

SUBMISSION BY THE AUCKLAND BUSINESS CHAMBER ON THE AUCKLAND COUNCIL EMERGENCY BUDGET 2020-21 CONSULTATION DOCUMENT

INTRODUCTION

1. The Auckland Business Chamber appreciates the opportunity to make a submission on the Auckland Council Emergency Budget Consultation document (Emergency Budget).

Address for service:

- To Chamber Chief Executive, Michael Barnett; Email: mbarnett@chamber.co.nz; Phone 0275 631150.
2. The Auckland Business Chamber has a significant corporate membership, including many businesses that expect their views to be forcefully represented in this Submission.
 3. The Chamber is dedicated to the strengthening of Auckland's status as New Zealand's leading business centre and to assisting its development as a desirable environment for its 1.7 million citizens. To this end, the Chamber has sought to establish a partnership relationship with central and local government to help achieve shared delivery of these objectives for Auckland.

SUBMISSION

4. Leading COVID-19 community recovery should be Auckland Council's key role and responsibility.
5. Focusing on the purpose of local government – i.e. to enable local democratic decision-making on behalf of communities and promote community well-being – the Emergency Budget debate should be focused on how we can optimise the assets we have, employ new funding and financing tools to attract more investment, deliver more jobs and an improved quality life style (i.e. well-being) for all who live, work and visit Auckland.
6. Consistent with this basic principle, the Emergency Budget should focus councillors' decision-making on mitigating the impact on ratepayers of council operations including rates.
7. But Council hasn't done this. Instead of offering ratepayers the choice of a zero-rate increase or the option of postponing their total rates for up to 3-or-5 years as an immediate contribution to manage what for many will be a tough post-COVID-19 business/ personal financial situation, Council offers (just) a single two-part option – a rate increase of 2.5 or a rate increase of 3.5 percent.
8. Council claims it cannot contemplate a zero-rates rise as the short- and long-term effects on the city would be too devastating.

9. No other options are looked at, including its role and responsibility to work with central government to be a full partner in the development and implementation of Auckland's quality of life and improved standard of living.
10. An innovative Council (doing its job) would treat COVID-19 'emergency' as an *opportunity* to do something different.
11. Why hasn't this happened? The Chamber has for years believed that Council's governance and funding model is not fit-for-purpose.
12. Council has for years run close to its debt limit of 270 percent of its income, accepted by global rating agencies Standard & Poors and Moodys to maintain its 'AA' rating alongside other New Zealand councils under membership of the Local Government Funding Agency (LGFA).
13. Nonetheless the 'emergency' cuts made by Council anticipate the debt level rising to 290 percent in 2020-21 before settling back to its maximum of 270. Without the cuts, Council claim debt would increase to 300 percent next year and stay above 270 for four years.
14. While Council says Standard & Poors and Moodys have indicated tolerance for a short-term breach, Mayor Goff believes a four to five-year breach would imperil future borrowing and raise costs prohibitively. We see no evidence supporting both these views. Aucklanders would like to see what Standard & Poors and Moodys have said, and evidence of why a four to five-year breach would imperil future borrowing and raise costs prohibitively.
15. And anyway, there is plenty of action Council could quickly take to reduce its tight debt-to-revenue situation.
16. The Chamber requested a robust and searching review of Council's internal cost structures before finalising the 2019-20 Budget, arguing that a zero-based review is a reasonable business-like step for Council to undertake in order to get back to a better debt-to-revenue level. Rate payers would see the results reflected in the Budget.
17. Over the past 10-years (since Council was formed) more than a billion dollars in savings has been found, but there is still a widespread view that further efficiencies could be made and alternative funding options applied.

Search for "efficiencies"

18. A greater and more transparent effort is required to reduce 'non-core' services and eliminate wastage – to focus council services and staffing (including CCOs) squarely on faster delivery of services; e.g. timeliness of consents in a business-like way and the speed of action to address Auckland's water shortage.
19. Positioning Council to be seen as performing in a business-like way in managing Council's finances – i.e. debt, rate and other revenue options and the asset base – to deliver a greater return and leverage for Aucklanders.
20. The outcome should be a culture change across the whole organisation to one of "we are here to help" and get things done that all citizens are prepared to pay for; to replace 'nice to have' with a 'need to have' culture.

21. This search requires Council's staff numbers, costs and salaries to be streamlined and realigned.

Search for 'alternative' funding tools

22. User charging is another tool that would give Council the means to efficiently fund the costs of growth, and would be especially helpful to take the pressure from rate payers alone carrying the cost of paying for and managing growth.

Search for 'fairer' methods than using ratepayers as 'cash cows' to pay for services

23. There is a huge unfairness that Auckland's approximate 600,000 rate payers – residential and business alike – have to subsidise the services and to some extent lifestyles of Auckland's more than one million Aucklanders who don't pay rates but are big users of council's services.
24. Many services proposed in the Emergency Budget – from transport to community facilities – are not used by rate payers. Meanwhile many others are not paying for the services they benefit from. This unfairness needs addressing.
25. There can be little doubt that relying on property rates for funding a Budget is both resulting in uncomfortably low perceptions of local government performance – see, for example, Local Government New Zealand's 2017 survey – and lower than needed investment in critical services, despite the total revenue obtained being comparatively small.

Seek better use of central government support and money

26. Another way to reduce ratepayer and wider community costs is to seek better use of central government support and money, to fund actions Auckland needs – to replace 'nice to have' with 'need to have'.
27. Under Section 15 of the Local Government Borrowing Act 2011, the Crown may lend money to the Local Government Funding Agency under which Council as a member – along with other New Zealand councils – secures its global 'AA' rating by agencies such as Standard & Poors and Moodys.
28. The 2011 Act states that the Crown can lend money to the Funding Agency when the Minister considers it necessary to meet an exceptional and temporary liquidity shortfall.
29. Given Council's reluctance or inability to quickly introduce a user pay culture, the COVID-19 'emergency' is an ideal situation to base an application to Government for a low-interest loan to cover the Emergency Budget shortfall.
30. The Emergency Budget mentions that Council has submitted an application for a long list of 'shovel ready' infrastructure projects. On a population-share basis around \$1 billion of the \$3 billion new money should come to Auckland – money that could offset cuts proposed in the Emergency Budget and reduce the proposed rate 2.5 or 3.5 percent rate increase?
31. Stating in the Emergency Budget a probability that Government will invest in some of the "shovel ready" projects Council has identified but that it can't rely on this is not best practice.

32. The Chamber suggests there is a case for Council to join forces with other councils to seek to use Section 15 of the Borrowing Act to help meet not just Auckland's \$500 million hole but the full \$1 billion loss of revenue faced by other councils.
33. In responding to COVIT-19, Government took steps to increase its debt level from around 20 percent of GDP to up to 50 percent of GDP. Surely, a billion-dollar loan to help council's deal with the 'emergency' is a consistent step in parallel to the support provided to secure private sector jobs and business activity.

CONCLUDING COMMENTS

34. Potentially, the Emergency Budget should be a success for elected members, the Mayor and the Administration, and also the confidence of central government.
35. As the document stands, it will be difficult to convince ratepayers, the wider community or central government that it is fit-for-purpose in a post-COVIT-19 world.
36. Auckland has for too long been run with a deep-seated financial problem. It is time to change to a city that captures more money and makes innovative use of its huge asset base and private sector resources.
37. Council has ignored requests for years to address charges of being bloated with costs and become more efficient, so switching to get on top of its growing pains means it has to move out of its comfort zone.
38. The Chamber speaks for a wide constituency and many businesses who have changed to a new situation and found it to be more rewarding than staying with the old way.
39. Our suggestions and recommendations to the Emergency Budget are put forward in a positive spirit of continuous improvement to the City's governance. We look forward to their inclusion in the finalised document.

Michael Barnett
Chief Executive

16 June 2020