

## Attachment A: Assessment of options

Table A: Assessment of other options

Options	Rationale and restriction	Reason why dismissed
<b>Increasing debt</b>	<p>Borrowing is used to spread the funding requirement for capital expenditure across multiple years. This is because assets deliver benefits through their useful lives it is appropriate to spread the costs across the generations of ratepayers who will receive benefit from these assets.</p> <p>For funding capital expenditure only.</p>	<p>This option was dismissed as there is limited ability for council to increase debt above its currently planned levels without exceeding the prudential limits and putting its AA credit rating at risk.</p>
<b>Increasing financial contributions</b>	<p>Financial contributions fund capital expenditure in anticipation of or in response to development (growth) that will generate demand for additional reserves, network or community infrastructure (such as stormwater systems). Contributions are set through the council's Contributions policy.</p> <p>For funding capital expenditure only.</p>	<p>This option was dismissed as there is limited ability to increase the current amount of development contributions collected under the current Contributions policy.</p>
<b>Increasing interest and dividends from investments</b>	<p>Interest and dividends from investments may be used where appropriate and consistent with councils funding principles to fund capital expenditure projects and to reduce the reliance on ratepayer funding.</p> <p>For funding capital expenditure only.</p>	<p>This option was dismissed as the level of interest and dividends from investments are dependent on market conditions and company dividend/investment policies. There is a limited ability to influence this revenue stream.</p>
<b>Increasing grants, subsidies and donations</b>	<p>Appropriate to fund specific capital expenditure projects as per terms of the grant, subsidy or donation.</p> <p>Grants and subsidies are generally only appropriate for funding the operating costs of the particular activity that the grant or subsidy is intended to pay for.</p> <p>Can be used to fund both operating and capital expenditure.</p>	<p>This option was dismissed as grants, subsidies and donations come from external providers. Council has limited ability to influence the amount received.</p>
<b>Increasing trusts, bequests and reserve funds</b>	<p>Certain capital and operating expenditure may be funded from restricted or special funds that are subject to special conditions of use, whether under statute or accepted as binding by the council.</p> <p>Can be used to fund both operating and capital expenditure.</p>	<p>Transfers from reserves may only be made when the specified conditions for use of the funds are met. The trusts are mainly endowments from private individuals and organisations to help fund specified activities in the trust deed.</p>

Options	Rationale and restriction	Reason why dismissed
<p><b>Increasing general rates</b></p>	<p>General rates are used to fund activities where it is not practicable or cost-effective to identify the individual or group of activities where it is not practicable or cost effective to identify the individual or group of beneficiaries (or causers of costs) of the service and charge them for the benefits received or the costs imposed (e.g. regional parks and open spaces).</p> <p>For funding operating expenditure only.</p>	<p>There is limited public desire to increase general rates above what is currently set out in the Long-term plan.</p> <p>Council sets the annual rate increase and consults with the public during the annual plan process. It has very limited ability to increase the generate rate once it is set.</p>
<p><b>CCO profits and interest from investments</b></p>	<p>CCO profits and net returns from investments will be used to offset the general rates funding requirement of other council activities, reducing the burden on all ratepayers.</p> <p>For funding operating expenditure only.</p>	<p>Auckland council provides operational funding for CCO's and the CCO's run balanced budgets. Therefore surpluses are not a realistic form of revenue to be assessed.</p> <p>Interest from investments and net rental are dependent on market conditions. Council has limited ability to influence this revenue stream.</p>
<p><b>Surpluses from previous financial years</b></p>	<p>A surplus may be available to be carried forward if the actual surplus/deficit is improved compared to the forecast surplus/deficit. Generally, only those factors that are cash in nature will be available for use in determining the level of surplus to be carried forward. The amount of any surplus carried forward will be accounted for as an operating deficit in the year the benefit is passed to ratepayers.</p> <p>For funding operating expenditure only.</p>	<p>Auckland Council runs a balanced budget, raising enough money every year through rates and other income to pay for the services that are delivered. Therefore surpluses are not a realistic form of revenue to be assessed.</p>
<p><b>Ring-fence proceeds from open space asset sales to re-distribute back to the local community to improve access and quality of sport facilities</b></p>	<p>The council generates some incidental revenue when selling open spaces and sports facilities that no longer meet the needs of the population (e.g. wrong size or location). Such revenue goes into the council's consolidated fund. This option could improve transparency of the use of asset sale proceeds and provide assurance to the public that the proceeds will be reinvested in sports and open spaces.</p>	<p>This option has practical issues and is inconsistent with council's broader financial policy. It is not considered prudent to hold large funds when council has a high debt/asset ratio or when there is a need to fund large scale capital investment. Further this option limits council's ability to make tradeoffs between different investment choices beyond sport and open space (e.g. for housing).</p>

**Table B: Revenue and Financing Principles**

<b>Principle</b>	<b>Rationale</b>
Paying for benefits received or costs imposed	Select appropriate funding methods by considering benefit distribution and cost causation. The allocation of costs to those who benefit from a council service or those who impose costs to the council is considered economically efficient and equitable.
Transparency and accountability	Transparency of funding enables the users of services to assess whether they get value for money. Accountability makes the council more efficient in providing these services.
Market neutrality	Funding methods should not lead to market distortions and economic inefficiencies.
Financial prudence and sustainability	Financing methods used by council must be able to raise funds sufficient to meet its costs and ensure that these are sustainable over time.
Optimal capital usage	The council's limited financial resources should be used in such a way to maximise the benefits provided to the community, while minimising the burden on ratepayers.
Strategic alignment	The revenue and financing policy should consider the impact on the broader strategies and priorities as set out in the council's vision and the Auckland Plan.
Overall social, economic, environmental and cultural impacts	Decisions on how the council's revenue requirements will be met should take into account the impact on the current and future social, economic, environmental and cultural well-being of the community.
Affordability	The council needs to consider the impact of funding methods on people's ability to pay as this can have implications for community well-being.
Minimise the effects of change	Funding and financial policies should seek to minimise or manage the impact of changes, such as increase in rates and user charges for services.
Efficiency and effectiveness	The council's financial policies should have regard to the costs of carrying them out, and how effective they will be in achieving their objectives.
Practicality of policy	The council's funding policies must be achievable and unconstrained by practical issues that will prevent compliance.
Legal compliance	All aspects of the policy will comply with legislation (for example, Local Government Act 2002).

**Table 1: Assessment summary of new user fees and charges**

<b>Principles</b>	<b>Assessment</b>
Paying for benefits received or costs imposed	<b>Aligned</b> – Individuals and sport organisations receive significant private benefits from accessing certain sport facilities. Community as a whole may receive some benefits such as improved access and increased sport participation.
Transparency and accountability	<b>Not applicable yet</b> – Transparency and accountability will be key consideration at a later stage when developing the policy for determining the appropriate amount of fees and charges
Market neutrality	<b>Aligned</b> – Free access to some council facilities but not others may have caused market distortions and economic inefficiencies. Reviewing council's current approach to user fees and charges and revising them to appropriate amounts is likely to help offset the distortion
Financial prudence and sustainability	<b>Aligned</b> – The additional user fees and charges revenue is likely to generate steady and ongoing revenue to improve council's ability to meet costs and respond to changing demand for sport facilities
Optimal capital usage	<b>Aligned</b> – Charging user fees and charges is an effective way to raise additional revenue from people who are the primary beneficiaries  The additional revenue can be used to fund facilities for more people to enjoy
Strategic alignment	<b>Aligned</b> – The additional revenue will help Auckland Council respond to additional demand for sport facilities and achieve Strategic Direction 5 of the <i>Auckland Plan</i> and the priorities in <i>Auckland Sport and Recreation Strategic Action Plan</i>
Overall social, economic, environmental and cultural impacts	<b>Aligned</b> – At a moderate amount, the user fees and charges is unlikely to have a significant impact.  The overall impact will be analysed when developing the policy.
Affordability	<b>Aligned</b> – At a moderate amount, the additional fees and charges is unlikely to have a significant impact on people's affordability
Minimise the effects of change	<b>Aligned</b> – At a moderate amount, the effect of change is likely to be small
Efficiency and effectiveness	<b>Aligned</b> – The cost of raising additional rent revenue is likely to be relatively small compared to the amount of revenue raised
Practicality of policy	<b>Aligned</b> – There are no foreseen practical issues relating to this option
Legal compliance	<b>Aligned</b> – There are no foreseen legal risks relating to this option

**Table 2: Assessment summary of rent revenue from community leases**

<b>Principles</b>	<b>Assessment</b>
Paying for benefits received or costs imposed	<b>Aligned</b> – Sport organisations receive significant private benefits from accessing council property and paying peppercorn rental. Community may receive some benefits such as improved access and increased sport participation.
Transparency and accountability	<b>Not applicable yet</b> – Transparency and accountability will be key consideration at a later stage when developing the policy for determining the appropriate amount of rent
Market neutrality	<b>Aligned</b> – The current peppercorn rent might have caused market distortions and economic inefficiencies. Revising the rent to appropriate amount is likely to help offset the distortions
Financial prudence and sustainability	<b>Aligned</b> – Adding rent revenue to the current funding mix will improve council’s ability to meet costs and respond to changing demand for sport facilities
Optimal capital usage	<b>Aligned</b> – Revising rent is an effective way to raise additional revenue from people who are the primary beneficiary  The additional revenue can be used to fund facilities for more people to enjoy
Strategic alignment	<b>Aligned</b> – The additional revenue will help Auckland Council respond to additional demand for sport facilities and achieve Strategic Direction 5 of the <i>Auckland Plan</i> and the priorities in <i>Auckland Sport and Recreation Strategic Action Plan</i>
Overall social, economic, environmental and cultural impacts	<b>Aligned</b> – At a moderate amount, the additional charge is unlikely to have a significant impact.  The overall impact will be analysed when developing the policy.
Affordability	<b>Aligned</b> – At a moderate amount, the additional charge is unlikely to have a significant impact on people’s affordability
Minimise the effects of change	<b>Aligned</b> – At a moderate amount, the effect of change is likely to be small
Efficiency and effectiveness	<b>Aligned</b> – The cost of raising additional rent revenue is likely to be relatively small compared to the amount of revenue raised
Practicality of policy	<b>Aligned</b> – There are no foreseen practical issues relating to this option
Legal compliance	<b>Aligned</b> – There are no foreseen legal risks relating to this option

**Table 3: Assessment summary of new targeted rates**

<b>Principles</b>	<b>Assessment</b>
Paying for benefits received or costs imposed	<b>Partially aligned</b> – Costs of a facility will be paid for by a catchment of rate-payers who are identified to be most likely the beneficiaries of the facilities, independent of whether or not they use the facility
Transparency and accountability	<b>Not applicable yet</b> – Same as option 1, transparency and accountability will be considered later when developing the policy
Market neutrality	<b>Partially aligned</b> – Targeted rates could give council an advantage in funding facilities over private investors.  This risk could be mitigated by the <i>Auckland's Sport Facilities Network Priorities 2016-2026 Project</i> , which identify the priorities projects and the sector's role in funding them
Financial prudence and sustainability	<b>Aligned</b> – The additional revenue is likely to generate steady and ongoing revenue to improve council's ability to meet costs of sport facilities
Optimal capital usage	<b>Partially aligned</b> – Costs of a facility will be paid for by a catchment of rate payers, independent of whether or not they use the facility
Strategic alignment	<b>Aligned</b> – The additional revenue will help Auckland Council respond to additional demand for sport facilities and achieve Strategic Direction 5 of the <i>Auckland Plan</i> and the priorities in <i>Auckland Sport and Recreation Strategic Action Plan</i>
Overall social, economic, environmental and cultural impacts	<b>Aligned</b> – At a moderate amount, the targeted rate is unlikely to have a significant impact.
Affordability	<b>Aligned</b> – At a moderate amount, targeted rate is unlikely to have a significant impact on people's affordability
Minimise the effects of change	<b>Aligned</b> – At a moderate amount, the effect of the targeted is likely to be small
Efficiency and effectiveness	<b>Aligned</b> – There will be moderate implementation costs (e.g. to consult the targeted community) but are likely to be relatively small compared to the amount of revenue raised
Practicality of policy	<b>Aligned</b> – There are no foreseen practical issues relating to this option
Legal compliance	<b>Unknown yet</b> – the legal implication is currently being tested as part of the Annual Budget process

**Table 4: Assessment summary of revenue from commercial activities at council properties**

<b>Principles</b>	<b>Assessment</b>
Paying for benefits received or costs imposed	<b>Aligned</b> – Revenue from commercial activities carried out in council properties will only benefit a very small number of people or organisations.
Transparency and accountability	<b>Not applicable yet</b> – Transparency and accountability will be considered later when developing the policy
Market neutrality	<b>Partially aligned</b> – The charges for commercial activities might have some effect on the market dynamic.  This risk could be mitigated by ensuring market neutrality is a key consideration when developing the policy.
Financial prudence and sustainability	<b>Aligned</b> – The additional revenue will improve council's ability to meet costs and respond to changing demand for sport facilities
Optimal capital usage	<b>Aligned</b> – Revenue from commercial activities will be re-invested to deliver better outcomes for local community
Strategic alignment	<b>Aligned</b> – The additional revenue will help Auckland Council respond to additional demand for sport facilities and achieve Strategic Direction 5 of the <i>Auckland Plan</i> and the priorities in <i>Auckland Sport and Recreation Strategic Action Plan</i>
Overall social, economic, environmental and cultural impacts	<b>Further analysis needed</b> – Might lead to market distortions and some economic and social impacts.  The overall impact will be analysed when developing the policy.
Affordability	<b>Aligned</b> – This option will increase funding for sports facilities and subsequently increase access and improve affordability
Minimise the effects of change	<b>Further analysis needed</b> – The level of change will be considered when developing the policy
Efficiency and effectiveness	<b>Aligned</b> – Potential to increase efficiency as organisation that are not generating high profit margins might choose not to continue carrying out commercial activities at council properties
Practicality of policy	<b>Further analysis needed</b> – Further work will need to be completed to assess the practicality of the policy, including establishing a separate entity to run the commercial activities for council
Legal compliance	<b>Aligned</b> – There are no foreseen legal risk at this stage