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## Other rates policy issues

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### Purpose

1. This report considers the feedback received on the proposed changes to the other rates policy issues consulted on for the Annual Budget 2017/2018, and advises on the adoption of changes. The rates increase for 2017/2018, rating stability and the proposed accommodation provider targeted rate are discussed in other reports on this agenda.

### Executive Summary

#### *Other proposed changes to rating policy*

2. The Consultation Document sought the communities views on the:

- standardisation of waste management services and charges
- changes to business improvement districts (BIDs).

#### *Standardisation of waste management charges and services*

3. The council proposes to standardise waste management rates for base services at \$102 per property. As all areas are now being offered the same service the charge should be set at the same level. This will mean small increases in some former council areas and decreases in others.
4. The standardised recycling service will offer a choice of bin size; 120 litre, 240 litre or 360 litre. Because all customers will be able to manage normal residential recycling volumes with the option of a 360 litre bin it is proposed to:
  - introduce a charge of \$62 per annum where an additional recycling bin is requested (this was previously free in some areas):
  - remove the free cardboard collection offered in some commercial areas in the former Waitakere, North Shore and Rodney.
5. A rates funded, 120 litre bin refuse collection service is being introduced in the former Manukau City Council area to replace the current bag pick up. This will improve current issues related to ripped bags, littering, health and safety and encourage greater recycling and waste minimisation. Residents will be able to request a 240 litre bin instead of a 120 litre bin for an additional charge of \$55 per annum. The larger bin service will only be available in the former Manukau City Council area (in 2017/2018) and the former Auckland City Council area (in 2018/2019).

#### *Business improvement district rates*

6. Expansions to the Manukau, Uptown and Wiri business improvement districts were proposed by the relevant business associations. The proposals were all supported in a ballot of members.

#### *Feedback*

7. Only very limited feedback was received from consultation on these proposals and was generally in support. The relevant local boards supported the BID proposals in the consultation materials.

### Recommendations

8. Staff recommend that the following proposals be adopted:
  - i) standardisation of waste management services and charges
  - ii) expansions of the Manukau, Uptown and Wiri business improvement districts.

### Comments

#### *Decision making criteria*

9. In making decisions on the matters in this report the council is required to consider feedback from consultation, the principles in the Revenue and financing policy and the Local Government Act 2002.

*Feedback*

10. Feedback from consultation on the proposals discussed in this report was summarised in detail in the report to the Finance and Performance Committee workshop of 26 April entitled “Annual Budget 2017/2018 Consultation – Summary of feedback”. Local board feedback on the Annual Budget is set out in the report “Annual Budget 2017/2018 - local board feedback” also on this agenda. Local board views on the rating issues are summarised in each section of this report.

## **Standardising waste management services and charges**

*Proposal*

11. The council proposed steps to implement further standardisation of regional waste management services and charges. The proposed changes to services and charges are discussed below.

*Proposal and Analysis: Standard rate for base services*

12. The council sought the community’s views on:

- waste management rate for base services at \$102 per property (or per service) to cover the cost of recycling, inorganic collection and other regional services
- waste management rate for refuse service at \$117 per property (or per service) to cover the cost of a standard 120 litre refuse collection in the former Auckland City and Manukau City areas

13. The base services are; recycling, inorganic collection, community recycling centres and the Hauraki Gulf Islands subsidy. The impact of the proposed 2017/2018 base charge is set out in the table below.

14.

Waste management rates							
Waste management rate	Former council area						
	Rodney (incl. GST) (\$)	North Shore (incl. GST) (\$)	Waitakere (incl. GST) (\$)	Auckland (incl. GST) (\$)	Manukau (incl. GST) (\$)	Papakura (incl. GST) (\$)	Franklin (incl. GST) (\$)
2016/2017	106.51	91.49	91.49	232.72	232.72	104.69	
Proposed base charge 2017/2018	101.63						
Proposed refuse rate 2017/2018	n/a			117.02		n/a	
Change in rates	-4.88	+10.14		-14.07		-3.06	
Estimated cost for the average household using bag service <sup>1</sup>	135 <sup>2</sup>	135		n/a		135	
<b>Total cost for average household</b>	<b>236.63</b>	<b>236.63</b>		<b>218.65</b>		<b>236.63</b>	

Notes to the table:

- Estimated average cost is based on the current council bag price (\$2.30) and average bag usage per household per year (58.7 bags).
- Information on Rodney is limited as the council does not provide a refuse service in the area. The average bag cost in Rodney is estimated based on the bag price and the average bag usage in areas serviced by the council.
- The costs of service provision are very similar across the region. The table below shows the estimated cost of providing base waste services in each of the former council areas for the 2017/2018 year. The costs no longer provide an exact match to the former council areas. The council now enters into contracts on the most efficient geographic basis for service provision.

	Estimated base waste management costs by former council area (excluding refuse) 2017/2018					
	Rodney	North Shore	Waitakere	ACC	MCC	Papakura Franklin
<b>Costs per property Including GST</b>	\$110.98	\$102.13	\$103.93	\$97.87	\$95.34	\$104.30

- The variations in cost are driven in part by the time at which the contracts were entered into reflecting possible movements in costs. Some variation between areas due to timing issues will also occur in the future. Contracts in the Rodney and Franklin areas also contain some rural service which has slightly higher costs. Overall the variation in costs is small and doesn't support setting separate prices on an area basis.
- The only area where costs are substantially different are on the Hauraki Gulf Islands. The council has previously decided to subsidise these residents. All other ratepayers make a contribution towards the Hauraki Gulf Islands subsidy of around \$5.60 in their base charge.

18. The only alternative option is to retain the current disparate charges. The costs are not materially different between areas and may still vary within areas for individual properties. Staff do not consider that it would be equitable to set differing charges geographically.
19. Staff recommend adoption of the proposal to set a standard charge for base waste management services.

*Analysis: Changes to rates funded refuse collection in Manukau*

20. The council sought the community's views on:

- rates funded, 120 litre bin refuse collection service in the former Manukau City Council area to replace the current bag pick up
- an additional charge of \$55 per annum for a larger 240 litre refuse bin in the former Manukau City Council area (in 2017/2018) and the former Auckland City Council area (in 2018/2019).

21. The charge for the larger 240 litre bin will be applied to the rates bill. When a 240 litre bin is requested after the rates have been set for the year the ratepayer will be sent a pro-rata invoice for the period (this will not be a rate as a rate can only be set as part of an annual or long-term plan). Their rates will be adjusted to include the charge for the following year. Tenants will require the agreement of the property owner to secure an extra bin. The Residential Tenancies Act 1986 precludes landlords from passing on this rate to the tenant.
22. At present rubbish collection in the Manukau area is a rates funded bag collection service. There is no limit on the number of bags and the type of bags that can be put out for collection. Households in the legacy Manukau area generate the highest amount of rubbish per household.
23. Previous experience shows the majority of residents will be able to manage with the new 120 litre bins. Moving to a 120 litre bin will encourage residents to recycle more and not to use the refuse bin for green waste. In 2001/2002 Auckland City moved from a 240 litre bin for refuse to a 120 litre bin and refuse tonnes fell by 35 per cent<sup>1</sup>. Illegal dumping rose in the year following implementation then reduced to previous levels the year after and has subsequently fallen further. Council staff have put in place plans to manage this. A similar change in household waste management in Manukau would reduce the average refuse tonnage per person to a similar level to that observed in the former Auckland City Council area.
24. The alternative is to provide a larger bin free of charge. Providing a larger bin at not cost would eliminate any incentive to manage refuse volumes by recycling and other means. This option was rejected because the refuse needs of nearly all properties can be met with a 120 litre bin as evidenced by the historical performance of the changeover in the former Auckland City. Where a ratepayer still needs a larger bin they should meet the additional cost.
25. Staff recommend adoption of the proposals.

*Analysis: Standardisation of recycling services and charges*

26. The council sought the community's views on:

- standardised recycling service offering a choice of bin size; 120 litre, 240 litre or 360 litre
- removal of the free cardboard collection offered in some commercial areas in the former Waitakere, North Shore and Rodney
- a charge of \$62 per annum where an additional recycling bin is requested (this was previously free in some areas).

27. A standardised recycling service using a 240 litre bin has been introduced across the region. A choice of bin sizes, 120 litre, 240 litre or 360 litre, was made available in Rodney, North Shore, Waitakere, and rural Franklin in 2016/2017. Choice of the bin size will be rolled out in Auckland city, Manukau, Papakura and urban Franklin over the next two years (2017/18 and 2018/2019).

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<sup>1</sup> There was an initial increase in illegal dumping in the following year which reduced to previous levels the year after and has subsequently fallen further.

28. The charge for provision of an extra recycling bin will be introduced in areas where the properties have a choice of bin sizes. The charge for the extra recycling bin will be applied to the rates bill. When an extra bin is requested after the rates have been set for the year the ratepayer will be sent a pro-rata invoice for the period (this will not be a rate as a rate can only be set as part of an annual or long-term plan). Rates will be adjusted to include the charge for the following year. Tenants will require the agreement of the property owner to secure an extra recycling bin. The Residential Tenancies Act 1986 precludes landlords from passing on this rate to the tenant. At present there is no charge for an additional recycling bin except in the former Auckland City Council area.
29. The council considers that most of the properties presently receiving an extra bin will be able to manage their additional recycling demands by taking up the 360 litre bin choice funded from their base waste management rate. Waste audits indicate that a 360 litre recycling bin provides enough capacity for the vast majority of residential and commercial properties in Auckland for “domestic type” recycling.
30. An alternative option is to provide an additional recycling bin at no extra charge everywhere in the region. This option was rejected because the cost of providing a second bin is material and the recycling needs of nearly all properties can be met with a 360 litre bin and the additional costs of an extra bin should be met by the ratepayer.
31. The choice of a 360 litre bin will meet the needs of businesses previously receiving free commercial loose cardboard collection producing recycling volumes within the range expected for domestic properties. Businesses producing larger volumes of recycling from trade activities should make provision for a private service and meet these costs as they do elsewhere in the region. The removal of this service will impact on 6,500 properties. The estimated budget saving is \$370,000.
32. The alternative is to retain status quo. If the current program is retained businesses in these areas would continue to receive a free service funded by other ratepayers to whom this service is not available.
33. Staff recommend adoption of the proposals.

#### *Consultation Feedback*

34. Only a few items of feedback were received on these proposals which were generally in support although the Business North Harbour Inc. submitted in opposition to the removal of free cardboard collection.

#### *Local board feedback*

35. Only three local boards commented on these proposals. Hibiscus and Bays supported the standardisation of waste management services and charges and Manurewa was opposed. The Kaipataki Local Board was opposed to removal of the free cardboard collection offered in some commercial areas in the former Waitakere, North Shore and Rodney

## **Business improvement district targeted rates**

#### *Proposal*

36. The council sought the community’s views on proposals to:
  - establish a new Henderson-Lincoln BID
  - expand the Manukau, Uptown, and Wiri BIDs.

#### *Analysis*

37. The council’s BIDs policy requires a ballot to be held of the all the ratepayers who would be subject to the BID rate and all the businesses in the targeted rate area. For an extension a ballot must be held of all the ratepayers who would be added to the BID area and all the new businesses in the targeted rate area. In order to proceed these ballots require a 25 per cent return rate and of those over 51 per cent must be in support of the proposal. The results are set out below:
  - Henderson-Lincoln BID establishment – return 24 per cent

- Manukau BID extension – return 31 per cent with 84 per cent for and 16 per cent against
  - Uptown BID extension – return 27 per cent with 64 per cent for and 36 per cent against
  - Wiri BID extension – return 29 per cent with 75 per cent for and 25 per cent against.
38. The Henderson-Lincoln BID failed to secure the return of enough ballots to proceed. The Manukau, Uptown and Wiri BID extension proposals have all achieved sufficient support under the BID policy to proceed.
39. Staff recommend adoption of the proposals.

#### *Feedback*

40. Submissions supported the proposed BID extensions.

#### *Local board feedback*

41. The Otara-Papatoetoe Local Board supported the Wiri and Manukau BID extensions and the Albert-Eden Local Board supported the Uptown BID extension.

#### *Implementation*

42. The BID expansion proposals and changes to other BID rates will be included in the rates setting report scheduled for 29 June.

## **Other rating policy matters**

43. Feedback received during consultation included commentary on a range of rating matters including:
- impact of rates increases on pensioners and various suggestions relating to lower rates for pensioners
  - level of UAGC
  - alternative approaches to rates structure, including fixed rates, poll tax, value capture, levy on empty houses, and lower rates for long time ratepayers
  - collection and distribution of targeted rates
  - level of rates compared to level of service received in rural areas
  - liability of utilities for targeted rates e.g. whether Vector infrastructure should attract the City Centre Targeted rate.
44. Some of these suggestions would require legislative change (e.g. a poll tax) or public consultation or were considered in detail in the development of the Long-term Plan 2015-2025. Staff recommend that the council determine whether it wishes to undertake further work on these issues in 2017 when considering the scope of the Long-term Plan 2018-2028. Staff will review the application of targeted rates to utilities along with a number of other issues regarding the application of the current rating policy as part of the Long-term Plan 2018-2028.

## **Consideration**

### **Local Board views and implications**

45. The governing body has decision making authority for setting rates.
46. Local boards considered the proposals for changes to rates at their meetings in April. A summary of their views is included in the appropriate sections of this report.
47. A more detailed report “Annual Budget 2017/2018 - local board feedback” setting out local board views is on this agenda and includes the full text of their resolutions on the issues.

## **Māori impact statement**

48. The council does not hold information on the ethnicity of ratepayers so is not able to identify the exact impact of policy changes on Māori. The impact of the policy options on Māori will be similar to that on other residents in Auckland.

### Significance

49. Changes to rates require consultation. The proposals discussed in this report were consulted on as part of the Annual Budget 2017/2018 process.

### Implementation

50. Implementation issues are discussed in the report.

### Attachments

There are no attachments for this report.

### Signatories

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