



FUNDING AND FINANCING TOOLS



How to use this set of tools >

Over the years, successive central government reports have confirmed what councils already know: local government funding and financing needs reform.

LGNZ is working with the Government to develop more tools so that councils can resource the infrastructure and services their communities need. Part of that work is creating better alignment between national goals and local incentives. The Government is also looking to local government for leadership to help shape its priorities. Successful advocacy means leveraging the Government's policy agenda by advancing politically feasible policies that are important to councils. It also means keeping long-term reform objectives in the minds of all decision-makers.

This set of tools is designed to reflect what is achievable in the current political environment. It prioritises tools that are grounded in the Coalition agreements, public statements from the Government, and our discussions with Ministers and officials. Not all these tools will be developed in one term, and we cannot advocate for everything at once. Instead, we need to be strategic, working together to prioritise the most realistic and meaningful tools while continuing to push for bigger changes over time.

We also know that not every tool will suit every council. Each tool comes with its own trade-offs, and councils will use them in different ways depending on their unique needs and circumstances.



FUNDING AND FINANCING TOOLS THAT ARE **ON THE GOVERNMENT'S AGENDA**

OUR ADVOCACY APPROACH/

Work with the government to make sure these tools that are already on the agenda are useful and workable for councils.

WHAT COUNCILS CAN DO/

Use your existing opportunities with Ministers and MPs to share your support for these tools. Be clear on what would make the most difference for your council.



FUNDING AND FINANCING TOOLS THAT THE GOVERNMENT **HAS SHOWN INTEREST IN**

OUR ADVOCACY APPROACH/

Raise the profile of these tools with the Government, to get them on the agenda.

WHAT COUNCILS CAN DO/

Show the Government and communities what councils could do with these tools.



TOOLS THAT COUNCILS WANT BUT THE CURRENT GOVERNMENT **ISN'T INTERESTED IN**

OUR ADVOCACY APPROACH/

Engage in longer-term advocacy to secure change, including with Opposition parties and other organisations

WHAT COUNCILS CAN DO/

Prioritise the other tiers for your own advocacy. Share your views on Tier three tools with LGNZ, including how your council would use them and what benefits they would deliver.



Have these tools up your sleeve when you talk to Ministers, MPs and officials.



Pair them with our key messages when you're presenting or writing.



Use them in conversations about your community about rates.



Send us your feedback:

- + How could these tools work in your community?
- + What should we prioritise?
- + Are there other ideas we should bring to the table?

TOGETHER, WE CAN ADVOCATE FOR CHANGE.



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Funding and financing
tools that are on the
Government's agenda.



01/ Sharing GST on new builds

/ FUNDING

WHAT IS IT?

Sharing government revenue that flows from new housing. Especially useful for high-growth councils.

WHAT'S THE STATUS QUO?

Housing and population growth are a net cost to councils, which must fund new infrastructure for new residents. This can disincentivise councils from consenting new housing. Meanwhile, central government benefits from local growth through GST and taxable income.

WHAT'S IN THE PIPELINE?

The [National Party and ACT New Zealand coalition agreement](#) commits the Government to “Introduc[ing] financial incentives for councils to enable more housing, including considering sharing a portion of GST collected on new residential builds with councils.”

\$ POTENTIAL = \$131 MILLION - \$1.2 BILLION

National’s Build-for-Growth policy would reward councils with \$25,000 for every dwelling consented above their five-year average. Payments would be limited to Tier 1 and Tier 2 councils. National has estimated this programme would deliver \$131 million to councils.

ACT has previously proposed sharing 50% of the GST revenue of a new house with the council that issued the consent. ACT has estimated this would deliver \$1.2 billion every year to councils.

+ BENEFITS

Councils would be incentivised to consent more housing.



02/ Congestion charging

/FUNDING + DEMAND MANAGEMENT

WHAT IS IT?

Charging drivers to use congested roads during peak times. This reduces traffic and would be useful for large metropolitan councils.

WHAT'S THE STATUS QUO?

Councils can't implement time-of-use charging on local roads.

WHAT'S IN THE PIPELINE?

The Government committed to introducing time-of-use charging in its coalition agreement with ACT and expects to introduce a bill to Parliament before the end of 2024. The Transport Minister has signalled any revenue would be hypothecated for transport infrastructure investment. The Minister of Housing and Minister for Local Government will deliver policy advice on options to improve council incentives for growth, such as GST sharing, to Cabinet by 30 November 2024.

\$ POTENTIAL = HUNDREDS OF MILLIONS

A road pricing study by Beca found that congestion charging in Tauranga could generate approximately \$88 million in net revenue per annum in 2035, increasing to \$158 million by 2048. In Auckland, The Congestion Question project found congestion charging could raise between \$21 million and \$261 million.

+ BENEFITS

Road users who pay the congestion charge experience improved network performance, while those who don't want to pay can benefit from more funding being available for other transport options.



03/ New tolling direction

/FUNDING

WHAT IS IT?

Charging drivers a fee for using specific roads. This would help fund and maintain significant new roading projects.

WHAT'S THE STATUS QUO?

New Zealand currently has three toll roads, two in Tauranga and one in Auckland, with an average toll price of \$2.33 for light vehicles and \$5.40 for heavy vehicles. Infrastructure Commission has found that “in the current New Zealand context, tolls will tend to recover less than 25% of the cost to build new roads, and sometimes much less.” Access to alternative untolled routes is required by the Land Transport Management Act 2003.

WHAT'S IN THE PIPELINE?

The 2024 Government Policy Statement on land transport introduced a new expectation for the NZTA to consider tolling to support the construction and maintenance of all new roads, including Roads of National Significance. Increased tolling on new roads aims to protect funding in the National Land Transport Fund for maintaining existing roads.

\$ POTENTIAL

The toll roads in Tauranga and Auckland raised an average toll revenue of \$11,477,000 per road in the 2022/23 financial year.

+ BENEFITS

Toll revenues can secure financing for constructing and maintaining a new road. Drivers willing to pay the toll benefit from reduced travel times.



04/ Value capture

/FUNDING

WHAT IS IT?

Capture a portion of increased property values resulting from council investments and decisions. This will be useful for councils making significant infrastructure investments.

WHAT'S THE STATUS QUO?	Existing tools include Infrastructure Funding and Financing Act levies, targeted rates and development contributions.
WHAT'S IN THE PIPELINE?	<p>The Government's coalition agreement with ACT commits to value capture rating to fund infrastructure. This will include reviewing existing tools as well as exploring new ones.</p> <p>The Minister of Housing and Minister of Transport provided advice on existing value-capture tools to Cabinet on 30 June 2024, with advice on required changes and/or new tools and frameworks to be delivered by 30 November 2024.</p>
\$ POTENTIAL	Low for low-growth councils, high for high-growth councils.
+ BENEFITS	Councils could recover a portion of the benefits delivered by public investments, offsetting the cost of the investment.



05/ Regional Infrastructure Fund

/FUNDING + FINANCING

WHAT IS IT?

A contestable infrastructure fund for regional New Zealand. This will be useful for councils in the regions making significant infrastructure investments.

WHAT'S THE STATUS QUO?

The fund is now open. It is similar to various contestable funds under previous governments.

WHAT'S IN THE PIPELINE?

The Regional Infrastructure Fund (RIF) aims to grow regional economies (Auckland, Christchurch and Wellington are ineligible) by investing in new and existing infrastructure projects. It has two main categories: resilience infrastructure and enabling infrastructure. Councils, iwi, businesses and community organisations with infrastructure projects that support regional priorities are invited to apply for funding from the Regional Infrastructure Fund, which opened on 1 July.

\$ POTENTIAL = \$1.2 BILLION

+ BENEFITS

The RIF will invest in infrastructure projects that would otherwise not happen. It also seeks to encourage private investment in critical projects by providing greater confidence.



o6/ Public-private partnerships

/FINANCING + EFFICIENCY

WHAT IS IT?

Collaborate with private sector partners to finance, build, and operate public infrastructure or services. This will be useful for councils seeking overseas expertise, finance and to share risk.

WHAT'S THE STATUS QUO?

In New Zealand there have been eight public-private partnerships (PPPs) to date, including 11 schools, three prisons, and two major roads. PPPs typically involve long-term agreements between a government entity and a private organisation. The private party is often tasked with designing, constructing, financing, and sometimes maintaining and operating a new public infrastructure asset, along with providing related services.

WHAT'S IN THE PIPELINE?

The National-ACT coalition agreement signals an intention to increase the use of PPPs in infrastructure delivery.

\$ POTENTIAL

PPPs are most effective for large-scale projects, generally exceeding \$100 million, where the scope, outcomes and risks are clearly defined.

+ BENEFITS

The primary goal of a PPP is to optimise risk allocation in large infrastructure projects. This can mean shifting certain risks — such as time delays and cost overruns — from the public sector to the private sector. This should incentivise the private sector to deliver more efficiently during both construction and operation of the asset.



07/ Improvements to development contributions

/FUNDING

WHAT IS IT?

Charging developers to fund asset costs caused by growth. This will be particularly useful for growth councils.

WHAT'S THE STATUS QUO?

The Local Government Act 2002 (LGA) authorises local authorities to impose development contributions, which gives councils a direct mechanism to fund asset costs caused by growth. Levied as money, land, or both money and land, contributions may be charged on any development.

WHAT'S IN THE PIPELINE?

The Government has acknowledged the way development contributions are designed and used can means councils struggle to recover the total cost of growth from users and beneficiaries. Cabinet is likely to make decisions on how policy options could address issues with development contributions in November 2024 with any required legislative changes to follow.

\$ POTENTIAL

High for some councils. Depends on the level of housing and population growth, a council's current approach to development contributions and the specific formulation of the policy change.

+ BENEFITS

Councils can fund infrastructure necessary to support growth. For example, a subdivision generates a demand for reserves, network infrastructure (roads and transport, water, and wastewater and stormwater collection and management), and community infrastructure (land and public amenities).



o8/ Regional Deals

/ACCESS TO NEW FUNDING TOOLS

WHAT IS IT?

Regional deals are long-term agreements between central and local government establishing a partnership to support initiatives and build towards a shared goal/s. This will be useful in the first instance for the five councils invited to participate.

WHAT'S THE STATUS QUO?	Regional Deals are a new concept for New Zealand but have been successful in the United Kingdom and Australia.
WHAT'S IN THE PIPELINE?	<p>The Local Government Minister announced a Strategic Framework for Regional Deals at SuperLocal24. Five regions will be invited to provide light-touch proposals for a first wave of Regional Deals. Cabinet approval to initiate negotiations will be sought by the end of 2024.</p> <p>Regional deals will be based on a 30-year vision, with negotiated 10-year strategic plans to deliver shared objectives and outcomes between central and local government.</p>
\$ POTENTIAL	Uncertain but potentially high.
+ BENEFITS	Regional Deals aim to promote economic growth and productivity, deliver connected and resilient infrastructure, and improve the supply of affordable, quality housing. Central and local government will agree on joint priorities and projects and identify how they will each mobilise their individual levers and tools.



09/ Raising council LGFA debt caps and Local Water Done Well

/FINANCING

WHAT IS IT?

Increased borrowing capacity for councils and water CCOs. This will be useful for high growth councils nearing their debt cap.

WHAT'S THE STATUS QUO?

The LGFA was established to raise debt on behalf of local authorities on terms that are more favourable to them than if they raised the debt directly. The LGFA has a debt-to-revenue limit policy of 280% of revenue to mitigate lending risk. Some high growth councils are nearing their LGFA debt limit, constraining their ability to invest in necessary growth infrastructure.

WHAT'S IN THE PIPELINE?

The Local Government Minister has said that the Government and LGFA are considering raising debt-to-revenue limits for up to 350% of high growth councils. Under the new model, the LGFA will support leverage for water CCOs up to a level equivalent to 500% of their operating revenues, nearly double the current leverage limit for existing councils.

The trade-off for raising debt ceilings is an increased risk of a downgraded credit score and increased debt servicing costs. S&P has said that it expects a raise in debt ceilings would negatively affect credit quality across local government. Increased debt servicing costs will need to be weighed against the growth benefits of councils making debt-funded investments.

\$ POTENTIAL

High for some councils; it depends how close a council is to its debt cap.

+ BENEFITS

By funding infrastructure through debt, its financial burden can be distributed over the asset's useful life, easing immediate pressure on operating revenues. Debt is also a good way for councils to spread the burden of capex across generations – so that future people who benefit from infrastructure investments contribute to their cost.



10/ Infrastructure Funding and Financing Act reform

/FINANCING

WHAT IS IT?

Off-balance sheet financing for councils to provide infrastructure. This will be useful for growth councils nearing their debt cap.

WHAT'S THE STATUS QUO?

The Infrastructure Funding and Financing Act 2020 (IFF Act) enables a funding and financing model for the provision of infrastructure for housing and urban development, free of local authorities' funding and financing constraints. Under this model, a special purpose vehicle (SPV) is used to fund infrastructure projects, and a levy is charged against the beneficiaries of the infrastructure to repay any finance raised.

WHAT'S IN THE PIPELINE?

On 31 July, the Housing Minister delivered initial advice on legislative reform and operational issues to improve the functioning of the IFF Act levy model, reduce costs of IFF Act levy transactions and support greater uptake (including in greenfield areas). Cabinet decisions will be taken by 31 December, with any legislative change to follow.

\$ POTENTIAL

Depends on the project, which needs to be more than \$50 million. Wellington used it to finance up to \$400m, Tauranga used it to finance \$175m.

+ BENEFITS

The tool makes the cost of new infrastructure more transparent while spreading the cost, so it falls primarily on the property owners who benefit (including across generations). Can deliver debt headspace for councils.



Funding and
financing tools that
the Government has
shown interest in.



11/ Accommodation levy

/FUNDING

WHAT IS IT?

Generating revenue to cover tourism-related costs by imposing a levy on accommodation providers for each guest. This will be useful for high-tourism areas and gateway cities.

**WHAT'S
THE STATUS
QUO?**

While tourism is a financial net benefit at the national level, it imposes significant costs on councils. Tourists use local infrastructure such as roads, three waters infrastructure and parks, which are paid for by councils and ratepayers. Meanwhile, the International Visitor Levy and GST revenue generated by tourism are collected by central government. Several councils are facing difficulties in dealing with tourism pressures.

**WHAT'S
IN THE
PIPELINE?**

LGNZ has been advocating for an accommodation levy. This could be enabled through changes to the Rating Act 2002, allowing councils to introduce such a charge. It could be a flat rate per guest per night or a percentage of the accommodation cost.

The Tourism Minister has publicly expressed interest in an accommodation levy. However, Cabinet has not yet agreed such a levy should be introduced.

\$ POTENTIAL

Auckland has estimated that a 2.5 percent levy could generate them between \$23-\$27m per year. Queenstown estimated that a 5% accommodation levy could create additional revenue of approximately \$200m over 10 years.

+ BENEFITS

Ratepayers would stop subsidising tourists' use of infrastructure, reducing pressure on rates.



12/ Ratepayer Assistance Scheme

/FINANCING + REDISTRIBUTION

WHAT IS IT?

Converts liabilities for rates and rates-like charges into upfront, off-balance sheet payments for councils. This will support ratepayers facing affordability issues.

WHAT'S THE STATUS QUO?

In the face of cost-of-living pressures, an aging population, failing public infrastructure and climate change, many councils and their communities are struggling with affordability issues.

WHAT'S IN THE PIPELINE?

The Ratepayer Assistance Scheme (RAS) is a financing initiative co-developed by the sector in partnership with Cameron Partners, LGFA and LGNZ. It would give ratepayers flexibility to decide when to pay local government charges with very competitive finance terms (1% – 1.5% below standard mortgage rates). It would also allow councils to convert multi-year charges into upfront, off-balance sheet payments.

\$ POTENTIAL = MEDIUM

+ BENEFITS

The RAS could enable rates and levy postponement, deferred development contributions and property improvement loans.



13/ Local share of Crown mineral royalties

/FUNDING

WHAT IS IT?

Distributing a portion of Crown mineral royalties to councils to recognise how communities support these industries. This will be useful for councils with large extractive operations in their area.

WHAT'S THE STATUS QUO?

Councils play an important role in enabling New Zealand's extractive industries. Local government develops infrastructure and provides services and amenities that enable extraction. Local communities also bear a substantial portion of the 'clean- up' risk if something goes wrong and wear the cost of decreased environmental amenity often associated with extraction.

While councils support these industries through service and infrastructure provision, they do not receive any direct benefit from the hundreds of millions of dollars in royalty payments paid to central government each year.

WHAT'S IN THE PIPELINE?

While the Government has not publicly committed to progressing a 'local share' policy, the Resources Minister has indicated an interest in exploring this idea further.

\$ POTENTIAL

Nothing for most councils but medium to high potential for areas with extractive industries.

+ BENEFITS

Extractive industries pay a 'local share' of the royalty on new projects directly to the communities that sustain these industries. This can help build partnerships between investors, local communities, and central government.



14/ End unfunded rules and responsibilities imposed by central government

/FUNDING + REDISTRIBUTION OF COST

WHAT IS IT?

When costs or responsibilities are transferred to councils, central government provides a way to fund them.

WHAT'S THE STATUS QUO?

Rules and responsibilities imposed by central government on local government have accumulated over time, at significant cost to councils. Recent research commissioned by LGNZ found that this stream of unfunded responsibilities imposed by successive governments costs councils millions every year and crowds out other core council business.

WHAT'S IN THE PIPELINE?

Local government should have access to adequate funding mechanisms to support their operations. This could be achieved by recovering costs from regulated parties or, in cases where national benefits exist, through direct funding contributions from central government. Councils should be consulted on all proposals with cost implications for local government, and cost-benefit analyses should take these costs into account.

There is interest from several ministers in addressing legal barriers that currently limit cost recovery for councils.

\$ POTENTIAL = HIGH

+ BENEFITS

Local government is funded to deliver responsibilities imposed by central government, removing the burden from ratepayers.



15/ Removing barriers to council fees, fines and cost recovery

/REDISTRIBUTION OF FUNDING

WHAT IS IT?

Making it easier for councils to recover costs and set fees and fines at the right level.

WHAT'S THE STATUS QUO?

Councils face limitations in setting charges, fees and fines to fully recover costs. Many charges, such as parking fines and alcohol licensing fees, are determined by central government. Others, like coastal occupation charges under the RMA, are constrained by complex processes, limited council discretion and leave councils open to lengthy and expensive legal challenge. These barriers make it difficult for councils to effectively use cost-recovery tools.

WHAT'S IN THE PIPELINE?

LGNZ has been advocating for greater local autonomy in setting fees, fines and charges, and to address the legal risks. The Government's Local Government Forward Work Programme outlines plans to review council cost-recovery mechanisms and assess whether current regulatory burdens are justified.

\$ POTENTIAL = MEDIUM

+ BENEFITS

Better cost recovery allows councils to internalise the costs of activities, reducing the need for cross-subsidisation by ratepayers.



The tools that councils
want, but the current
Government doesn't
have an interest in.



16/ Incentives for non-residential building

/ FUNDING

WHAT IS IT?

Providing councils with financial incentives to consent more non-residential buildings. This will be useful for councils experiencing high commercial and industrial growth.

WHAT'S THE STATUS QUO?

Benefits of growth accrue to central government.

WHAT'S IN THE PIPELINE?

Like with GST sharing on residential builds, the Government could incentivise non-residential building by providing payments to the councils who consent these buildings.

This policy is not on the Government's agenda and has not yet been discussed with Ministers.

\$ POTENTIAL

The New Zealand Initiative recently released a [report](#) which proposed this policy as a way of boosting economic growth. They estimated that this policy would provide between \$102m and \$708m based on various policy formulations they detailed.

+ BENEFITS

Encourage development and boost economic growth.



17/ General, principled or indexed share of Government revenue

/FUNDING

WHAT IS IT?

Providing councils with a stable and predictable share of overall government revenue. This would financially benefit all councils.

WHAT'S THE STATUS QUO?

Local government plays a vital role in creating economic growth but the benefits of this growth currently accrue to central government.

WHAT'S IN THE PIPELINE?

There is potential for a general government revenue sharing arrangement in which some revenue collected by central government is shared with councils to recognise local government's support of economic activity. A mechanism similar to this exists in Australia, in which some of the GST collected nationally is shared with the state governments according to a formula determined by the Federal Government.

This could be done on a per capita, by indexation to an economic growth indicator (e.g. GST collected) or principled basis (e.g. X% of total tax revenue is distributed among councils).

\$ POTENTIAL = HIGH

+ BENEFITS

Would reduce pressure on rates + incentivise councils to foster growth.



18/ GST Sharing on rates

/FUNDING

WHAT IS IT?

Returning GST collected on local government rates. This would be useful for all councils, particularly those who fund services and investment predominantly through rates.

WHAT'S THE STATUS QUO?

As local government rates are essentially a charge for a range of goods and services that councils provide communities, they are subject to a Goods and Services Tax (GST) at a rate of 15%. GST is collected on the base rate and goes to central government. According to [Infometrics' analysis](#) based on 2022 data, the GST collected on local government rates amounted to approximately \$1.1 billion.

WHAT'S IN THE PIPELINE?

The Prime Minister, Finance Minister, Local Government Minister, and Infrastructure Minister have all publicly indicated that they would not support returning rates GST, suggesting that only returning GST from new residential builds would be considered. While this policy would return significant funding to councils, it does not share the economic development incentives associated with returning GST on building activity or returning a portion of government revenue indexed to growth indicators.

\$ POTENTIAL

Returning this GST on rates to councils would have been worth 9.2% of total council operating income, or 8.6% of operating expenses in 2022. The Inland Revenue Department could refund the GST paid on council rates directly to the local council from which the GST was originally collected, following verification of the council's claim for input tax credits. Additional revenue to councils would range from \$1.2m for Kaikōura (or \$102k for outlier Chatham Islands) through to \$317m for Auckland. Returning GST is less effective for councils that rely on larger amounts of income not generated by rates.

+ BENEFITS

Would relieve pressure on rates.



19/ Rates and contributions on currently exempt Crown land

/FUNDING

WHAT IS IT?

Applying rates and contributions to currently exempt Crown land. This will be useful for councils with large areas of currently exempt Crown land.

WHAT'S THE STATUS QUO?

Schedule 1 of the Local Government (Rating) Act 2002 sets out categories of non-rateable land. This schedule covers most Crown land, including land used by institutions such as schools, universities, hospitals, and the conservation estate. Most of this land is exempt from rates except for a limited set of targeted rates. The rates revenue value of this land was about \$180m annually in 2015. Due to increases in property prices, this figure is probably over \$200m today.

WHAT'S IN THE PIPELINE?

LGNZ has advocated for the Crown to pay its way for decades.

Numerous government-commissioned reports have recommended that the Crown should pay rates on its properties or make commensurate payments in lieu of rates. Most recently, the Productivity Commission recommended that the Crown either pay rates or cover the costs of services it receives from councils and pay development contributions on all developments it undertakes in line with local authority development contribution policy.

There is no appetite in the current Government to progress this policy. The previous Government investigated a policy of the Department of Conservation, Te Whatu Ora, Ministry of Education and other agencies paying rates but did not progress this option.

\$ POTENTIAL

High – particularly for areas with large amounts of current exempt land.

+ BENEFITS

Broadening the rateable base and reducing the burden on ratepayers.



20/ National rates postponement scheme

/AFFORDABILITY

WHAT IS IT?

Helping ratepayers by postponing their rates payments in cases of financial hardship. This will support ratepayers facing affordability issues.

WHAT'S THE STATUS QUO?	Currently, rates postponement occurs when a local authority agrees to delay a rate payment's due date until a specific event occurs, such as a property sale. In this event, a council forgoes rates revenue until a later date, potentially contributing to cashflow issues for councils and deferring investment.
WHAT'S IN THE PIPELINE?	One mechanism to deliver rates postponement could be the Ratepayer Assistance Scheme. This could also be delivered as a standalone tool developed in partnership between local and central government and financial institutions.
\$ POTENTIAL	Low to medium for councils – but high for ratepayers.
+ BENEFITS	A rates postponement scheme supported by central government could support under-pressure ratepayers while making councils whole with upfront payments.



21/ Infrastructure Equalisation Fund

/REDISTRIBUTION OF COSTS

WHAT IS IT?

A dedicated fund for infrastructure in communities with affordability issues to maintain minimum standards. This will support councils with low-income communities or a small rateable base.

WHAT'S THE STATUS QUO?	Meeting increasing costs associated with inflation, unfunded responsibilities passed down by central government, water delivery and climate change will be beyond the financial capacity of some councils. This will cause affordability issues for councils and low-income communities. When coupled with uncertainty around central government contributions, this could delay necessary long-term investment.
WHAT'S IN THE PIPELINE?	In some cases, central government funding support will be necessary and would be consistent with the principle of equalisation. This could be a contestable fund or could replicate the New Zealand Transport Agency model. Under a NZTA-like model, the level of co-funding for some infrastructure would be determined by a formula that provided more funding to vulnerable councils facing high costs.
\$ POTENTIAL	High for low-income areas with a small rateable base – and low for high-income councils.
+ BENEFITS	Addresses affordability issues for councils with smaller or poorer communities, ensuring they can maintain adequate infrastructure and service levels.



22/ Increase FARs

/FUNDING

WHAT IS IT?

Increasing the proportion of central government funding for transport activities. This will be useful for council making large transport investments.

WHAT'S THE STATUS QUO?

Funding assistance rates (FARs) are the contribution, in percentage terms, that the New Zealand Transport Agency makes from the National Land Transport Fund (NLTF) to councils and other organisations for the delivery of transport activities. FARs are not subsidies but part of a co-investment system that recognises there are both national and local benefits from investing in the land transport network.

WHAT'S IN THE PIPELINE?

The Government recently consulted on a proposal to increase the threshold for access to an enhanced FAR to a 1-in-20-year event, reducing the enhanced FAR rate from 20% to 10%, and reducing provision of a bespoke FAR to instances where the Crown effectively pays for it through a Crown top-up to the NLTF. This will increase reliance on the NTLF or would result in reduced transport investment.

\$ POTENTIAL = MEDIUM TO HIGH

+ BENEFITS

Increasing FARs would be an efficient and effective mechanism for central government to reduce councils' cost pressures.



23/ Remove 30% cap on uniform charge

/REDISTRIBUTION OF FUNDING

WHAT IS IT?

Allowing councils to decide what proportion of their services and infrastructure should be paid for through a Uniform Annual General Charge.

WHAT'S THE STATUS QUO?

The Uniform Annual General Charge (UAGC) is a general rate requiring every property to contribute the same amount regardless of land value or location. Central government limits these uniform charges to 30% of the total revenue collected from all rates by a local authority within a given year, as outlined in the Local Government (Rating) Act 2002. This cap was intended to prevent the rating system from becoming too regressive, as flat charges disproportionately affect low-income households.

WHAT'S IN THE PIPELINE?

The cap on uniform charges is inconsistent with local government autonomy and may not be necessary to prevent regressive taxation. The Local Government Act 2002 already provides comprehensive guidance for councils to consider community wellbeing when setting rates. Local councils are also acutely aware of residents' ability to pay when making these decisions. This cap should be removed to allow councils more flexibility in setting rates that reflect local preferences.

\$ POTENTIAL

Low-medium but depends on uptake.

+ BENEFITS

Increased ability for councils to choose how to apportion costs (in consultation with their communities).



24/ Regional Fuel Tax

/FUNDING

WHAT IS IT?

Funding transport activities by taxing fuel distributors. This will be useful for councils making large transport investments.

WHAT'S THE STATUS QUO?

Regional fuel taxes have previously enabled regional councils to raise revenue to fund transport projects in their region by taxing fuel distributors. In June 2024, the Land Transport Management (Regional Fuel Tax) Amendment was repealed by the Government.

WHAT'S IN THE PIPELINE?

Regional fuel taxes have been implemented and repealed in New Zealand consistently since at least 1992, so it is reasonable to expect one could be implemented again by a future Government.

\$ POTENTIAL

The most recent iteration of this tax could be applied at a rate of up to 10 cents per litre (plus GST) for up to 10 years. This raised \$780m in Auckland between July 2018 and September of this year.

+ BENEFITS

Additional revenue for local transport infrastructure and development.



25/ Civil defence levy

/FUNDING

WHAT IS IT?

Adding a levy to insurance premiums to fund emergency response activities. This will be useful for councils facing natural disasters.

WHAT'S THE STATUS QUO?	Councils fund civil defence activities primarily through rates – with central government support to respond to and recover from civil defence events.
WHAT'S IN THE PIPELINE?	A civil defence levy could help councils fund emergency response efforts and alleviate some of the significant costs faced by councils in responding to extreme weather events and natural disasters. This levy, modelled on natural hazards cover, could be included with insurance premiums to support emergency preparedness and response.
\$ POTENTIAL	Medium to high, depending on formulation.
+ BENEFITS	Helps councils respond to severe weather and natural disasters.

