



29 August 2019

File Ref: F230-L21-05
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New Zealand Productivity Commission
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Submission on Local Government Funding & Financing: Draft Report

The Marlborough District Council (MDC) thanks the Productivity Commission (Commission) for the opportunity to comment on its draft report on local government funding and financing.

In the main MDC agrees with recommendations and findings of the Commission. MDC is also aware of and supports the Society of Local Government Managers submission.

However, in saying that MDC wishes to comment on four points:

Taxation of Vacant Land

One of the key drivers for taxing vacant land is to make more land available for residential housing (and other development) by reducing the attractiveness of land banking. However, before heading down the taxation path it is important to recognise the planning process that takes place to zone land for residential and industrial development. Land zoning/planning is a consultative process. Currently in Marlborough we have successfully zoned sufficient land to cope for 20+ years of growth. This has been a relatively smooth process with few legal challenges. Marlborough has avoided legal challenges by providing remissions to owners of residential rating units situated in rural areas (pages 321-322 of 2018-28 LTP). These remissions cease on subdivision. NB, in the case of Blenheim, much of this land is productive as vineyards.

If zoned, but unsubdivided land was to be taxed then strenuous objection to the long term zoning of future residential land can be expected, which could prove counter-productive to the original intent of the Commission's proposal.

Funding of Growth based on the Value of Building Work Put in Place

A simple formula based allocation method is strongly supported and we recommend that the Commission include that in its final report. An allocative approach would be far more cost effective. We have experienced the administration effort, cost and uncertainty surrounding applications and allocations from the Provincial Growth Fund.

Capital Charging

The capital charging regime appeared to work in central government because the funds released on freeing of capital could be used by the Department. The retention of discretionary funding by Departments within Council misses the objective of keeping total rates down while still maintaining levels of service. As a result, Capital Charging is not supported

However, it is agreed that Council should review on a regular basis whether or not it should retain ownership of particular assets and whether leasing or buying an asset is the most appropriate form of acquisition.

“Best practice is now to allow wider river corridors that give rivers room and make space to more safely manage flood risk”

In our view this statement in the Commission’s Report should be clarified/expanded. In discussions with our rivers engineer, the key is not to allow residential zoning in flood plains (as historic floodways are a good indicator of the path of future floods) and adjacent to stop banks. “Allowing room” does not mean a general widening of the river channel.

In Marlborough, while some widening of stop banks is being progressively undertaken, it is only being undertaken to provide better alignment and where there is room between the river and development (typically vineyards and residential properties).

Concluding remarks

Once again, we thank the Productivity Commission for the opportunity to provide input on the local government funding and financing draft report. We would welcome any questions the Commission may have to clarify the points made in this submission.

Yours sincerely

JOHN LEGGETT
MAYOR