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New Zealand Productivity Commission  
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### **Waikato Plan Submission on Productivity Commission Draft Report on Local Government Funding and Financing**

Tēnā Koutou,

This is a submission by the Waikato Plan Leadership Committee (“WPLC”) on the Productivity Commission’s Draft Local Government Funding and Financing report, July 2019 (“Draft Report”). The WPLC has been set up to facilitate and encourage the implementation of the Waikato Plan. The Committee involves 10 councils, four iwi trust boards, central government and business and community representatives. The Waikato Plan is the overarching strategic plan for the whole Waikato region.

The Waikato Plan welcomes the opportunity to submit on the Draft Report. We consider that it is an important piece of work.

We note that individual Waikato Plan Partners may also be making submissions on the Draft Report and these may cover more specific issues relating to their territorial areas or functions.

### **Waikato Plan Interest in Local Government Funding and Financing**

The Waikato Plan supports the integrated future development of the Waikato Region and aims to build economic, social, cultural and environmental wellbeing.

While the Waikato Plan is a partnership between local government, iwi, central government and business/community interests, councils play a key role and their ability to sustainably finance and fund their activities is critical to the future development of the Waikato Region.

The priorities contained in the Waikato Plan include areas that are directly connected to local government functions. One of these priorities is planning for population change and under this priority the Waikato Plan is undertaking a Waikato Region Housing Initiative.<sup>1</sup> Like many areas across New Zealand, housing is a significant issue for the region. Through the Housing Initiative the Waikato Plan has brought together housing sector agencies and groups and through a collaborative approach has undertaken a Housing Stocktake. Our next steps will be to build a framework to deliver on the challenges identified in the Stocktake. Funding and financing tools are an essential means of addressing the housing challenge.

The Waikato's Regional Economic Development Agency, Te Waka, also includes housing as a priority in their Regional Economic Development Programme. This highlights the importance of housing to the Waikato Region and its communities.

The Waikato Plan welcomes new funding and financing tools which help to support our region across the four well-beings. The Waikato Plan is currently overseeing a Waikato Wellbeing Project which involves putting in place measurable wellbeing goals for the region to achieve by 2030. This aligns with Government direction to put environmental, social, cultural and economic wellbeing at the heart of policy and decision making.

We note that the Hamilton to Auckland Corridor Plan work which is currently underway also has a focus on new tools and options to unlock the potential of the corridor, this includes funding and financing opportunities.

We also note that there have been a number of inquiries into local government funding and financing over the years. In particular we highlight the Independent Inquiry into Local Government Rate, 2007 and one of its key recommended actions which was to provide new funding sources to enable the level of rates to be held at sustainable levels.<sup>2</sup>

### **Comments on the Draft Report**

The Waikato Plan supports the following aspects of the Draft Report:

- The finding that high-performing local government is vital for community well-being and that it can provide greater access to, and choices of, housing.
- The finding that there are four key areas where the existing funding model is insufficient to address cost pressures and that new tools are required:
  - supplying enough infrastructure to support rapid urban growth;
  - adapting to climate change;

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<sup>1</sup> More information on the Regional Housing Initiative can be found here:

<http://www.waikatoplan.co.nz/projects/priority-1/>

<sup>2</sup> *Funding Local Government: Executive Summary – Local Government Rates Inquiry*, August 2007, page 1

- coping with the growth of tourism; and
- the accumulation of responsibilities placed on local government by central government.
- The finding that a major factor influencing local authority costs is the need for local authorities to increase the supply of development capacity to address declining housing affordability
- The finding that some fast-growing councils face debt constraints (we note that Hamilton City Council is one of these) which is limiting their ability to supply enough infrastructure to meet the growth in demand for housing and other development.

The Waikato Region is diverse and contains high, medium and low growth councils. We have a number of small districts. We strongly support the finding that small rural and provincial districts are facing particular challenges in funding essential infrastructure and services. The region also has a number of deprived areas with two of our districts among the 12 most deprived in the North Island.<sup>3</sup> Social equity issues are top of mind for our region.

The Waikato Plan, and in particular the Regional Housing Initiative, supports new funding tools that will help to address the housing issue, including:

- Value capture and user charging
- Special Purpose Vehicles

We note the relationship here with Kāinga Ora – the new entity which has been proposed through the Kāinga Ora – Homes and Communities Bill. In particular the proposals to give Kāinga Ora infrastructure and funding powers for specified development projects.

We support a new funding stream from central government but have some reservations about it being based solely on new building work. This could have some perverse outcomes, including allowing development to occur in unsuitable places. The report contains insufficient detail on the thinking and evidence to support this approach.

We agree with the finding that there are a growing number of responsibilities being placed on local government by central government and that a number of councils are not always in a position financially to deliver on these. One area that is of particular concern is around giving effect to Treaty Settlements. As a region, the Waikato is very committed to this process. However, we are of the view that local authorities and regional councils require funding (as part of any Treaty Settlement) to ensure they can fully give effect to these settlements and deliver on the outcomes envisaged.

In terms of local government funding and financing, we would like to see other approaches considered, such as:

- Adjustments to local government debt limits
- More tools to fund transport initiatives

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<sup>3</sup> Waikato Plan, *Socioeconomic Deprivation in the Waikato Region*, May 2018

- A percentage of GST being shared with Local Government (in particular see recommendation 36 of the 2007 Local Government Rates Inquiry)
- Establishing an infrastructure fund, including considering an extension / adaptation of the Housing Infrastructure Fund

We also support the approach outlined in the adapting to climate change section, in particular the creation of a climate-resilience agency and associated fund. The Waikato Region has a number of areas that are at significant risk from the impacts of climate change. In particular, funding for flooding control is an issue and one that will become increasingly important into the future as we grapple with the effects of climate change.

In conclusion, we support a number of the Productivity Commission's findings and recommendations. We would welcome any broadening of the funding and financing toolkit available to local government. We encourage the Productivity Commission to take a broad and holistic view of this and to consider all options.

Ngā mihi,



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