



SUBMISSION

IN THE MATTER OF: Local government funding and financing draft report

TO: New Zealand Productivity Commission

DATE: 23 August 2019



Introduction

This submission is being made on behalf of the Development Contributions Working Group (DCWG). The DCWG is an unincorporated body that represents and coordinates the efforts of local government development contributions practitioners throughout New Zealand.

The DCWG welcomes the opportunity to submit on the local government funding and financing draft report and offers to work with the New Zealand Productivity Commission on future enquiries. The DCWG has significant expertise in the area of development contributions and is willing to make this available to assist in resolving matters identified in this submission.

The DCWG welcomes the comprehensive and impartial analysis present in the draft report and broadly agrees with the future funding and financing findings (F6.1 to F6.17).

The DCWG does not support recommendation R6.1, that *“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.”*. In short, while standardisation seems like an appropriate response to reducing a complex system, in this case it is more likely to further complicate it.

Instead, the DCWG supports the development of sector guidance, led by the sector (including the DIA, SOLGM, LGNZ, the DCWG and development community), with a view to delivering the broader benefits intended through recommendation 6.1. Such benefits may include lowering compliance and administrative costs faced by councils, greater consistency in the presentation and structure of development contribution policies, ease of use for developers, transparency of policy application and substance, and a common resource for officers to refer to. To at least in part achieve this, the DCWG encourages the updating the draft guidance on DCs developed by the DIA in conjunction with the sector circa 2015.

If mandatory standardised templates are legislated, even for parts of the development contributions regime only, the DCWG requests that it plays a leading role with government to develop these templates to provide them the best opportunity to be effective.

While the DCWG understands the drivers for standardised DC Policy templates and assessments, and acknowledges the complexity and variance across DC Policies, we do not believe that recommendation R6.1 will achieve its purpose, and in fact may well introduce more new problems than solutions.

The DCWG has four principal concerns with the recommendation 6.1:

1. That standardisation of DC Policies by template is not an efficient or effective way to achieve the desired benefits such as ease of use and transparency for developers.
2. Due to the uniqueness and variation between territorial authorities the costs and likely new problems created through standardisation outweigh the benefits.

3. That use of the standardised templates would be mandated, and this inherent rigidity would struggle to take account of the rich variation across territorial authorities in their district plans, regional dwelling preferences, degree of urbanisation, historic funding decisions, debt capacity, the local developer and business community, and population/household growth. These issues will manifest in policy and the application of policy.
4. That the breadth and freedom of Elected Member decision making in relation to DCs and therefore infrastructure delivery, and their ability to deliver on community preferences, may be constrained.

The DCWG wants to highlight that unintended outcomes such as those described in this submission are likely regardless of the best efforts of those drafting the templates. The template would need to be able to be updated without major process or legal impediments to address any significant unintended outcomes. Councils have improved DC policies through multiple policy iterations. Generally, policy reviews occur in alignment with long term planning cycles, but also occur outside of this cycle if risks or improvements are identified with benefits outweighing the cost of policy review. If standardised templates are to be implemented there needs to be a mechanism to update as required. An update to the template may alter all DC policies and could affect territorial authorities DC revenue. This implication is more problematic for councils who collect a larger portion of their revenue from DCs.

The DCWG wants to highlight that councils face varied growth funding challenges. Councils have differences which result in varied policy requirements, and thus, different policies. A non-exhaustive list of differences which could be considered as part of the formulation of a DC policy include district plans, regional dwelling preferences, degree of urbanisation, historic funding decisions, debt capacity, the local developer and business community, and population/household growth. While some differences could be reconciled through standardisation, the cumulative differences from territorial authorities across New Zealand will likely result in a policy that does not meet all councils' needs. Lending weight to this concern is finding F4.6, *"...This can result in regulation that is "one size fits all", making it unfit for purpose, or particularly costly to implement, in some localities."*

The DCWG notes that standardised templates have the potential to limit the breadth and freedom of Elected Member decision making in relation to DCs, in particular because R6.1 *Councils should be required to use the standardised templates*. DCs make up part of councils funding which if restrained could have a material effect on infrastructure funding and delivery. Through DC policy consultation and subsequent deliberations Elected Members deliver on community preferences, this may be somewhat constrained if the standardised templates restrict decision making in areas such as remissions, definitions, the timing of when DCs are invoiced, etc.

The DCWG thanks the New Zealand Productivity Commission for its time and effort in considering our submission. We trust you find our comments useful.

Background

The DCWG is an unincorporated body that represents and coordinates the efforts of local government development contributions practitioners throughout New Zealand. The DCWG was established in September 2000 following many years of discussion by councils throughout New Zealand regarding the vexed questions of funding the considerable costs of accommodating growth and the shortcomings with existing contributions regimes. The DCWG was successful in having the power to collect development contributions included in the Local Government Act 2002.

Since that time the DCWG has provided a forum for those in the local government sector to share their experiences and the emerging best practices for development contributions.

The DCWG was heavily involved in the most recent set of changes to the development contributions provisions in the Local Government Act enacted in 2014 and is willing to provide its expertise to assist in the current reform proposals, as well as future changes.

The DCWG consists of Council officers and specialist advisors covering the disciplines of local authority policy, finance, management, engineering, asset management, environmental policy, planning and related law. These people are instrumental in creating and administering the various contributions policies for local authorities throughout New Zealand.

A wide range of councils participate in the DCWG including rural, provincial and urban councils. Some are experiencing significant population and urban growth while others have modest or little growth pressures. All of the major 'growth' councils are active participants in the DCWG including Auckland, Christchurch, Hamilton, Tauranga, Waikato and Queenstown.

This submission represents the collective views of DCWG executive, as listed below.

- Bobbi Parkinson, Principal Advisor, Auckland Council
- Greg Carstens, Unit Manager: Growth Funding & Analytics, Hamilton City Council
- Scott Devonport, Consents and Regulatory Manager, Taupo District Council
- Samantha Costello, Finance Business Analyst, Kapiti Coast District Council
- Liz Simpson, Senior Policy Planner: Urban Development, Queenstown Lakes District Council
- Dwayne Fletcher, Activity Planning Manager, Tasman District Council
- Annette Brodie, Development Contributions Coordinator, Waikato District Council



Greg Carstens
Co-convenor
Development Contributions Working Group



Bobbi Parkinson
Co-convenor
Development Contributions Working Group