Business North Harbour

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Submission from Business North Harbour Inc.
Auckland Council Annual Budget 2017 - 18

Introduction:

Business North Harbour is a commercial and industrial business improvement district (BID), representing over 4,500 commercial property owners and businesses within the North Harbour area. They collectively employ in excess of 28,000 Aucklanders.

Our businesses comprise of a mix of Small Medium Enterprises (SME), multinational organisations representing sectors such as ICT, business services, specialist manufacturing and light – medium warehousing. In addition to the businesses, we have key educational institutions such as Unitec, Pinehurst, Kristin and Albany Primary schools – plus additional vocational institutions, all within an industrial estate, which is on average less than 20 years old.

North Harbour has been identified as an area of strategic growth to both Auckland and New Zealand.

Our primary interests are those decisions within the Auckland Council Annual Budget 2017 - 18 which:

- support or will restrict business growth opportunities
- impact on the cost of business – across a short to medium timeframe
- impact on economic development and the ability to leverage value from location
- impact on access to both regional and localised transport hubs
- impact on R&D and investment – sector development and capability
- provide the scope to leverage natural assets for economic development across leisure and tourism sectors – enhancing Auckland's reputation as the world's most liveable city

We wish to speak to our submission which follows.

Kind regards

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Consultation Questions and Our Responses

Question 1: Delivering our planned investments and services will require an average rate increase of 2.5% for 2017/18. Should we do more and have a higher rate increase (3.5%) or do less with a lower rate increase (2%)?

While the majority of respondents opted for the 2.5% increase, many questioned the need for rates increase at all – instead seeking council to look at their cost of operation and improve efficiencies further.

Noted comments questioning the delivery of the promised super city savings and promised efficiencies. Noted concerns over the duplication and lack of transparency in terms of KPI's and costs of operation within the Council Controlled Organisations.

Of those members who did support a 3.5% increase, none did so carte blanc. All required additional evidence that the funds raised would be spend on core council responsibilities – on infrastructure such as water, roading and transport – not 'nice to have's' such as art, swimming pools and sports fields. The latter was considered 'frivolous spending' at the expense of core infrastructure.

Summarised feedback: *The council had not provided enough detail on which to base the feedback. A lack of specific trade-offs across the various rate review levels did little to reflect transparency and confidence in planning. More financial detail and trade-offs required for the Long-Term Plan.*

Quoted feedback: *Why increase rates at all – what is council dong to reduce costs? We weren't consulted on no rates increase nor given the option for a reduction.*

Would like to see more targeted rates e.g. road tolls rather than general rates increase – diversification of rates e.g. transport levy.

More things need to be done in terms of infrastructure, willing to pay more (3.5%) if it gets it down properly/quicker.

Question 2: *The council has been adjusting the share of general rates between businesses and residential ratepayers over time, this has resulted in businesses having a smaller increase than residential ratepayers. We are proposing that for 2017/18 both should receive the same rates increase.*

Strongly disagree! We do not accept council's position that business places more demands on council's services such as transport and storm water. Especially the smaller businesses – who are already paying the fixed Interim Transport Levy of $183 – higher than the Interim Transport Levy for a residential property.

Once again, Auckland Council seeks to break their commitment made to business in 2012, that by 2022 the differential would be back to 25.8%. Business North Harbour opposed extending the long-term differential strategy (LTDS) in the 2016/17 budget. (*ref: Business North Harbour Submission – Auckland Council Budget 2016-17*)

Our concession would be to refer the council to the LTDS outlined in the Auckland Council 10 Year Budget – 2015-2025 which extended the deadline to the proposed 2025/26. We cannot accept a further lengthening of the LTDS to 3036/37.

Any increase in the Uniform Annual General Charge for commercially rated properties should be capped at the long-term differential strategy level – and not **averaged.**

A nominal increase for residential ratepayer's offsets disproportionately high increase for business – who provide local and regional employment for these residential ratepayers. See below the support for continuation of the business differential realignment continuing.

2.0% average increase in general rates

Capital value $	Scenario			
	Pause long-term differential strategy in 17/18		Continue with long-term differential strategy	
	Urban business $	Urban residential $	Urban business $	Urban residential $
500,000	3,934	1,696	3,895	1,704
1,000,000	7,466	2,990	7,389	3,006
2,500,000	18,063	6,872	17,869	6,912
5,000,000	35,723	13,341	35,337	13,422

2.5% average increase in general rates

Capital value $	Scenario			
	Pause long-term differential strategy in 17/18		Continue with long-term differential strategy	
	Urban business $	Urban residential $	Urban business $	Urban residential $
500,000	3,953	1,704	3,915	1,712
1,000,000	7,503	3,004	7,425	3,021
2,500,000	18,151	6,905	17,957	6,946
5,000,000	35,897	13,406	35,509	13,487

3.5% average increase in general rates

Capital value $	Scenario			
	Pause long-term differential strategy in 17/18		Continue with long-term differential strategy	
	Urban business $	Urban residential $	Urban business $	Urban residential $
500,000	3,992	1,721	3,953	1,729
1,000,000	7,576	3,034	7,497	3,050
2,500,000	18,327	6,972	18,131	7,013
5,000,000	36,246	13,536	35,854	13,618

(Tables sourced from Auckland Council: Financial Planning, Policy and Budgeting, based on budget information and property data, December 2016)

Do what you say you are going to do – when you say you are going to deliver is a common theme throughout our member feedback. More transparency and detail is required on which additional projects would be delivered if the 3.5% - or higher, level of rates increase was to be supported. Details are needed as to what projects currently projected in 2017-18 would be compromised if a 2% average rate increase was delivered.

Once again, we reinforce our position that previous commitments made to business should be honoured. There needs to be integrity in the council's financial planning strategy to enable business confidence. Business must have certainty in their short to medium plans. It is not unreasonable to ask the same of council.

We have formally requested the financial costs to our members, should the proposed pause in rating differential adjustment for 2017/18 eventuate. We have asked for the value of the increased business rates collected due to the delay in the business differential being adjusted from the original goal of 25.8% by 2022, to a proposed 2036/37 or 37/38 - based on the differential groups capital value. We have also sought clarification as to what is the percentage of total business rates revenue collected from the North Shore. We have asked the same for residential rate percentages. At the time of completing this submission, these details were not available.

Summarised feedback: *Widespread acceptance that investment in infrastructure – namely water and roading was needed. Significantly less support for 'frivolous spending' – i.e. art, parks and reserves and other non-essential items. Auckland can't claim to be the world's most liveable city if the infrastructure is substandard. Nice to have's can wait.*

Questions were asked as to what steps council were taking to address their operational shortfall before going to the voting public for additional revenue. Ratepayers are expecting Cost of Operations to be reduced – especially across staffing and external suppliers, before looking to business or residential ratepayers for increased revenue.

Quoted feedback: *Lack of confident in the rules being changed mid-stream. More costs for business and in a lot of cases, we are competing with overseas markets and competitors.*

Equity – need to follow through on own policy.

Shouldn't be stalled for political reasons and political pandering. In favour of differential being gradually altered.

Question 3: *The council spends $20-$30 million on tourism promotion and major events each year. We are proposing to fund this from a targeted rate on accommodation providers rather than general rates.*

Member feedback was varied. Most were positive about the impact of tourism in terms of economic benefit to the overall economy.

There was general support for a targeted rate and a transparent user pays system. However most were unsure that the proposed targeted rate on accommodation represented the true outcomes of tourism expenditure.

Summarised feedback: Accommodation is only a small portion of the tourism spend plus the proposed targeted rate does not consider the non-hotel/motel based accommodation providers – for example, Air BnB.

To avoid domestic travellers being penalised, collection at the time of entry to New Zealand was deemed fairer. Point of entry to capture the cruise industry also – not just air travel.

Distinction needs to be made on the purpose of the visit – tourism or business.

Quoted feedback: *This doesn't capture the number of tourists who use other facilities and the economic benefit to other retailers that tourists bring in.*

The proposed targeted rate ... will make accommodation providers ramp up the cost of rooms.

Targeted rate on accommodation will affect local businesses too. For example; costs for putting guests up who are over on business.

Given that we have a government agency charged with promoting tourism [and a senior Minister in charge], I question why Council/ATEED need to undertake tourism promotion at all. Seems to me like unnecessary duplication.

Question 4: The council is proposing to change our funding policy to allow infrastructure for new housing developments to be funded by targeted rates alongside existing growth charges, rather than ratepayers across Auckland.

Most of the respondents were in favour of encouraging the release of land for development. Provided that by increasing costs through a targeted rate, to those developers who are retaining land, was supported by robust evidence. However, there was some scepticism that this was simply an opportunity for Auckland Council to pass on additional charges to developers – for infrastructure currently provided by council.

Further concerns raised focused on the transfer of any additional charges back to the end user, and will increase the costs to the eventual buyer. The developer will not be penalised – the home owner will end up bearing the costs.

We accept that Auckland Council forecasts the potential location and associated infrastructure investments to support growth and that this is reflected in the Long-term Plan 2015-2025. A range of other strategy documents take a longer view: Auckland Plan; Infrastructure Strategy; Future Urban Land Supply Strategy and the three year Auckland Council Contributions Policy, (1 July 2015 – 30 June 2018).

Primary concern was that any revenue raised through a housing infrastructure targeted rate would be added to a central budget and not be held for projects which mitigate the impact of growth, locally. Sourced from **Auckland Council's Contributions Policy 2015**, below are the key transport planned projects for the NORTH funding area.

Activity (Planned Projects)	Funding Area	Project Name	Planned Capital Expenditure	Planned capital expenditure funding from development contributions	Planned capital expenditure funding from other sources
Transport	North	Albany Highway Upgrade	37,658,504	16,193,157	21,465,347
Transport	North	Northern Busway (Add Stations)	6,420,203	706,222	5,713,981
Transport	North	Park n Ride Silverdale-Stg 2	6,052,722	665,799	5,386,923
Transport	North	Penlink Toll Road	1,257,876	201,260	1,056,616
Transport	North	Taharoto/Wairau - Stage 3	4,256,396	2,383,581	1,872,814
Transport	North	Warkworth Western Collector	3,371,846	1,011,554	2,360,292
		Totals NORTH	**59,017,547**	**21,161,573**	**37,855,973**
		Totals Auckland	**5,620,670,991**	**2,245,579,521**	**3,375,091,470**
		Percentage	1.050%	0.942%	1.121%

Further details are available here of the historic and transition project which have been identified by Auckland Council to which Development Contributions will be applied:
http://www.aucklandcouncil.govt.nz/EN/ratesbuildingproperty/developmentfinancialcontributions/Documents/schedule8assetsfundeddevelopmentcontributions.pdf

Summarised feedback: *Insufficient and incomplete information provided, making an informed decision difficult.*

The annual plan is not the right forum for changing rating policy. A more robust consultation needs to take place as part of the 2018-28 Long Term Plan. We are concerned as to the level of funding generated versus the funding allocated to enable continued economic growth.

Question 5: *The council is proposing to implement a living wage policy over the council term ending October 2019 to ensure all council staff can afford typical living costs. This would be funded from savings within the existing budgets.*

Many submitters questioned the role of the ratepayers and Auckland councillors in deciding the level of remuneration for Council staff. They felt it should be the role of the CEO or Department Heads to balance their HR requirements within their operational budgets.

Summarised feedback: Whilst sympathetic, and commending council on their social responsibility, it was noted that many ratepayers do not receive the living wage, but are being asked to support council staff being paid higher than their own income. Other industry sectors such as teachers and police should also get living wage – not just council staff. These vital workers share the same higher Auckland living costs.

Expressed concern as to council's overall staffing levels, the use of contracted (perceived expensive) personnel, and the salaries paid to Council executives. Most expressed concerns as to the efficiency of the local government service. Require Auckland Council to streamline their services and increase the output of their staff.

Quoted feedback: *As part of this, council should be maximising opportunities to outsource work and contracts to local businesses; possibly contingent on the living wage being paid to their employees. That way, the private sector can "lead the charge" towards a living wage, rather than the ratepayers. In our area of IT, council's record of involving the local businesses is abysmally poor!*

This is a political move which will drive wages across all business – and increase costs to businesses....

Council should get a subsidy from the Government to help pay for the living wage instead of it coming from the local ratepayer.

Question 6a: Our feedback relates to the **Upper Harbour Local Board.**

Question 6b: *In your opinion, have we got our priorities right for this local board area in 2017/2018?*

We partially support the priorities published for Upper Harbour Local Board, which are non-contentious.

ATEED must contribute to, support, and deliver, localised economic initiatives. And they must be held accountable for delivering accountable projects within the Upper Harbour Local Board area.

The absence of any specific projects for ATEED to deliver we believe is a major oversight. Especially given that the area incorporates one of Auckland's major commercial and industrial hubs. That hub - the North Harbour Business Improvement District, delivers employment to 28,000.

Further comments:
Business Improvement District (BID) Targeted Rates:

The 48 Business Improvement District's across Auckland are directly accountable and responsible to their members for their BID targeted rate level and how it is expended. North Harbour Business Improvement District (NHBID)'s targeted rate has been approved by our members through the Annual General Meeting process. The amount approved for the 2017/18 period is $657,734.