

# **Long Term Council Community Plan and Annual Plan Special Committee**

**Monday, 17 March 2003  
Commencing at 9.30 am**

**Item 11: Policy on Development Contributions  
or Financial Contributions**

**SUPPLEMENT TO AN ORDINARY MEETING OF THE LONG TERM COUNCIL COMMUNITY PLAN AND ANNUAL PLAN SPECIAL COMMITTEE TO BE HELD IN THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN, WAITAKERE CITY, ON MONDAY, 17 MARCH 2003, COMMENCING AT 9.30 AM.**

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**11 POLICY ON DEVELOPMENT CONTRIBUTIONS OR FINANCIAL CONTRIBUTIONS**

**PURPOSE OF THE REPORT**

The purpose of this report is to draw Council's attention to requirements in the Local Government Act 2002 (the Act) to have a policy on development contributions or financial contributions and the processes that will be put in place to meet these requirements.

**BACKGROUND**

In order to provide predictability about sources and levels of funding, all Councils are required to adopt a specified list of funding and financial policies. These policies may only be amended as an amendment to the long-term council community plan. Included in this list of policies is development contributions or financial contributions.

The new Act means that there is now a "choice" for funding the growth component of most new infrastructure, of applying financial contributions under the RMA (district plan) or development contributions under the Act, or both.

Waitakere City Council has a financial contributions policy prepared in terms of section 108 of the Resource Management 1991 and put into place through the proposed District Plan although, as these provisions are subject to appeal, it has in practice been applying financial contributions through the mechanisms in the Local Government Act 1974.

**STRATEGIC CONTEXT**

Financial contributions and development contributions are an important funding tool for the City because they are the means by which the costs associated with growth are allocated to those who profit from, or are directly involved with, this growth. They have the potential to provide several million dollars each year of revenue for Council.

**ISSUES**

Council's current financial contributions policy, as promulgated through the proposed District Plan, has not been accepted by the development community. The issues raised through the appeals relate primarily to uncertainty on the part of the development community regarding what contributions will be imposed. Work on the district plan issues has been deferred for some years now, initially awaiting the outcome of an Environment Court case on the method upon which the Waitakere provisions were modelled and, more recently, the changes that have now been made allowing for development contributions under the Local Government Act 2002 (the Act).

In addition, it is expected that the new provisions allowing for charging development contributions will be a more efficient mechanism for offsetting the financial costs of growth than the financial contribution provisions of the Resource Management Act as once they are adopted, there are no appeal rights as exists under the Resource Management Act. The only way in which development contributions might be challenged is through judicial review procedures, which are primarily focussed on process. These provisions also allow for development contributions in respect of community facilities, which is not provided for within the current financial contributions policy.

The detailed requirements of a development contributions policy are extensive under the new Act, including explanations and justifications for the ways in which the contributions are calculated, the significant assumptions underlying the calculations (e.g. growth projections and their expected impacts in different areas), land values for new areas (subdivisions) and how the development contributions will be triggered. These are more rigorous requirements than what has generally been undertaken by Council in the past and, as such, is a new, major piece of work, which will take time and resource to develop.

Councils had advice via the LGNZ from the Department of Internal Affairs, that it was not intended that a policy on development contributions would be required to be adopted by 30 June 2003. There was, however, a drafting error and this requirement has not been excluded. The Office of the Auditor General have been asked to comment on their attitude to Councils failing to comply with the requirement to have a development contributions policy in place. Their response was that failure to adopt such policies by 30 June 2003 is not a legislative compliance matter that would be significant for the purposes of the council's audit. Therefore a failure to have a fully considered policy in place by the relevant date would not result in a legislative breach note being included in the audit opinion. They suggest that Councils take a conservative approach and note in their plans:

- The requirement for the policies to be adopted within the Long Term Council Community Plan;
- Any relevant policies Council may have already adopted; and
- An indication of the process and timeframe over which the Council intends to adopt a policy.

## **RESOURCES**

Reassessment of Council's current financial contributions policy and development of a development contributions policy is partly provided for in current work programmes with the balance of costs and resources proposed in draft budgets for the 2003/2004 year.

## **CONCLUSION**

As indicated above, developing a development contributions policy will provide Council with a new, improved funding mechanism. This work is important and urgent and is proposed in the draft budgets. It is also possible to begin the work in the current year as it was anticipated that the legislation would provide this opportunity. It is proposed that a detailed work programme is developed and presented to the Finance and Operational Performance Committee and the Environmental Management Committee (in respect of the District Plan provisions) at their May meetings with the overall intention being that the new policy would be adopted as part of the Annual Plan/ Long-term Council Community Plan process for the 2004/2005 year. This broad process should then be noted in the 2003/2013 Long-term Council Community Plan as suggested by the Office of the Auditor-General.

## **RECOMMENDATIONS**

1. That the information be received.
2. That a development contributions policy be prepared during the next twelve months in order that the policy be adopted as an amendment to the Long-term Council Community Plan for the 2004/2005 year.
3. That a detailed work programme to progress development contributions be presented to the Finance and Operational Performance and the Environmental Management Committees in May 2003.

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