

20/02/2026

Committee Secretariat
Finance and Expenditure Committee
Parliament Buildings
Wellington

Dear Members of the Committee,

Submission of Manawatū District Council on the Infrastructure Funding and Financing Amendment Bill

The Manawatū District Council (MDC) thanks the Finance and Expenditure Committee for the opportunity to provide feedback on the Infrastructure Funding and Financing Amendment Bill (the Bill).

MDC supports the objective of improving and modernising New Zealand's infrastructure funding and financing toolkit. We agree that mechanisms which enable growth-related infrastructure to be delivered in a timely manner, and to be funded by those who generate or benefit from that growth, are important. However, as the IFF framework is broadened to include additional infrastructure providers and project types, it is essential that the legislation provides proportionate safeguards for territorial authorities, particularly smaller rural and provincial councils.

Background and Interest in the Bill

The Manawatū District has a population of approximately 33,700 (Stats NZ, June 2024). Just over half of the District's population resides in Feilding, with the balance living in rural areas and smaller villages.

MDC has a direct interest in the Bill as it has the potential to influence how growth-related infrastructure is planned, funded and delivered within our district. While the Council supports the principle that growth should, to the greatest extent practicable, fund growth, we are also mindful of the practical realities facing a rural provincial authority. MDC is unlikely to use SPVs frequently due to the scale of development typically experienced in the district and the costs of setting up a SPV relative to the benefits they may offer.

In particular, MDC notes that:

- Development within our district is generally modest in scale and incremental in nature. Consequently, the scale of the infrastructure that needs funding at any given point is also modest by New Zealand standards.

- The transaction, governance and administrative costs associated with establishing a Special Purpose Vehicle (SPV) are likely to outweigh the financial benefits for projects of the scale typically experienced in our district.
- MDC has elected to retain an in-house water services delivery model. In these circumstances, the ability for a Water Service Provider to establish or operate as an SPV to shift debt off balance sheet is unlikely to materially alter MDC's financial position.
- The Manawatū District has no current significant fixed public transport assets (such as a commute rail line or dedicated busway) which would warrant the imposition of a levy on those who would benefit.

Accordingly, while the expanded IFF framework may be of limited benefit to MDC, the broadening of eligibility to include NZTA/Waka Kotahi, KiwiRail, water service providers and other entities introduces the potential for levies to be imposed within our district by external providers. Where this occurs, the impacts will be experienced locally, and councils may be expected to administer or support levy collection.

For these reasons, MDC considers that strong governance, alignment and risk allocation safeguards are essential.

Council Role, Democratic Accountability and Alignment with Local Planning

MDC acknowledges the Bill's intent to broaden the scope of the IFF Act (including through the expanded definition of Responsible Levy Authority (RLA) in new section 9A and related amendments) to enable the SPV model to be used for NZTA/Waka Kotahi projects, KiwiRail projects, other State-Owned Enterprises, and Water Service Provider organisations.

This is particularly relevant to large-scale transport, freight, water or regeneration initiatives in the wider Manawatū region. While MDC is supportive of infrastructure that enables economic development and national productivity, projects of this nature can generate significant land use change and demand for associated local infrastructure.

Where levy areas are established within a district by entities other than the territorial authority:

- The effects of levy imposition will be experienced by local property owners, some of whom may not directly benefit from, and may in some cases be adversely affected by, the infrastructure being funded.
- Councils are likely to be the primary point of contact for affected property owners and may be required to carry the costs of collecting and administering the levy, even where the infrastructure is not a council project.
- Elected members may bear reputational and accountability impacts, even where the council is not the infrastructure provider or principal decision-maker.

MDC considers it critical that levy proposals align with regional spatial planning instruments, Future Development Strategies under the NPS-UD, District Plans (or successor local plans under the Planning Act), Infrastructure Strategies and Long-Term Plans. Territorial authorities must retain a clearly defined statutory role within the levy proposal and endorsement process to ensure consistency with locally determined priorities, sequencing and community outcomes.

Decisions sought:

1. MDC recommends the Committee amend the Bill to:
 - a) Amend section 21 (as replaced by Clause 13) to require written agreement of each affected territorial authority before a levy proposal may be endorsed where the levy area falls within that authority's district, particularly where the territorial authority is expected to act as the RLA or undertake levy collection or administration functions.
 - b) Amend section 18 (as replaced by Clause 11) and section 21 (as replaced by Clause 13) to require levy proposals, including those led by NZTA/Waka Kotahi, KiwiRail or other central agencies, to demonstrate alignment with relevant regional and local planning instruments, including Regional Spatial Plans (or equivalent regional spatial strategies), Future Development Strategies under the NPS-UD, District Plans (or successor local plans under the Planning Act), Infrastructure Strategies, and Long-Term Plans.
 - c) Amend sections 18 and 32 (as replaced or amended by Clauses 11 and 22) to strengthen requirements for defining benefit, levy boundaries, and levy area rationale, to ensure transparent and defensible criteria for inclusion within levy areas.

Equity, Affordability and Benefit Testing

MDC supports the principle that those who benefit from infrastructure should contribute to its cost. However, certain infrastructure projects, particularly transport and freight projects, may generate wide network benefits while levies are applied to geographically bounded areas. Robust benefit testing and transparent boundary setting are therefore essential. MDC notes that levies are likely to be most equitable where the beneficiaries are clearly identifiable and directly connected to the infrastructure, for example, where land is physically serviced by new water or local transport infrastructure. Network-wide infrastructure may be more appropriately funded through alternative user-pays mechanisms.

MDC notes that the levy mechanisms enabled under the IFF framework (including those applied through SPVs or other infrastructure providers) may apply to both new development and existing property owners within a levy area. MDC also notes that property owners may be subject to multiple charges, including rates and targeted rates, development levies or contributions, water service charges, and IFF levies.

It is important that the interaction between these mechanisms is explicitly considered to avoid cumulative affordability impacts or unintended inequities, particularly where levies apply to existing property owners rather than only to the new development which generated the need for the new infrastructure.

MDC notes that the IFF reforms form part of a wider package of changes to growth funding, including the proposed development levies regime and expanded targeted rating tools. As these funding mechanisms may be used concurrently within the same geographic area, it is important that levy proposals clearly articulate how they interact with development levies, targeted rates and other growth charges to prevent double charging for the same infrastructure outcomes. Transparency in the allocation of costs is essential to maintain

public confidence and ensure that growth funding tools operate in a coherent and complementary manner.

The Bill's accelerated recovery mechanisms and levy ranking provisions also warrant careful consideration. Where development fails or land values decline, there is a risk that levy recovery processes could disproportionately affect long-standing property owners within a levy area. In addition, where SPV levies rank alongside rates in a rating sale, this may reduce the pool of funds available for councils to recover unpaid rates, creating financial exposure for territorial authorities.

Decisions sought:

2. MDC recommends the Committee amend the Bill to:
 - a) Amend section 18 (as replaced by Clause 11) to require levy proposals to clearly disclose how proposed IFF levies interact with development levies, targeted rates and other growth-related charges within the levy area, and to provide a plain-language public statement outlining who pays, what costs are being recovered, and the timing of those payments.
 - b) Amend section 21 (as replaced by Clause 13) and section 27 (as replaced by Clause 17) to require explicit consideration of affordability and cumulative charging impacts as part of levy endorsement and levy order recommendation processes, particularly where levies apply to existing property owners rather than solely to new development.
 - c) Amend section 76 (as replaced by Clause 42) to retain and strengthen levy remission and levy postponement mechanisms to ensure they are workable in practice and allow appropriate local discretion.
 - d) Amend sections 18, 21, 32 and 33 (as replaced or amended by Clauses 11, 13, 22 and 24) to provide clear statutory processes for review of levy boundary decisions and levy liability classifications, including clear requirements for transparency and accessible dispute resolution pathways.
 - e) Amend sections 80 and 82 (as replaced by Clauses 43 and 44), and the associated amendments to the Local Government (Rating) Act 2002 (Clauses 66–69, including new sections 75B and 75C), to clarify levy recovery and rating sale priority settings and ensure territorial authorities are not exposed to residual financial risk or reduced rates recovery where SPV levies rank alongside rates.

Council Resourcing, Cost Recovery and Risk Allocation

The Bill assumes that levy collection may be integrated into existing rating systems and expands the role of the RLA (including through new section 9A and related amendments). In practice, levy implementation can involve:

- system configuration and property flagging,
- boundary maintenance,
- customer enquiries and disputes,
- enforcement processes, and
- coordination with SPVs and other infrastructure providers.

For smaller councils, these administrative tasks represent a proportionately larger burden.

MDC considers it essential that the expansion of the IFF framework does not result in cost-shifting from central agencies or SPVs to territorial authorities. Councils should not be placed in the position of acting as unfunded collection agents or financial intermediaries for third-party infrastructure providers.

Similarly, councils should not carry residual financial risk where levy under-collection occurs, development fails to proceed, or land values fall short of expectations.

In addition, where a territorial authority administers or invoices a levy on behalf of an SPV or other infrastructure provider, billing documentation should clearly distinguish the levy from general rates and identify the entity that has imposed the levy. Transparency in rating and charging information is essential to ensure that levies imposed by third parties are not misconstrued as council-imposed rate increases. Clear separation of charges will support informed public understanding, reduce reputational risk to councils, and enhance accountability for the entity responsible for the infrastructure decision.

Decisions sought:

3. MDC recommends the Committee amend the Bill to:
 - a) Amend section 41 (as replaced by Clause 33) and related administrative provisions to require full cost recovery for territorial authorities undertaking levy administration and collection functions, including system configuration, ongoing administration, dispute resolution and enforcement costs.
 - b) Insert a new provision (following section 41 or within Part 3A of the Act) providing an express statutory protection or indemnity for territorial authorities acting as RLAs, clarifying that they do not carry financial or legal liability or residual risk for levy under-collection, non-payment, SPV insolvency, or development failure, except in cases of bad faith or negligence.
 - c) Amend sections 41, 80 and 82 (as replaced by Clauses 33, 43 and 44) to provide clear statutory direction on roles, responsibilities, information-sharing obligations and dispute escalation processes between SPVs, water service providers and territorial authorities.
 - d) Amend the administrative provisions of the Act (including sections 41, 42 and related levy assessment and invoicing provisions) to require that, where a territorial authority administers a levy on behalf of an SPV or other infrastructure provider, levy charges must be clearly and separately identified on rates assessments or invoices, including identification of the entity responsible for imposing the levy.

Treaty of Waitangi and Māori Land Considerations

MDC's district includes iwi and hapū at differing stages of Treaty settlement and includes Māori land and collectively-owned land holdings.

Long-term statutory levies applied to land may have material implications for Māori landowners and for land that may become part of future Treaty settlement redress. In

particular, levy liabilities that attach to land over extended periods may affect the value, development potential, or transfer of land subject to Treaty settlement processes.

While the Bill includes provisions relating to protected Māori land (including amendments to sections 11 and 24), MDC considers that additional clarity would assist in ensuring the IFF framework operates in a Treaty-consistent manner and avoids unintended consequences for settlement negotiations or collectively owned land.

MDC considers it important that levy proposals affecting Māori land are developed with early and meaningful engagement with affected iwi and hapū, and that the Bill provides clear guidance on how levy liabilities apply, transfer, and are enforced in practice.

Decisions sought:

4. MDC recommends the Committee amend the Bill to:
 - a) Amend section 24 (as amended by Clause 14) to strengthen requirements for early and meaningful engagement with affected iwi and hapū where levy areas include Māori land or land subject to Treaty settlement processes.
 - b) Amend sections 11 and 24 (as amended by Clauses 9 and 14), and section 18 (as replaced by Clause 11), to provide clearer statutory guidance on how levies apply to Māori freehold land and Treaty settlement assets, including how levy liabilities transfer with land and how enforcement mechanisms operate in practice.

Conclusion


MDC supports the objective of strengthening the IFF framework to enable timely delivery of infrastructure that supports growth and development.

However, for smaller rural and provincial councils, the SPV model is unlikely to be widely utilised due to scale and cost-effectiveness considerations. As the framework expands to include additional infrastructure providers, it is therefore essential that appropriate safeguards are in place to protect local democratic accountability, ensure fairness and affordability, provide full cost recovery, and clearly allocate financial risk.

MDC recommends that the Committee consider the amendments sought in this submission to ensure the IFF framework is workable, proportionate and durable for all communities, including rural-provincial districts such as the Manawatū District.

MDC does not wish to speak to this submission.

Yours sincerely



Michael Ford
Mayor