



Thank you for the opportunity to comment on the proposed Annual Budget 2017/2018.

Question 1: Rates increases

- It should already be well understood from various past forums including recent election meetings that the community wants rates to be held to 2% or below, and for this to be largely achieved by eliminating some of the waste in current Council expenditure. The Mayor stood on a platform aligned to this wish, and we now expect him to deliver.
- It is accepted that more can be done if rates increase by a greater amount, but until the Council demonstrates that it is able to control its own expenditure, the community is reluctant to trust the Council with further above-CPI increases.
- With the difference between 2.0% and 2.5% only \$8M, we believe it is very possible to achieve all the work from the 2.5% budget while limiting rates increases to 2.0%, by finding savings in overheads and operational expenditure. Such an approach forces budget disciplines that are standard practice in private organisations, yet sadly missing in councils.
- We note that the \$8M difference is only just over 1% of the wages budget, illustrating how even very small changes can achieve the level of savings required.

Question 2. Rating stability

- We believe it is only fair that those who choose to use communally provided services (ie Council services) to make a profit should pay more for those services than those who must use those services simply to live. Previous plans to reduce business rates at the expense of residential ratepayers are misguided and do not reflect what people want.
- Rates are typically a relatively small part of a business's costs and have little impact on business decisions, whereas rates in our area are typically one of the largest components of a retired resident's costs with potentially huge impact on their quality of life. Businesses can deduct rates from their taxes reducing the impact further.
- Auckland is growing sufficiently quickly already that we do not need to subsidise businesses to come to Auckland; this merely perpetuates the excessive growth and associated growing pains that existing residents are forced to endure.
- We absolutely reject the concept of increasing rates for residents at a higher rate than for businesses.

Question 3. Paying for tourism promotion

- The fundamental principle here must be that those that benefit from a service should pay for it unless there is a good reason not to. This is particularly true when the services are used to make a profit.
- Residents have accepted user-pays for water and other services, even though they do not stand to make money from using the services. Conversely, businesses in the tourism sector are not held to the same standard for tourism promotion which directly benefits them and improves their profits.
- Why do we spread the costs of tourism promotion over the whole community when it benefits only a relatively narrow slice of the community? Very few people in Mission Bay or Kohimarama see any benefit from tourism, and yet are forced to pay for its promotion in their rates. Even if you argue that residents receive indirect benefits, surely that suggests that the costs should also be recouped indirectly, ie through event organisers passing on the targeted rates in their prices or hotels passing on the additional costs in their room rates.

- While we recognise that it will be very difficult to make such a charge fair and equitable, we believe the principle is absolutely clear. The current system is clearly not fair or equitable, and so change is overdue.

Question 4. Paying for housing infrastructure

- Once again, the underlying principle must be that those who benefit from a service should pay for it. Again, this is particularly true when the services produce a profit for the user.
- Developers already pay a developer charge which is intended to cover the costs of infrastructure requirements, but this approach has significant flaws where major infrastructure developments are required, or where land remains connected but undeveloped.
- We would support a targeted rate to deal with these shortcomings in the current system.
- We also believe that Central Government has a significant role in funding Auckland's infrastructure growth. The high cost of housing and the productivity losses resulting from congestion act as a drag on the whole of New Zealand. There are numerous studies evaluating the cost of Auckland's traffic congestion on the NZ economy; surely investment into solving these problems would be a good investment. We therefore believe that continued efforts should be made to lobby government for a more equitable approach.
- Some of the problems are created by a piecemeal approach, with relatively small opportunistic developments popping up in less than optimal locations. We believe that the city would benefit from the Council taking a more proactive role to drive development in the best areas in cooperation with developers rather than simply reacting to developer requests.

Question 5. Paying Council staff a living wage

General

- While the documentation indicates that no additional rates increase is required for this policy because it will be funded through internal savings, this is misleading because those internal savings could have been used to reduce rates increases. Internal savings should be separately identified and then applied to whatever is the highest priority across the entire budget, whether this is rates reduction, new projects or paying a living wage. We note that the amount required to pay a living wage is approximately the same as the difference between the 2.0% and 2.5% rates increases.
- If the Council adopts the living wage, then we strongly believe that the costs associated with this social subsidy be separately identified and tracked. It is all too easy for essential costs and subsidies to become mixed, so that over time we have no idea how much this social subsidy is costing us.
- We believe that there is not a single overwhelming view of this issue in the community, and so we present both views as we understand them.

View 1

- We expect our Council to provide services efficiently, to a high standard, and cost-effectively.
- That means that when the Council purchases supplies or services, we assume the Council looks for the best price that meets their needs. Ratepayers would be horrified if the Council were to go to tender and then choose a price 25% higher than another for the same product.
- We therefore ask the question, why would the Council pay 25% more for the same labour if they are already able to hire the right people with the right skills at the current rates?
- It seems the idea is that this is a form of social benefit or subsidy intended to address income inequality, rather than a business decision. If so, is it fair for ratepayers to effectively subsidise social services, especially when this is clearly defined as a Central Government role?
- If the Council make a credible business case to show that paying higher wages will improve productivity or quality so that the increases pay for themselves, then we would support that as a good way to drive efficiency improvements. That would probably require job cuts equal or greater to the wage increase, but the Council has given no indication that such job reductions are expected.
- If, as we suspect, the Council simply wants the ratepayers to subsidise the wages of low income workers, then we strongly disagree.

- We point out that many of our residents are superannuitants, living on around \$30,000 per couple. This is directly equivalent to the minimum wage. They wonder why the Council believes employees cannot live on \$30,000 per year, but superannuitants not only can, but also have sufficient to pay above CPI rates increases year after year.

View 2

- There is, however, an alternative view held by portions of the community.
- We recognise the difficulty of living on the minimum wage for many people. The Council is one of Auckland's largest employers and is in a good position to take a leadership role on paying wages sufficient to support an acceptable lifestyle.
- This is not an issue of budget efficiency, but one of social inequity, and the Council has an ability to influence this.

View 3

- There is a subset of the first view that says 'go for it', but fund it from equivalent reductions in rate increases for staff on well above the living wage, senior executives in particular.
- If the Council is attempting to address the problem of income inequality, there is equal justification for reducing top end salaries as well as topping up low end wages. In this manner, the policy could be designed to be cost-neutral and be even more effective in addressing income inequality.

General

Overall, we expect the Council to demonstrate prudent financial management. No expenditure should be made unless it can be demonstrated that it brings a net benefit to ratepayers. And when a net benefit can be shown, the costs should, as far as reasonably practical, be charged to those who stand to gain from the expenditure.

We remind you that all mayoral candidates and most councillors stood on the basis of reducing financial waste within Council. We believe that the Budget should therefore demonstrate a reduction in cost in large parts of the operations budget, and that these savings should then allow more capital or other work to be undertaken without increasing rates. We strongly urge the Council to establish KPIs to best measure this over the long term. For example, one KPI might break out headcount costs and show a waterfall illustrating cost increases from wage increases, costs increases from increased scope of work, and cost reductions from efficiency gains. That could then be linked to goals such as a 5% reduction in staff and contractor labour costs year on year. Right now we get told that the Council has made huge savings, but they are embedded in the numbers which overall keep going up. This lacks credibility or the potential for accountability.

We do not want to sound entirely negative or always wanting someone else to pay for everything, but the reality is that we believe the Council is and has been out of control financially for a long time, treating residential ratepayers as an unlimited source of funding for an uncontrolled corporate lifestyle. Fix this, and there may be a more positive attitude to Budget issues in the future.

Yours sincerely



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