefits received) in their rating decisions.	We welcome guidance and a greater standardisation of approach across local government.
7 – Equity and affordability	7.2 – Equity in a future funding system	R7.4 (pg197) The Local Government (Rating) Act 2002 should be amended to remove the statutory cap on uniform charges.	We agree with the recommendation.
7 – Equity and affordability	7.4 – Addressing affordability of rates in a future rating system	<p>R7.5 (pg208) The Government should work with local government and suitable financial providers to develop and implement a national rates postponement scheme. The scheme should:</p> <ul style="list-style-type: none"> have a single set of clear and generous eligibility rules; be accessible and have provisions that are easy to understand and work with; have moderate and transparent fees; and be nationally promoted. 	We support the establishment of a National Rates Postponement Scheme. This will provide choice to rate payers for their financing, if required. A national scheme would not impact on an individual council's constrained financing capacity, in particular growth councils. A national scheme would provide the opportunity to achieve scale to be cost efficient from an operating perspective and ensure low financing costs.
7 – Equity and affordability	7.4 – Addressing affordability of rates in a future rating system	R7.6 (pg208) The Government should phase out the Rates Rebate Scheme (RRS) over a defined period, such as five years, from when an effective national Rates Postponement Scheme is in place. In the	<p>We do not support this recommendation.</p> <p>We do not agree that the rates rebate scheme and a rates postponement scheme are interchangeable in the manner suggested by the Commission. The rates rebate scheme addresses genuine hardship in terms of both income and assets. It is effectively an income redistribution tool appropriately (if not efficiently) managed by central government. Rates postponement schemes</p>

Chapter number & heading	Chapter Subheading	Question / Recommendation	Response
		meantime, the current income abatement thresholds and maximum payments should be maintained.	may also apply to ratepayers experiencing affordability challenges but could often be utilised by those with significant assets, particularly in terms of property (the 'asset rich, cash poor'). For an individual ratepayer, the rates postponement scheme provides an alternative financing source but does not change the ultimate burden of funding. In contrast a rates rebate system provides a new funding source for an eligible ratepayer.
8 – Adapting to climate change	8.2 – Preparing for change	R8.1 (pg217) The Government and local government should work together to establish centres of knowledge and guidance about climate-change adaptation for councils. One centre should be an authoritative and up-to-date source of advice on science and data while another should be a source of specialist advice on policy, planning, risk management, legal issues and community engagement.	We agree that centres of knowledge and guidance are important, but would be concerned at new agencies being set up where existing capabilities (such as those of NIWA or the new Climate Change Commission) could be built on. Government should work with local government and other interested parties to set up the appropriate set of capabilities and capacity to deal with this multi-dimensional challenge. We note that there was a considerable amount of work done considering the establishment of a Local Government Risk Agency (LGRA). We believe that the rationale for this entity still exists and that issues such as climate change would fit comfortably within the proposed operations of this agency
8 – Adapting to climate change	8.2 – Preparing for change	R8.2 (pg222) The Government should implement a review of existing legislation and policy to ensure that considerations about climate-change adaptation are integrated and aligned within that legislation and policy where relevant.	We agree with the recommendation.
8 – Adapting to climate change	8.2 – Preparing for change	R8.3 (pg222) National and local authorities should adopt anticipatory and flexible approaches to climate-change adaptation, in line with recognising the constantly changing nature of the risks. Any additional funding for climate-change adaptation should be conditional on the use of such approaches.	We agree with the recommendation.
8 – Adapting to climate change	8.2 – Preparing for change	R8.4 (pg222) The Government should provide legal frameworks that give councils more backing and knowledge to make land-use planning and infrastructure investment decisions that are appropriate in the face of constantly changing climate risks.	We agree with the recommendation.
8 – Adapting to climate change	8.4 – Assisting local governments facing climate change	R8.5 (pg230) The Government should extend the New Zealand Transport Agency's role in co-funding local land-transport infrastructure to include assistance to councils facing significant threats to the viability of local roads from sea-level rise and more intense storms and flooding due to climate change. The amount of assistance should reflect the size of the threat facing each council and its rating capacity. Assistance should be conditional on a strong business case and meeting engineering and environmental quality standards. It should only be available to defend existing infrastructure when business cases indicate that this option is superior to other options by a significant margin.	We endorse the SOLGM response to this recommendation.
8 – Adapting to climate change	8.4 – Assisting local governments facing climate change	R8.6 (pg230) The Government should create a new agency and a Local Government Resilience Fund. The new agency should work with at-risk councils	We endorse the SOLGM response to this recommendation.

Chapter number & heading	Chapter Subheading	Question / Recommendation	Response
		<p>and co-fund the redesign and possible relocation and rebuilding of wastewater and stormwater infrastructure when it becomes no longer viable because of sea-level rise and more intense flooding due to climate change.</p> <p>The new agency should also assist regional councils and communities to work out the best way to lessen future flood risks 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 the wider river corridors.</p>	