Natural Environment Targeted Rate

Proposal

As part of consultation on the long-term plan, the council sought the community's views on two options for increased investment in the natural environment funded by a targeted rate. The targeted rate was proposed to be set on capital value and applied differentially so businesses funded 25.8 per cent[1] of the revenue requirement. The proposed options were:

- **Option A**: Additional investment over 10 years of $136 million (total of $245 million) $21 per year for the average value residential property[2].
- **Option B**: Additional investment over 10 years of $311 million (total of $420 million) $47 per year for the average value residential property.

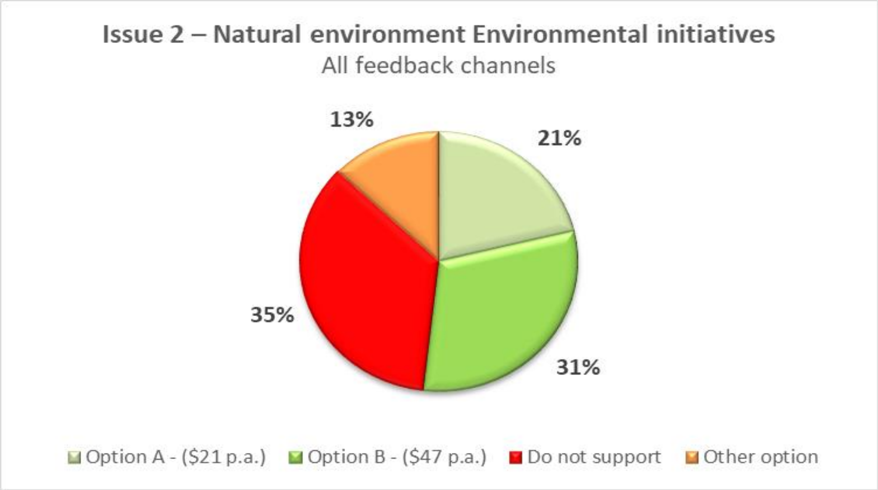
The table below shows expected outcomes for each option compared to the status quo ($109 million over ten years, funded from current sources).

Status Quo	Option A:	Option B
No targeted rate for natural environment	Targeted rate will raise $13 million in 2018/19	Targeted rate will raise $29 million in 2018/19
Risk of kauri dieback spreading is over 80 per cent • 30 per cent of significant ecological sites within council parks have adequate control of pest plants and animals • 28 per cent of rural Auckland has adequate possum control • High risk of marine pests establishing with risk to ecosystems and cost to aquatic industries	Risk of kauri dieback spreading is 30-50 per cent • 35 per cent of significant ecological sites within council parks have adequate control of pest plants and animals • 28 per cent of rural Auckland has adequate possum control • High risk of marine pests establishing with risk to ecosystems and cost to aquatic industries.	Risk of kauri dieback spreading is 15-25 per cent • 65 per cent of significant ecological sites within council parks have adequate control of pest plants and animals • 50 per cent of rural Auckland has adequate possum control • Lower risk of marine pests establishing with risk to ecosystems and cost to aquatic industries.

Feedback

Fifty six per cent of respondents across all channels (written feedback, HYSE and social media) were in favour of a targeted rate at some level while 35 per cent were opposed. The pie chart below shows the breakdown of support for each option. Of the "other option" category 1,100 respondents (5 per cent of the total) commented that they would support paying more than Option B.

[1] This is the same percentage as the target level for business rates under long-term differential strategy.
[2] The average value residential property is $1.08 million.



Key themes from submitters who supported Option B or higher investment

- environmental protection, many stressing the intrinsic value of the environment
- investment in the protection of kauri;
- support for a fully funded Regional Pest Management Plan

Key themes from those submitters who opposed the rate or chose Option A included:

- rates already being too high and not affordable for those on low incomes
- preference for alternative funding options
- additional investment should be funded from efficiency gains

Responses to the Colmar Brunton survey showed 33 per cent support for Option A, 33 per cent Option B and 32 per cent neither. Further analysis of those who supported neither option shows overall 75 per cent supported a targeted rate at some level.

Mana Whenua

Eleven iwi authorities provided feedback on the natural environment targeted rate with ten in support and one opposed. Option B was supported by 8 iwi including one indicating support for a higher level of investment. The other two iwi who indicated support did not express a preference for Option A or B. See Report 1 Summary of feedback (Consultation Document issues) for further details.

Stakeholders

Submissions were received from 18 stakeholders on environmental issues. All of these supported an increase in natural environment investment. Twelve submitters supported more than Option B, to provide full funding for the Proposed Regional Pest Management Plan. Four expressed support for Option B and two for more investment, without specifying a preferred option.

Local boards

12 local boards supported Option B (Albert-Eden, Devonport-Takapuna, Great Barrier, Henderson-Massey, Hibiscus and Bays, Kaipātiki, Manurewa, Ōtara-Papatoetoe, Rodney, Waiheke, Waitematā and Whau local boards). While noting their support many local boards also made qualifications, key themes being:

- some of the spending should be on projects (often specified) that are managed by local boards (Hibiscus and Bays, Kaipātiki, Manurewa).

- projects need to be spread equitably around the region (Hibiscus and Bays, Franklin, Manurewa, Waiheke, Waitākere Ranges and Whau).

There was no support for Option A from local boards. The Waitākere Ranges Local Board supported a higher natural environment targeted rate to fully fund the Regional Pest Management Plan. The Puketāpapa and Māngere-Ōtāhuhu Local Boards supported a targeted rate, but did not specify a level.

Ōrākei, Howick and Franklin local boards wanted a 'fixed levy' or 'flat rate' rather than a targeted rate. Upper Harbour Local Board believes that Council should re-prioritise its budgets to avoid the need for a targeted rate. Papakura Local Board was concerned about the focus of the programme and considers that projects need to be spread equitably around the region

Consideration

Current state

Auckland's natural environment is facing increased threats from pest plants, animals and pathogens. Kauri dieback is spreading and Waitākere Ranges is the most heavily diseased area in New Zealand. Auckland is one of the weediest cities in world and an average of four new species of weeds establish each year. Around 70 per cent of our native ecosystems no longer exist. The remnants are under on-going pressure from introduced pests. Two thirds of our seabirds at risk of extinction. Freshwater and marine pests are a growing concern.

Current budgets are inadequate to address these problems. A majority of feedback supported increased investment in the natural environment funded by a targeted rate.

Investment Options

Option A enables council to significantly increase investment in controlling kauri dieback for a small impact on rates. Under this investment scenario the average value residential property ($1.08 million) will pay $21 per year ($0.40 per week) and the average value business property ($2.88 million) will pay $98 per year ($1.88 per week).

If council proceeds with option A, the risk of kauri dieback spreading will fall from over 80 per cent to 30 to 50 per cent. It will fund a slight growth in pest control practices on our own parkland from 30 to 35% of significant ecological areas under protection. Option A does not provide sufficient funding to implement the proposed Regional Pest Management Plan or reverse current environmental degradation trends and species extinction risks.

If Option A is adopted:

- changes required to the proposed Regional Pest Management Plan could be significant enough to require a complete re-draft and may require a second consultation process
- there will be longer delays in re-opening the Waitākere and Hunua tracks to a standard that protects kauri.

Option B enables council to significantly increase investment for both controlling kauri dieback and protecting and restoring habitats, but has a larger impact on rates. Under this investment scenario the average value residential property will pay $47 per year ($0.90 per week). The average value business property will pay $219 per year ($4.21 per week).

If council proceeds with Option B, this would provide additional investment for kauri dieback to reduce the risk of the disease spreading to 15-25 per cent. It would also enable the council to implement the majority of the draft Regional Pest Management Plan. Under this option, the council will be able to:

- provide good support for the growing number of communities, schools, private landowners and householders to deliver on Auckland's Pest Free vision
- increase from 35 per cent to 65 per cent the number of significant ecological areas in council parks that have sufficient pest control and protect this investment through adequate pest control on buffer areas
- increase from 28 per cent to 50 per cent the area of rural Auckland with adequate possum control
- more effectively control growing marine and freshwater pest populations;
- work in partnership to achieve pest mammal eradications on Kawau, Aotea and Waiheke.

If Option B is approved council will be better able to leverage additional philanthropic and private sector investment. Currently closed tracks in the Waitākere Ranges would be opened more quickly and the council could adopt an operative Regional Pest Management Plan (RPMP) within 2018. The RPMP T would need to be revised to reduce the scale of some programmes (e.g. rural possum control, pest management on parks).to deliver within the budget envelope.

Implementing the full RPMP as currently drafted received unsolicited support from 5% of the Long-term Plan respondents. Full RPMP implementation would require an increased investment of $86 million over that proposed under Option B. The rates impact of a targeted rates increase to deliver this level of funding see the average value residential property will pay $60 per year ($1.20 per week). The average value business property would pay $279 per year ($5.36 per week).

RIMU have recently completed and published a full cost benefit assessment for the status quo, Option A and Option B. The results show that:

- Option A - for every 1$ spent the return on investment is $1.08;
- Option B - for every $ spent the return on investment is $2.80.

These results are conservative as benefits which are difficult to monetise; for example human health and wellbeing, were not included in the calculations. The analysis did include benefits from carbon sequestration, tourism and recreation. The study concludes that Aucklanders will be better off from both proposed investment options, but more so under Option B.

A more detailed analysis of the investment options is set out in Attachment A: Options table. Attachment B: Programmes funded by the Natural Environment Targeted Rate sets out the specific projects to be funded under each option.

Funding options

Both options A and B propose the use of a specific targeted rate to fund the additional investment. A targeted rate is proposed because ratepayers can clearly identify the costs and benefits of the programme. The rate should be charged to all ratepayers as the benefits of the investment accrue to all Aucklanders.

The proposal is for a rate set differentially to raise 25.8 per cent of the revenue requirements under either option from businesses. This was set at target proportion of general rates revenue the long-term differential strategy[3] (LTDS) seeks to raise from business.

Feedback from businesses indicated support for the rate but suggested that it should not be applied differentially. Officers note that in general, businesses are better able to manage additional costs than residential properties. Businesses can also claim back GST and expense rates against tax.

A number of respondents also suggested that the rate be set as a fixed charge rather than on capital value. Officers note that the owners of higher value properties will in general be better able to afford

[3] The LTDS progressively lowers the share of general rates revenue to be raised from businesses from 32.4 per cent in 2018/2019 to 25.8 per cent by 2037/2038.

an increase in rates than the owners of lower value properties. However, higher value properties already pay higher rates. The relation between property (capital) value and ability to pay is stronger for businesses than non-businesses. This is because a business's investment in property will reflect their potential to generate income.

Attachment C: Funding options discussion considers in detail alternative funding choices.

Consideration of statutory criteria

Council has consulted on this proposal in accordance with its obligation to consult on any changes to funding for services. In determining how to fund services in relation to each activity, the statutory criteria in section 101(3) of the Local Government Act 2002 must be considered. A full analysis against the statutory criteria is set out in Attachment D: Assessment against statutory criteria.

Attachment A: Options Table

Icon	Current State - Significant ecosystem and species loss	Option A: Ecosystem and species loss with some kauri dieback protection	Option B: Targeted ecosystem and species protection including kauri dieback
Rationale	*Deliverable within current budgets*	*Provides additional kauri dieback controls and limited increases to other pest animal and plant control programmes within a constrained fiscal environment*	*Provides additional kauri dieback control plus significant increased investment in mainland, island, marine and freshwater pest control while keeping rate increase below 2.5%*
Costs and funding	Costs in line with current budgets and deliverable with current funding sources	Total additional cost across the LTP period of $136 million to be funded by a Natural Environment Targeted Rate (discussion in Attachment B)	Total additional cost across the LTP period of $311 million to be funded by a Natural Environment Targeted Rate (discussion in Attachment B)
Estimated additional Partner Contributions	$4million (Government support)	$70 million (Government and other partnerships)	$115 million (Predator Free NZ 2050, corporate partnerships, philanthropists, government support and community sector support)
 Community engagement	250 community groups have low level support to undertake pest control and 25% of land under community led pest control	450 community groups have basic support to undertake pest control and 40% of land under community-led pest control	600 community groups are well supported to undertaken pest control and 50% of land under community-led pest control
 Kauri Dieback	High risk of spread (>80%) Provides a small investment (approx. $5 million) to combat kauri dieback	Medium risk of spread (30-50%) Provides additional $93 million to combat kauri dieback	Low risk of spread (15-25%) Provides additional $105 million to combat kauri dieback
 High Value ecological areas on regional and community parks	30% of significant ecological sites in council parks have adequate pest plant and animal contro No enforcement on surrounding properties.	35% of significant ecological sites in council parks have adequate pest plant and animal control . No enforcement on buffer zones.	65 per cent of significant ecological sites in council parks have adequate pest plant and animal control including buffer zones .
Rural Auckland (mainland) possum free	28% of area with possums at acceptable levels	28% of area with possums at acceptable levels	50% of area with possums at acceptable levels

Icon	Current State - Significant ecosystem and species loss	Option A: Ecosystem and species loss with some kauri dieback protection	Option B: Targeted ecosystem and species protection including kauri dieback
 Marine biosecurity measures	Reactive response to marine pests and high risk of marine pests establishing with significant adverse ecological impact and costs to	Reactive response to marine pests and high risk of marine pests establishing with significant adverse ecological impact and costs to aquatic industries.	 Pest management in lakes
 Hauraki Gulf Islands	Pest Free Warrant programme to reduce pest spread to islands by sub-set of high risk businesses. Great Barrier – high priority pest plants eradicated, ants contained, no control for skinks and mammals. Waiheke – feral pigs eradicated.	Enhanced Pest Free Warrant programme to reduce pest spread to islands by sub-set of high risk businesses. Great Barrier – high priority pest plants, ants and skinks eradicated, mammal pests control on some sites.. Waiheke – feral pigs eradicated.	Comprehensive Pest Free Warrant programme to reduce pest spread to islands by full range of high risk businesses. Great Barrier – high priority pest plants, ants and skinks eradicated, mammal pests control on some sites Waiheke and Kawau 'pest-free' assuming partner contributions cover 70%
 Marine species	Decline in important marine habitats, risk of shorebird and seabird extinction.	Some marine habitat protection and increased bird monitoring.	Habitat protection and some restoration for high priority sea bird species
Other Pest Management programmes	No database. Some plant and animal eradications, control of some pest plants, enforcement education and advice. No compliance inspections in nurseries and petshops.	Database to manage biodiversity and biosecurity data. Some additional deer control. Some additional control of pest plants. Some capacity for inspection of petshops and nurseries.	Database to manage biodiversity and biosecurity data. Enhanced control of deer, goats, cockatoos and cats. Comprehensive control of pest plants. Inspection of petshops and nurseries.

Attachment B: Programmes funded by Natural Environment Targeted Rate

Option A – Ecosystem and species loss with some kauri dieback protection

Activity	Programme	Share of funding requirement
Pest control	Management of pest plants and animals, including on parks, regional programmes, spread to islands. No freshwater.	8% ($9.5m)
Islands (Kawau, Waiheke, Aotea)	Pest eradication - Waiheke multi-species - support for community process only	1% ($1.36m)
Kauri	Community engagement, hygiene station management, research	52% ($70.4m)
Kauri	Capex upgrade of tracks, installation of vehicle washdowns	16% ($21.8m)
Marine biosecurity	Marine Biosecurity pathway management and response	3% ($5.4m)
Pest Free Auckland	Community engagement programme to support trapping, data management, grants, monitoring and reporting	16% ($21.8m)
Pest Free Auckland	Capex - Traps, data systems, telemetry	2% ($2.7m)
Marine ecology	Habitats - survey and evaluation	1% ($1.3m)
Marine ecology	Seabirds - implement monitoring and restoration	1% ($1.3m)

Option B – Targeted ecosystem and species protection including kauri dieback

Activity	Programme	Share of funding requirement
Pest control	Management of pest plants and animals, including on parks, regional programmes, spread to islands, freshwater	40% ($124.4m)
Islands (Kawau, Waiheke, Aotea)	Pest eradication - Waiheke and Kawau multi-species	6% ($18.7m)
Kauri	Research, community engagement, hygiene stations	22% ($68.4m)
Kauri	Capex track upgrades, installation of vehicle wash downs	14% ($43.5m)
Marine biosecurity	Marine Biosecurity pathway management and response	1% ($3.1m)
Grant funding	Regional Ecological and Natural Heritage fund to support community action	4% ($12.4m)
Pest Free Auckland	Community engagement programme to support trapping, data management, grants, monitoring and reporting	9% ($28m)
Pest Free Auckland	CAPEX - Traps, data systems, telemetry	1% ($3.1m)
Marine ecology	Habitats - survey and evaluation	1% ($3.1m)
Marine ecology	Seabirds - implement monitoring and restoration	1% ($3.1m)

Attachment C: Funding options discussion

Funding

The council proposed two options for additional investment in the natural environment:

- **Option A**: Additional investment over 10 years of $136 million (total of $245 million)
- **Option B**: Additional investment over 10 years of $311 million (total of $420 million)

Both options were proposed to be funded by a targeted rate set on capital value, with the business share set at 25.8 per cent.

In considering options for funding increased investment for the natural environment, the key questions to be answered are:

1. Should the programme be funded from general rates or targeted rates?
2. Do some ratepayers benefit more from the activity to be funded?
3. Do some ratepayers drive a greater share of the costs of the activity?
4. Are some ratepayers better able to afford the rate?

General rates or targeted rate

Activities that support Auckland's natural environment are currently funded from the general rate. This reflects the shared public benefit of this activity.

Council has consulted on increasing funding for the natural environment and a targeted rate is proposed for funding so ratepayers can clearly identify the costs and benefits of the programme.

Setting the targeted rate on a similar basis to the general rates would maintain existing policy settings. Under the council's Long-term differential strategy, it is planned that the business share of general rates will be 25.8 per cent by 2037/2038.

Ratepayer benefits of increased investment in the natural environment.

A thriving natural environment is an asset for all Aucklanders. The majority of the additional investment is aimed at protecting native ecosystems and biodiversity. This generates regional benefits that cannot be attributed to individuals or groups of ratepayers.

Some components of the enhanced investment option are designed to deliver improved biodiversity outcomes, but also have some secondary economic benefits to some industries or individuals. For example:

- rural possum control can result in increased productivity for stock farmers and reduce the need for private possum control
- pest eradication on Waiheke and Kawau may reduce the need for private pest control
- a healthy natural environment generates quantifiable returns from tourism spend – for example the pest-free sanctuary Tiri Tiri Matangi is rated on Trip Advisor as the number one destination for Auckland visitors.

It is difficult to link benefits to rateable properties in a way that would enable a targeted rate or rates differential to be charged to those benefiting. This is because:

- the level of benefit varies between properties due to factors not able to be captured in rating, such as the proximity to possum habitats

- primary production benefits may be distant in space and time from sites in which control work occurs. This will be true for programmes to eradicate or contain primary production pest plants.
- in some instances beneficiaries may be readily identified, but the value of the programme is sufficiently small as to render such targeting inefficient.

Even if beneficiaries can be identified accurately, consideration must be given to avoiding potential perverse outcomes from applying a spatially targeted rate. For instance, many rural landowners already undertake pest management voluntarily. While some of this action may no longer be required under a coordinated regional approach, much of the need will remain. If a targeted rate were to disincentivise rural communities and reduce community support for biosecurity, then there may be an overall loss rather than gain in outcomes.

Cost drivers for Natural Environment investment

Costs for most of the proposed projects cannot be attributed to either individuals or groups of ratepayers, and should therefore be charged generally.

Affordability and capital value or fixed charges

In general, businesses are better able to manage additional costs than residential properties. Businesses can also claim back GST and expense rates against tax. A business differential of at least 1.6 over non-business properties will reflect the value of these tax advantages.

The owners of higher value properties will in general be better able to afford an increase in rates than the owners of lower value properties. However, higher value properties already pay higher rates. The relation between property (capital) value and ability to pay is stronger for businesses than non-businesses. This is because a business's investment in property will reflect their potential to generate income. There is stronger support for setting the rate on a capital value basis for businesses than for non-business.

Targeted Rate Models

An undifferentiated rate would see business properties pay 9.6 per cent of rates set on a fixed basis, or 15.9 per cent on a capital value basis. A rate that was differentiated to reflect only businesses tax advantages over non-business would see businesses pay 14.6 per cent of rates set on a fixed basis, or 25.8 per cent on a capital value basis. Businesses currently pay 32.7 per cent of general rates. Under the council's Long-term differential strategy, it is planned that the business share of general rates will be 25.8 per cent by 2037/2038.

Currently, activities related to improving the natural environment are funded from the general rates. Setting the targeted rate on a similar basis to the general rates would maintain existing rates settings.

Council consultation on the Natural Environment targeted rate was on the basis that the rate was set on capital value as shown in model 1 below.

Proposed model: Model 1 -Capital value model:

The table following shows the rate in the dollar and how much business and non-business properties of different value would pay, for a capital value based rate. The business share of the rate is set at 25.8 per cent. This equates to a differential of 1.7.

	Option A: $136m		Option B: $311m	
	Non-business pays:	Business pays:	Non-business pays:	Business pays:
Rate (per $ of CV):	$0.00001945	$0.00003385	$0.00004375	$0.00007612

		Option A: $136m		Option B: $311m	
		Non-business pays:	Business pays:	Non-business pays:	Business pays:
Property Value:	$300,000	$5.84	$10.15	$13.13	$22.84
	$500,000	$9.73	$16.92	$21.88	$38.06
	$890,000	$17.31	$30.12	$38.94	$67.75
	$1,080,000	$21.01	$36.55	$47.25	$82.21
	$1,500,000	$29.18	$50.77	$65.63	$114.18
	$2,000,000	$38.91	$67.69	$87.51	$152.25
	$2,882,000	$56.07	$97.54	$126.10	$219.39
	$3,000,000	$58.36	$101.54	$131.26	$228.37
	$5,000,000	$97.27	$169.23	$218.77	$380.61
	$10,000,000	$194.54	$338.46	$437.54	$761.23

Alternative rating models considered prior to consultation

Fixed rate models: Model 2 and Model 3

The table below shows the fixed rate each property (or separately used part of a property) will pay under two model options, In the first, business pay 14.6 per cent of the total rates, and the second, business pay 25.8 per cent of the rates

.		Option A: $136m		Option B: $311m	
Business Share:	**Business Differential**	**Non-Business pay: (per SUIP)**	**Business pay: (per SUIP)**	**Non-Business pay: (per SUIP)**	**Business pay: (per SUIP)**
Model 2: 14.6%	**1.6**	23.41	37.70	52.66	84.80
Model 3: 25.8%	**3.3**	20.34	66.62	45.75	149.84

Model 3: Capital value model:

The table following shows the rate in the dollar and how much business and non-business properties of different value would pay, for a capital value based rate. The business share of the rate is set at 25.8 per cent. This equates to a differential of 1.7.

		Option A: $136m		Option B: $311m	
		Non-business pays:	Business pays:	Non-business pays:	Business pays:
	Rate (per $ of CV):	$0.00001945	$0.00003385	$0.00004375	$0.00007612
Property Value:	$300,000	$5.84	$10.15	$13.13	$22.84
	$500,000	$9.73	$16.92	$21.88	$38.06
	$890,000	$17.31	$30.12	$38.94	$67.75
	$1,080,000	$21.01	$36.55	$47.25	$82.21
	$1,500,000	$29.18	$50.77	$65.63	$114.18
	$2,000,000	$38.91	$67.69	$87.51	$152.25
	$2,882,000	$56.07	$97.54	$126.10	$219.39
	$3,000,000	$58.36	$101.54	$131.26	$228.37
	$5,000,000	$97.27	$169.23	$218.77	$380.61
	$10,000,000	$194.54	$338.46	$437.54	$761.23

Model 4: Fixed and Capital value model

The Natural Environment targeted rate could also be set on a similar basis to general rates with a part fixed and part capital value based rate. In the table below 13.4 per cent of the revenue is collected on a fixed basis (the same proportion as for general rates) and the business share is 25.8 per cent.

		Option A: $136m		Option B: $311m	
		Non-business pays:	Business pays:	Non-business pays:	Business pays:
	Rate (per SUIP)	$3.32	$3.32	$7.47	$7.47
	Rate (per $ of CV):	$0.00001628	$0.00003216	$0.00003661	$0.00007233
Property Value:	$300,000	$8.20	$12.97	$18.45	$29.17
	$500,000	$11.46	$19.40	$25.77	$43.63
	$890,000	$17.81	$31.94	$40.05	$71.84
	$1,080,000	$20.90	$38.05	$47.01	$85.58
	$1,500,000	$27.74	$51.56	$62.39	$115.96
	$2,000,000	$35.88	$67.64	$80.69	$152.13
	$2,882,000	$50.23	$96.00	$112.98	$215.92
	$3,000,000	$52.15	$99.80	$117.30	$224.45
	$5,000,000	$84.71	$164.11	$190.52	$369.11
	$10,000,000	$166.10	$324.91	$373.57	$730.75

The four models shown do not include a differential for rural properties as is currently applied to general rates. This is because the distribution of benefits funded by the Natural Environment targeted rate are shared between urban and rural areas. This differs from general rates funding where rural properties are charged a lower rates differential to reflect the lower investment in stormwater and transport services in rural areas compared to urban areas.

The table following shows the additional increase in rates for each of the models on the urban and rural business, urban and rural residential, and farm/lifestyle properties for Option A the $136 million additional investment option.

	Option A: $136m			
General rates category:	**Fixed (Business share 14.6%)**	**Fixed (Business share 25.8%)**	**Capital Value**	**Fixed and Capital Value**
Urban Business	0.4%	0.7%	0.7%	0.7%
Urban Residential	1.1%	0.9%	0.9%	0.9%
Rural Business	0.2%	0.3%	0.6%	0.6%
Rural Residential	1.3%	1.1%	0.9%	1.0%
Farm and Lifestyle	0.9%	0.7%	1.3%	1.2%

The table following shows the additional increase in rates for each of the models on the urban and rural business, urban and rural residential, and farm/lifestyle properties for Option B the $311 million additional investment option.

	Option B: $311m			
General rates category:	**Fixed (Business share 14.6%)**	**Fixed (Business share 25.8%)**	**Capital Value**	**Fixed and Capital Value**
Urban Business	0.9%	1.6%	1.5%	1.5%
Urban Residential	2.4%	2.1%	2.0%	2.0%
Rural Business	0.4%	0.7%	1.4%	1.4%
Rural Residential	2.9%	2.5%	2.1%	2.2%
Farm and Lifestyle	1.9%	1.7%	2.9%	2.7%

Attachment D: Statutory decision-making criteria

To set a targeted rate the council must consider the criteria in the Local Government Act 2002 below.

1. When deciding from what sources to meet its funding needs, council must consider the matters set out in section 101(3) of the Local Government Act 2002.
2. For the proposed targeted rate to fund expenditure on Auckland's natural environment, council must consider, in relation to this activity:
    - the community outcomes to which the activity primarily contributes
    - the distribution of benefits between the community as a whole; any identifiable part of the community; and individuals
    - the period over which the benefits are expected to occur
    - the extent to which individuals or a group contribute to the need to undertake the activity
    - the costs and benefits (including consequences for transparency and accountability) of funding the activity distinctly from other activities.

Having considered these matters, the council must stand back and consider the overall impact of any allocation of liability for revenue needs on the community. This involves elected members exercising their political judgement and considering the proposal in the context of council's funding decisions as a whole.

Assessment of options

The following section considers the proposed funding options against the statutory criteria. The community outcomes to which the activity primarily contributes

The community outcomes to which the activity (local environmental management) primarily contributes are set out in the LTP 2015-2025 as:

1. A green Auckland
    - through working with local boards and communities on a range of initiatives that protect and restore important environments and waterways though participating in environmental programmes and partnering with trusts and volunteers to deliver these programmes.
2. A beautiful Auckland loved by its people
    - helping to preserve our natural environment for future generations
    - through ensuring that our natural environment and heritage is valued, understood and celebrated.
3. Māori identity:
    - by empowering mana whenua and mataawaka to participate in natural resource management decision-making processes to realise shared aspirations and mutual outcomes and protect our Māori cultural heritage.

All of these outcomes relate to the overall well-being of the city, and suggest a funding mechanism to which all ratepayers contribute. All of the options for additional funding provide for all ratepayers to make a contribution.

The distribution of benefits between the community as a whole; any identifiable part of the community; and individuals

See “Ratepayer benefits of increased investment in the natural environment” in Attachment C to this report.

The period in or over which the benefits are expected to occur

The majority of additional funding is for operational costs that occur within the period the rate is charged. The benefits achieved including reduction in pest animal, plant and pathogen threats to our native species will be achieved over a much longer time period.

For capital investment, the small number of assets to be built will deliver benefits over their lifetime. It would therefore be more desirable to meet the capital costs from borrowing thus spreading them over the life of the assets. However, given constraints on council borrowing it is appropriate to fund the upfront investment from general or targeted rates in order to realise the benefits. The ongoing operating and replacement costs will be funded from general rates.

The extent to which the actions or inactions of particular individuals or as a group contribute to the need to undertake the activity

Costs for most of the proposed projects cannot be attributed to either individuals or groups of ratepayers, and should therefore be charged generally.

The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities

Funding these projects from a targeted rate will improve the transparency of decision making on additional funding. Ratepayers will be able to clearly see exactly how any additional funding they provide will be used. This will make it easier for them to express a preference on increased funding.

The use of a targeted rate will also improve accountability for expenditure. If a decision is made to raise additional funding by use of a targeted rate then ratepayers can be confident it will be used for that purpose. Targeted rates can only be spent on the activity for which they are raised.

It is administratively straight forward to implement a targeted rate in the manner proposed.

Consideration of overall impact

Having considered the above criteria, the council needs to consider the proposal in terms of the overall impact on the community. This involves elected members exercising their judgement and considering the proposal in the context of council’s funding decisions as a whole, not just in relation to this activity.

The overall affordability of any increase in funding demands on the community needs to be assessed against the pressing need for more investment to improve outcomes for Auckland’s natural environment.

The average cost of a targeted rate applied over the region on a per SUIP (separately used or inhabited part of a rating unit) basis is around $55 (including GST) per property per annum or just over a dollar per week for the most expensive option. For the lower investment option the cost per SUIP is $25 per annum or less than 50c a week.

Higher capital value properties and business properties will in general be better able to manage increases in rates and accordingly consideration may be given to applying the rate on capital value or differentiating the rate between business and non-business properties. There is a correlation between capital value and income for residential properties with the average household income being higher in areas with higher capital value. Business properties can expense rates and claim back GST.

For those residential ratepayers for whom it may be an issue the council offers rates postponement and administers the rates rebate scheme on behalf of the Department of Internal Affairs.