

# LOCAL GOVERNMENT FORUM

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Development Contributions Review  
Local Government and Emergency Management Directorate  
Department of Internal Affairs  
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## **Submission to Internal Affairs on the Development Contributions Review**

The Local Government Forum welcomes the opportunity to make a submission to the Development Contributions Review.

The Forum comprises organisations that have a vital interest in the activities of local government. Its members include BusinessNZ, the Electricity Networks Association, Federated Farmers of NZ, NZ Initiative, NZ Chambers of Commerce, and NZ Retailers' Association. The Forum was established in 1994 to promote greater efficiency in local government and to contribute to the debate on policy issues affecting it.

Although Forum members are significant representatives of ratepayers in their own right, the Forum's perspective is to advance community welfare through the advocacy of sound public policy. We believe that local government can best service the interests of the community and ratepayers by focusing on the efficient provision of public goods at a local level.

Local government is an important part of the economy. It owns significant infrastructure assets and provides important service to the community. As the Development Contributions Review Discussion paper states, the sector's operating revenue is more than \$7 billion, with \$142 million (approximately 2.0 percent) of which comes from development contributions and financial contributions.

While development contributions could be considered a relatively small portion of total revenue, they fall disproportionately on certain sectors and can make up a significant proportion of revenue for small territorial authorities, with projections of significant growth into the future. For example, in 2008, development contributions made up between 10 and 20 percent of income for at least 10 individual territorial authorities, while in 2013 it is expected four territorial authorities will get over 7 percent of their income from development contributions and financial contributions.

While several individual members of the Forum will be making their own submissions on the Review (including commenting on the options), it is fair to say that no individual member of the Forum is opposed to development contributions per se. However, our

concerns revolve around the lack of clarity in their use and the tendency for such contributions to extend well beyond a use that is justified.

To this end, the Forum, along with the Property Council of NZ, commissioned a report *'Taxing Growth and Development – A critical Review of the Role of Development and Financial Contributions'* (March 2010), which looked in depth at some of the concerns expressed by the broader business community regarding the nature of development contributions. The report identified considerable problems with over-reliance on this funding tool and recommended a number of changes. A link to the report is provided below.

<http://www.localgovtforum.org.nz/LinkClick.aspx?fileticket=ahvAjzVk3gg%3d&tabid=1539&mid=3017>

The key recommendations made in the report, which the Forum would like to bring to the attention of the Department of Internal Affairs, are:

1. Prices rather than development and financial contributions should be charged for goods and services where they are feasible and appropriate.
2. There are grounds for imposing the cost of some genuine local public goods on landowners who create a need for marginal capital expenditure. The cost of supplying public goods such as neighbourhood parks, reserves, outdoor recreation facilities and stormwater systems that exclusively or predominantly service or enhance a development and are located within a development, may be appropriately imposed on relevant households and businesses by requiring the developer to pay for, or provide, the facilities. There should be a close connection between the subdivision or development on the one hand, and the relevant infrastructure and facilities on the other.
3. Developers should have the right to appeal against the requirement to fund public goods, as is presently the case for financial contributions but not for development contributions.
4. Consideration should be given to making a value for money test a criterion for establishing the reasonableness of council requirements and charges. If that approach is not adopted, the maximum level of development contributions should be capped, as is generally the case of Australia, and the principle of capping financial contributions should be retained.

Members of the Forum would be pleased to meet with the Review team to discuss our submission in more detail if that would be considered useful in order to flesh out some of the issues. Please contact Nick Clark (phone: 03 357 9459 or email: [nclark@fedfarm.org.nz](mailto:nclark@fedfarm.org.nz)) to make the necessary arrangements.

Yours sincerely



Michael Barnett  
Chair