

23 August 2019

New Zealand Productivity Commission
PO Box 8036
The Terrace
Wellington 6143

Re: Local government funding and financing draft report

Tēnā koe

Regional Public Health would like to congratulate the Productivity Commission on a comprehensive report that clearly represents many of the challenges facing Local Government in New Zealand.

Regional Public Health (RPH) serves the greater Wellington region, through its three district health boards (DHBs): Capital & Coast, Hutt Valley and Wairarapa and as a service is part of the Hutt Valley District Health Board.

RPH works with our community to make it a healthier safer place to live across the wider Wellington region covering nine territorial authorities¹ (TA). We promote good health, prevent disease, and improve the quality of life for our population, with a particular focus on children, Māori and working with primary care organisations. Our staff includes a range of occupations such as: medical officers of health, public health advisors, health protection officers, public health nurses, and public health analysts.

The following comments are split between general comments and specific answers to the set questions.

General

Three Waters

At the time of writing this submission, the government has proposed a new Water Services Bill with a dedicated water regular to cover all water suppliers. This will address many of the challenges identified in the inquiry into 2016 Havelock North water crisis as well as the findings and concerns identified by this report.

The proposed approach by the Productivity Commission of having a performance regime that is permissive and flexible reflects the differing demands and challenges facing each council. RPH supports the consolidation of water services across council boundaries. Being based in the

¹ Masterton District Council, Carterton District Council, South Wairarapa District Council, Upper Hutt City Council, Lower Hutt City Council, Wellington City Council, Porirua City Council, Kāpiti Coast District Council and Greater Wellington Regional Council.

Wellington region, RPH's health protection officers interact with Wellington Water and find it an efficient and effective service with strong capabilities and technical skills. RPH would also like to recommend water metering, as mentioned in the report. However, there must be fair pricing and protection for the poorest and most vulnerable as well as a ban on water disconnection to domestic users. There are three important factors to consider when water is metered and managed by a Council Controlled Organisation. The first is implementing a Treaty-consistent governance model, second is ensuring accountability to community and the third is the need for external monitoring of the pricing (this can be a possible role for the Commerce Commission or an additional role to be included in the Water Services Bill).

Council Capabilities

RPH works with councillors, policy makers and planners from nine councils across the Wellington region. RPH supports the report's recommendations towards improving knowledge and skills of councillors by making the training compulsory. From observation, the scrutiny on travel and training expenses has been a challenge for newly-elected councillors attending training. Clear communication to the public that training is a requirement for the role as councillor, could also assist with changing expectation and norms.

Climate Change

This year, the four well-beings—social, economic, environmental and cultural—were reinstated back into the Local Government Act. Climate change presents a serious and imminent threat to population health and wellbeing. New Zealanders are at risk of both the direct health effects of climate change (e.g. extreme weather events, injuries, heat waves and damage to infrastructure) and indirect health effects (e.g. changes in ecosystems and subsequent disease patterns, microbiological contamination of water, conflict over resource scarcity, poor mental health, food insecurity, destruction of infrastructure, homes, and livelihoods)^{2,3}. Climate change is also exacerbating inequities in Aotearoa, with Māori, Pacific and low-income communities at greater risk of experiencing adverse health and social outcomes.

Climate action presents one of the greatest opportunities to positively impact the environment and to improve the health and wellbeing of New Zealanders. For example, actions to increase active transportation, improve housing conditions, encourage changes to food consumption, and reduce air pollution will not only lower greenhouse gas emissions, they will also have positive health co-benefits, including a reduction in the burden of cancers, cardiovascular diseases, diabetes, and respiratory diseases^{4,5}. By committing to climate action with an explicit focus on equity, councils have the potential to make significant improvements to the health, social, and economic wellbeing of their

² Royal Society (2017). Human Health Impacts of Climate Change for New Zealand: Evidence Summary. <https://royalsociety.org.nz/assets/documents/Report-Human-Health-Impacts-of-Climate-Change-for-New-Zealand-Oct-2017.pdf>

³ Watts, N., et al (2018). "The Lancet Countdown on health and climate change: shaping the health of nations for centuries to come." *The Lancet* 391.10120 (2018): 581-630.

⁴ Watts, N., et al. (2015). "Health and climate change: policy responses to protect public health." *The Lancet* 386(10006): 1861-1914

⁵ Bennett, H., et al. (2014). "Health and equity impacts of climate change in Aotearoa-New Zealand, and health gains from climate action." *New Zealand Medical Journal* 3: 12-16

community, and particularly, to improve outcomes for Māori and Pacific populations, low-income households, and people living with disabilities.

RPH supports the proposal of a centralised agency to provide knowledge and guidance to councils who have neither the knowledge, skills nor capacity required to address the imminent challenges of climate change.

Specific Questions

Q5.1 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?

RPH actively engages with the Long-Term planning (LTP) process with nine councils. RPH covers a range of councils from, smaller rural councils with limited financial and human resources who single-handedly produce their LTPs, to larger well-resourced councils who have entire teams dedicated to LTPs and stakeholder engagement. At times, it appears that councils only just complete the full process of drafting, consulting and finalising the LTP to then launch into the process all over again. There is an observable difference in stakeholder engagement capability and type between councils depending on their size and resourcing. Larger councils are tending to favour consultation using online tools while this allows for a range of ways of which to communicate proposed concepts (using maps, images, infographics, videos) choosing to consult this way also misses groups of people (those who are time poor, limited internet access and/or technical capabilities, etc.).

RPH believes that the mechanism for consultation also needs to be examined to ensure a diversity of voices are being captured. There has been much reporting about the representation on council and the need for diversity and it follows that diversity of representation will come from the diversity in consultation/ voices. While each council has a consultation and engagement policy, councils are not required to consult on the development and revising of their consultation policy.

Extending the LTP to a minimum of every 5 years provides an opportunity for councils, especially smaller ones, to focus their limited resources on other priorities. This ensures that when the LTP process does come around, councils are able to resource it sufficiently.

However, the LTP is a core driver for councils to actively engage with community on community goals and future planning. By reducing the LTPs to every 5 years there is a risk that councils' engagement and consultation with citizens and community will reduce also. The importance of consultation and engagement with community needs to be taken into consideration when exploring whether to reduce the LTP requirements.

Q6.1 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?

Tax policy should be easy to understand and efficient to collect. The proposed tax on vacant residential land would be complex to implement and expensive to collect. It could lead to unintended consequences including the increase in marginal value activities being used to mask land-banking. There is limited evidence that this would be an efficient and effective process to incentivising rapid housing development and raise revenue.

RPH recommends the Productivity Commission explore the opportunity of councils to raise income through land tax rather than capital value and land use. The benefits of a land tax would be that councils would be able to raise revenue on all land as well as being able to potentially affect land use. Taxing all land, rather than just vacant land, would be efficient and inclusive of the proposed “windfall” value capture, a complex system that would raise limited revenue. A land tax is considered ‘fair’ and may be politically palatable due to the fact that it is wealth created by collective action and external factors, such as development and investments by other parties (national and local government and private sector), rather than return on investment made by any one person⁶. Further benefits of a land tax is that it would likely encourage development through the efficient use of existing land. However, there should be an exemption for multi-party owned Māori land due to the complexities around Māori land ownership and legislation.

Applying local rates on land rather than capital would be something that encourages development. This makes efficient use of existing land that is constrained by geographical limits around New Zealand cities. Such a policy would have broader benefits of incentivising – but not imposing – density in our cities.

Thank you for the opportunity to make this submission.

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Naku noa, na

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⁶ https://www.theigc.org/wp-content/uploads/2017/07/201707TaxationVacantLandPolicyNote_Final.pdf