Submission to Auckland Council Annual Budget 2017
Business Improvement Districts

Background

Auckland's Business Improvement Districts (or 'BIDs') are 48 areas across the region where local businesses have agreed to work together, with support from Auckland Council, to improve their business environment and attract new businesses and customers. They collectively represent 25,000 businesses and business land owners.

The funding for their initiatives comes from BID targeted rates, which the businesses within a set boundary have voted for and agreed to pay to fund BID projects and activities. Many BIDs also supplement the targeted rates with other self-generated revenue, such as advertising and sponsorship.

As incorporated societies, BIDs are independent of Auckland Council and accountable to their members. BID's play an important role in local and regional decision-making processes as the voice of local business.

This is the first time that the 48 BIDs have collectively sought to speak to an Annual Budget hearing and whilst most BIDs are in overall agreement with this submission, our independence and accountability to our members means some differences of view remain amongst us. Most BIDs will also make individual submissions highlighting their own specific views to the Council and their Local Boards.

Feedback

Your Consultation Document, *Tahua ā-Tau – Annual Budget 2017/2018*, seeks feedback on five main issues: (1) rates increases; (2) rating stability; (3) paying for tourism promotion; (4) paying for housing infrastructure; and (5) paying Council staff a living wage. In addition to giving feedback on these matters, we also wish to provide feedback in support of the BID targeted rates.

(1) Rates Increases

Your Consultation Document notes that Council had previously projected an average rates increase of 3.5 per cent for 2017/2018. However, additional savings (primarily related to inflation, interest costs and the timing of capital projects) will allow delivery of the same activities for about $15 million less. This could be used to reduce the rates increase from 3.5 per cent to 2.5 per cent. There is also an option of only a 2.0 per cent rates increase. With regard to the Uniform Annual General Charge (UAGC), Council proposes this remain at a proportion of 13.4% of the general rate (and rise to $408, $404 or $402 if rates rise to 3.5%, 2.5% or 2.0%).[1]

Our feedback is that what businesses need most from Council is a reasonable, transparent and stable approach to rates.

At the outset, we would have to say that your *Consultation Document* is not especially clear about what trade offs are involved between the three options for general rates increases - and also the pause in the business differential.

We also believe there are more savings available to the Council than $15M. We would like the Council to focus more on efficiencies and savings and less on introducing new revenue sources. As Council acknowledges, inflation rates are forecast to remain low. In addition, the cost index for

[1] *Auckland Council Annual Budget 2017/2018 Supporting Information*, page 6.

local authorities has been forecast to remain low.[2] Businesses are also continuing to contribute this year through the Interim Transport Levy.

Finally on this issue, we recognise that any increase in the UAGC places a greater burden on small businesses.

(2) Rating Stability

Your Consultation Document says that the Council considers that businesses should pay a greater share of rates than residential properties, but that the present share is too high and should be reduced gradually over time. Council's current policy is to achieve this by applying a higher than average rates increase to residential ratepayers each year, and a lower than average increase to business ratepayers. However, Council's preferred option for this Annual Budget, to keep rates stable, is to <u>pause the policy of gradually lowering business rates for one year</u>. The Council also says that the reasons for the business differential are that businesses make more use of, or place more demands on, council services like transport and stormwater, and are better able to afford rates as they can claim back GST and rates can be claimed as an expense against income.

Our feedback is that the business rates reduction should continue.

We do not accept the reasons given by Auckland Council that require businesses to pay significantly more rates, particularly small businesses who make up most businesses in Auckland. Businesses do not make more use of, or place more demands on, council services like transport and stormwater when compared to residents. Being able to claim back the GST on rates, or claim rates as an expense, does not justify the extent of the business differential. The Shand Report on *Funding Local Government* recommended against rating differentials.

We also do not accept Council's views that the variations in rates increases in recent years or the variations likely from future property revaluations will create instability such that the share of rates paid by businesses should not continue to be reduced. As Auckland Council itself accepts, the present share of rates paid by businesses is too high and must be reduced over time.

Auckland businesses pay 2.73 times more rates than other ratepayers, or around $150 million more. By comparison, Tauranga City Council has no business rates differential at all.

(3) Paying for tourism promotion

Your Consultation Document says that the council currently spends around $30 million of general rates each year on tourism promotion and major events, which you say provides significant benefits to accommodation providers such as hotels and motels. To continue to support Auckland's rapid tourism growth while keeping rates fair and affordable, Council is proposing to fund tourism promotion costs from a targeted rate on accommodation providers. If this new approach is approved, Council would create a new group including industry representatives to provide direction on how the money is spent.

Our feedback is that the visitor levy should not be introduced.

Accommodation providers both locally and regionally have advised us that they do not accept that they should fund ATEED's tourism promotion and event costs from a targeted rate.

For some accommodation providers this will result in a rates increase of 250 per cent or more and for many, a doubling of already significant rates. This contradicts the Council's view that there should be rates stability.

Accommodation providers have also advised us that it is unfair to shift the rates burden to them when only around 10% of the total visitor spend is on commercial accommodation.

We also believe the Annual Budget year is not the right time to hold a discussion on a significant new policy and rating instrument. This is more properly a discussion left for the Long Term Plan.

---

[2] Reserve Bank of New Zealand and BERL, *Forecasts of Price Level Change Adjustors – 2015 Update: Note to Society of Local Government Managers* (September 2015), page 15.

Finally, we also ask that Council spending on tourism promotion and event costs be carefully scrutinised to ensure the returns justify the investment.

(4) Paying for housing infrastructure

Your Consultation Document says that Council needs new ways to pay for all the costs involved in unlocking additional land for houses, such as roads, drains, water supply and sewerage, without the need for large increases in general rates. At this stage, the proposal is to amend Council's Revenue and Financing policy to allow Council to introduce a specific targeted rate in partnership with key landowners as part of a comprehensive development agreement.

Our feedback is that this proposal is not suitable for an Annual Budget, but should properly be a discussion left for the Long Term Plan.

We have concerns from the information provided that this proposal has not been well developed nor properly explained to the community. While the *Consultation Document* frames the proposal in one way, the *Supporting Information* seems to frame it differently.

Again, we believe the Annual Budget is not the right time in the planning cycle to hold a discussion on a significant new policy and rating instrument. This is more properly a discussion left for the Long Term Plan.

(5) Paying Council staff a living wage

Your Consultation Document says that a living wage is the income necessary to provide workers and their families with the basic necessities of life. It is currently $19.80 per hour and may increase to around $20.20 per hour in 2017/2018. At present around 2,200 staff employed by the council and its substantive council-controlled organisations (CCOs) earn less than $20.20 per hour. The proposal is to introduce a living wage for Council staff without the need for higher rate increases.

Our feedback is that most BIDs have concerns with Council's proposal for Living Wage.

We understand that at the core of the Mayor's concern is that the least remunerated of Council employees should be paid more. Many BIDs believe this is an issue for central government to address and not Auckland Council.

Even if this were to be a matter for the Council, most BIDs believe the level of remuneration and employment conditions of staff falls within the ambit of the CEO, not the elected members of the Council.

Finally, in terms of where we believe your focus should lie, most BIDs would encourage the Mayor and elected members to ensure that Council management is delivering services in the most efficient and cost-effective way.

(6) BID targeted rates

BIDs are directly accountable and responsible to their members for the amount of their BID targeted rate and how it is expended.

Our feedback is that we support the levels of BID targeted rate set out in the Annual Budget.

We support the BID targeted rates identified in the Annual Budget that were agreed to by BID members at Annual General Meetings. The BIDs will use these funds to improve their local business environments and attract new businesses and customers in a way that is directly accountable to their members.