Submission: Modernising Auckland's Rating Policy to Deliver Proportionate and Area-Relevant Funding

28 August 2026

1. Introduction

1.1. This submission recommends that Auckland Council undertake a comprehensive review of its rating and funding policy and adopts a modernised, proportionate and area-relevant framework. The accompanying slide presentation, *Auckland Funding Model: An Integrated Framework for Rates, Levies, Growth, and Equity*, outlines a coherent model integrating growth funding, regional funding, local funding, facility catchment funding and equity redistribution.

1.2. The rating arrangements developed following amalgamation were policy choices made for the circumstances facing the new Council at that time. They were not an inevitable or statutory consequence of creating a unitary Auckland Council. Auckland's governance, financial systems, information capability and experience have developed significantly since then. It is appropriate to reconsider whether the present arrangements remain the best way to fund a large and diverse region.

1.3. The proposed model aligns funding more closely with the purpose of expenditure, strengthens local accountability, recognises differences in local service provision, provides a more transparent means of addressing inequity, and integrates the funding of existing communities with the infrastructure requirements created by growth.

2. Why Change is Needed Now

2.1. The fundamental weakness of Auckland's present funding model is that the expansion and centralisation of Council activities has not been matched by a principled redesign of how those activities should be funded. Property rates developed as a practical means of funding predominantly local services and assets associated with property and communities. Auckland Council now undertakes a much wider range of regional, local, infrastructure, environmental, regulatory and social activities, yet these are still funded largely (excluding user charges) through a general property-rating system progressively modified by valuation bases, differentials, targeted rates and other adjustments.

2.2. The result is that the rating system is being asked simultaneously to fund services, redistribute costs between ratepayers, compensate for differences in service provision and manage the political effects of changes in rates. The connection between who creates a cost, who receives a benefit, what level of service is provided and who ultimately pays has consequently become increasingly obscure. This weakens transparency and accountability and makes disagreements about rates inevitably political rather than capable of being tested against clear funding principles.

2.3. Section 101(3) of the Local Government Act 2002 already provides much of the appropriate framework. It requires Council, for each activity being funded, to consider the distribution and duration of benefits, the extent to which particular people or groups contribute to the need for the activity, and the transparency and accountability consequences of funding activities separately. The problem is not that elected representatives must make political choices; that is their role. The problem is that the present funding architecture provides no sufficiently clear and disciplined framework within which those choices remain visible, understandable and accountable.

2.4. Auckland Council inherited multiple rating systems from the former councils. Harmonisation was subsequently undertaken through the Council's Long-Term Plan process. The resulting system reflected judgements about fairness, consistency, affordability, administrative simplicity and the distribution of rating impacts across Auckland. It was not required by the legislation establishing Auckland Council.

2.5. Those choices were understandable in the circumstances of amalgamation. The immediate priorities were to establish a workable regional system, integrate legacy arrangements and manage significant changes in rates between properties and communities. More than fifteen years later, those transitional considerations should no longer determine Auckland's long-term funding architecture.

2.6. Auckland now has established Local Board boundaries, mature rating and financial systems, GIS capability, increasingly detailed asset and service information, and substantial experience with targeted rates and geographically specific funding mechanisms. The practical capability required to operate a more area-relevant funding system exists.

2.7. Government policy has also moved towards greater use of Development Contributions and infrastructure funding mechanisms capable of allocating growth costs to particular areas and projects. The underlying principle—that costs should where practicable be connected with the investment required and those generating or benefiting from it—can equally inform Auckland's wider funding arrangements.

2.8. Auckland Council's own governance, local board funding, community facilities and service-level work has identified substantial differences between areas in asset provision, condition and service levels. The present funding system does not systematically connect the rates paid by an area with local service provision, nor does it provide a sufficiently transparent mechanism for correcting historic unfairness.

2.9. Targeted rates and other specific funding mechanisms are now familiar parts of Auckland's rating system. They are already used for transport, drainage, waste, water quality, business improvement districts and other activities. This demonstrates that differentiated and area-specific funding mechanisms are already administratively established and capable of making the purpose and use of particular rates and charges clear to everyone.

3. The Proposed Funding Model

3.1. The proposed model comprises five integrated funding streams:

- Growth Funding;
- Regional Funding;
- Local Board Area Funding;
- Facility Catchment Funding; and
- a Regional Equity Pool.

Each stream serves a different economic and governance purpose.

3.2. **Growth Funding** would use Development Contributions, Infrastructure Levies and related mechanisms to fund infrastructure requirements generated by growth. Growth should pay the additional costs it creates, but only those costs. Charges should reflect the infrastructure demand generated by different forms of development rather than simply applying a common charge to all development.

3.3. **Regional Funding** would meet Auckland's common regional and overhead costs, including regionwide services, governance, regulatory functions, regional networks and appropriate regional capital expenditure. It would comprise rates together with non-rates revenue, grants and other income. Because these are shared regional costs, the long-term objective should be for ratepayers to contribute equally to the rating component of this stream.

3.4. **Local Board Area Funding** would fund local operating expenditure, maintenance, renewals, local upgrades and locally determined service levels. They would allow communities to see more clearly what local services cost and to make informed choices about the level of service they want. They could also support locally determined responses to particular service gaps, deprivation or other local circumstances.

3.5. **Facility Catchment Funding** would fund the existing-user or beneficiary share of major facilities and projects where a meaningful geographic or economic catchment can be identified. Catchments may be within a Local Board area, extend across several Local Board areas, or in appropriate cases cover most or all of Auckland. The growth share of such facilities would be funded through the Growth Funding stream.

3.6. **The Regional Equity Pool** would provide an explicit regional mechanism for addressing unfairness arising from historic under-investment, significant service-level gaps, deprivation, poor asset condition, renewals backlogs or inadequate local revenue capacity. Funding could come from Regional Funding, non-rates revenue and government co-funding where available.

3.7. Allocation from the Equity Pool should use transparent measures such as deprivation, asset condition, significant service-level gaps, historic under-investment, population growth and renewals backlog. Its purpose would be to establish reasonable fairness across Auckland, not to eliminate legitimate differences arising from geography, community choice or different local service requirements.

4. Why This Model Is the Right Direction for Auckland

4.1. The model separates issues that are currently combined within the general rating system. Regional costs are funded regionally; local service costs locally; major facilities by their beneficiaries; growth infrastructure by growth; and regional redistribution through an explicit equity mechanism.

4.2. This makes the funding system more proportionate. Communities choosing or receiving higher local service levels can contribute accordingly, while areas suffering genuine historic disadvantage can receive transparent regional support.

4.3. It strengthens local governance without requiring Local Boards themselves to become rating authorities. Local Boards and communities would have a much clearer relationship between local priorities, service levels, expenditure and the rates required to support them.

4.4. It also improves accountability. Ratepayers should be able to identify what they contribute towards regional services, what is raised and spent within their Local Board area, what they contribute towards major facilities from which they benefit, and what expenditure is being made to support growth or correct regional inequity.

4.5. The model is administratively feasible, but its success depends upon appropriate management information. Council should be able to identify expenditure, revenues, asset condition, service levels, renewals, capital investment and relevant performance measures by funding stream, Local Board area and facility catchment. A modern management information system should make this information routinely available to elected representatives and communities.

5. How Existing Rating Mechanisms Fit Within the Model

5.1. The proposed framework does not depend upon immediately resolving every existing debate about the UAGC, capital-value rating or property differentials. Those are mechanisms for collecting revenue, which give effect to the purpose for which revenue is collected. The more fundamental question is first to determine what is being funded, who generates the cost, who receives the service or benefit, and whether redistribution is required.

Regional Funding

5.2. Regional Funding represents Auckland's common regional or overhead component. In principle, every ratepayer shares that regional system and should ultimately contribute the same dollar amount towards its rating requirement. There is therefore no long-term economic or service-based reason to differentiate Regional Funding according to property value or whether a property is residential, business, farm and lifestyle, accommodation or another use.

5.3. Movement to fully uniform Regional Funding would require transition. Under current legislation, section 21 of the Local Government (Rating) Act 2002 limits the combined revenue raised through the UAGC and most uniform targeted rates to 30 per cent of total rates revenue. Within that constraint, Council should make the maximum practicable use of uniform charging for Regional Funding, with value-based rating used only to raise any remaining requirement. As the model develops, the value-based component should progressively reduce.

5.4. A general business differential has no clear place within Regional Funding merely because businesses are considered able to pay more. Where a business or other activity creates an identifiable additional cost or receives a particular benefit, that is better addressed through the mechanism related to that cost or benefit—for example a user charge, Development Contribution, Infrastructure Levy or Facility Catchment Rate.

Local Board Area Funding

5.5. Local rating requires greater flexibility because local services genuinely differ. Rural communities may receive materially different services from urban communities, and communities may make different choices about service levels and priorities. Differentiation within a Local Board Area Rate can therefore be justified where it reflects actual differences in service provision, geography or locally determined priorities.

5.6. The Regional Equity Pool should not prevent Local Boards responding to particular deprivation, poverty or service issues within their communities. Regional equity funding provides a means of addressing significant Auckland-wide unfairness and historic disparities. It should complement, rather than displace, legitimate local decisions.

Facility Catchment Funding

5.7. Facility Catchment Rates should follow identifiable benefit. Major local or regional facilities such as transport projects, major recreational facilities, landfills or waste-to-energy facilities may serve defined catchments extending from a neighbourhood to much of Auckland.

5.8. The existing-user or beneficiary share should be funded through the relevant catchment, while the share required for future growth should be funded through Growth Funding. This allows present and future beneficiaries to contribute to the same project without either group subsidising costs properly attributable to the other.

Growth Funding

5.9. Growth charges should reflect the additional infrastructure demand created by development.

5.10. Residential growth primarily generates infrastructure requirements associated with additional households and residents. Commercial development generates additional demand associated with customers, visitors and commercial activity. Industrial development may generate employment, freight, servicing and particular transport, water or other infrastructure requirements.

5.11. Different bases and charging levels should therefore be developed for residential, commercial and industrial development.

5.12. The indicative figure of approximately **$200,000 per additional dwelling** developed in earlier analysis relates specifically to housing and the public infrastructure requirements associated with additional population. It should not automatically be applied to commercial or industrial development.

5.13. Commercial or industrial development that creates no material additional demand beyond infrastructure already provided for associated population and commercial growth should not attract an arbitrary general levy. Any additional water, transport or other infrastructure directly required by that development should instead be identified and funded as part of the project wherever practicable.

Property Differentials and Equity

5.14. Existing property classifications should therefore not automatically be reproduced across the five funding streams. They should be retained only where they identify a genuine difference in service, benefit or additional cost relevant to the particular stream.

5.15. A simple test should apply:

> **Does the classification identify a demonstrable difference in the cost imposed on, benefit received from, or service provided by that funding stream?**

5.16. Where it does, differentiated treatment may be justified. Where it does not, the differential should progressively be removed.

5.17. Broader geographic and service-level inequity should primarily be addressed transparently through expenditure decisions, particularly the Regional Equity Pool, rather than hidden within broad property classifications or general rating differentials.

5.18. Transition should be staged. Existing arrangements cannot reasonably be replaced immediately, and modelling and consultation will be required. The objective should nevertheless remain clear:

Regional overhead is shared equally; local charging reflects local services and choices; facility charging follows beneficiaries; growth funding follows additional infrastructure demand; and regional redistribution is explicit and transparent.

6. Integration of Non-Rates Revenue

6.1. The five-stream model applies to all Council funding, not only rates. Non-rates revenue—including user charges, fares, regulatory fees, investment income, government subsidies and grants—should be allocated to the funding stream that reflects the purpose of the revenue.

- Charges and fares reduce the Local Board Area or Facility Catchment funding requirement.
- Regulatory fees and investment income reduce Regional Funding.
- Government subsidies are allocated according to purpose: regional policy support, equity objectives, facility catchments or local service levels.
- Tagged government grants are applied directly to the relevant stream, including Growth Funding where grants support growth infrastructure.

6.2. Allocating non-rates revenue by purpose ensures transparency, aligns with section 101(3) of the Local Government Act 2002, and maintains the integrity of the five-stream model without requiring additional funding streams.

7. Conclusion and Recommended Action

7.1. Auckland's present rating arrangements evolved from decisions made during and after amalgamation to achieve consistency, manage transition and distribute rating impacts across a newly unified region. Those arrangements were policy choices rather than permanent requirements. They should now be reviewed because the resulting funding system no longer provides a sufficiently clear connection between the costs Council incurs, the services and benefits provided, the communities or activities that give rise to those costs, and the ratepayers ultimately required to fund them.

7.2. The proposed five-stream model provides a coherent framework for doing so. It aligns funding with purpose, strengthens local accountability, integrates growth infrastructure with existing-user funding, provides a transparent approach to regional equity and makes clearer who pays, who benefits and where expenditure occurs.

7.3. Auckland Council should comprehensively review its rating and funding policy during 2026–2027 using the five-stream framework as a basis for analysis and implementation of changes. The review should apply the five-stream framework to all Council revenue sources, including non-rates income, subsidies and grants, so that funding purpose is consistently identified across the whole system.

7.4. The review should include:

- modelling of Regional, Local Board Area and Facility Catchment funding;
- integration with Development Contributions and Infrastructure Levies;
- establishment and allocation criteria for a Regional Equity Pool;
- examination of current rating differentials against the service, benefit and cost test described above;
- service-level and asset-condition baselines;
- appropriate management information and public reporting; and
- transitional impacts on different communities and categories of ratepayer.

7.5. Local Boards should be involved early in defining local service requirements, facility catchments, local circumstances, equity needs and investment priorities. Communities should be consulted on material changes to their local funding and service arrangements.

7.6. Implementation should be staged through future Long-Term Plan and rating-policy processes so that impacts can be modelled, unintended consequences identified and transitional arrangements developed.

7.7. Council should thereafter report annually on regional and local funding, service levels, equity allocations and major facility and growth expenditure so that elected representatives and ratepayers can see whether the system is delivering the outcomes intended.

7.8. Auckland now has the institutional capability to move beyond a rating structure designed principally around regional harmonisation. The opportunity is to replace it progressively with a funding system that is transparent, proportionate, locally relevant and capable of adapting as Auckland grows.

William Foster
Chair Northern Action group Inc