

Staff Advice to support the Mayoral Proposal



Part 1

10 May 2024

Contents

Attachment	Title	Page
A	Budget advice to support Mayoral Proposal	3-16
B	Budget analysis	17-34
C	Rates policy <ul style="list-style-type: none"> Appendix A: Assessment against statutory criteria Appendix B: Water Quality Targeted Rate expenditure options Appendix C: Natural Environment Targeted Rate expenditure options Appendix D: Rates impact on business and farm/lifestyle properties of options for the Water Quality Targeted Rate and Natural Environment Targeted Rate 	35-80
D	Fairer Funding of Local Boards <ul style="list-style-type: none"> Appendix A: Development of Fairer Funding proposal Appendix B: Joint Governance Working Party resolutions on 03 May 2024 Appendix C: Local board feedback on LTP Fairer Funding Proposal Appendix D: Local Board opex and capex budget under the different scenarios Appendix E: 2021 Governing Body Decisions 	81-98
E	Port land proposal <ul style="list-style-type: none"> Appendix A: Port Precinct Future Development Framework Plan Appendix B: Port of Auckland Limited Submission on the LTP 2024-2034 consultation Appendix C: Eke Panuku Presentation on Port Precinct Central Wharves Strategy – 30 April Budget Committee Workshop 	99-195
F	Major Investments <ul style="list-style-type: none"> Appendix A: Insurance Appendix B: Procurement of a Port Operator for the Port Lease Appendix C: Subsequent Decisions on Port Lease Appendix D: Controls for the Port Lease Appendix E: Financial Implications of options Appendix F: Example of control mechanisms under a Trust Structure Appendix G: Distribution of nominal returns 	196-229
G	North Harbour Stadium precinct <ul style="list-style-type: none"> Appendix A: NHS precinct site map Appendix B: North Harbour Stadium precinct timeline and notable events Appendix C: Tātaki Auckland Unlimited operated stadiums, FY2022/23 profit and loss comparison table Appendix D: Feedback received from Regional Organisations (main hirer or tenants of NHS) Appendix E: Local Board input on North Harbour Stadium 	230-254
H	Housing and Growth Infrastructure	255-274
I	Making Space for Water <ul style="list-style-type: none"> Appendix A: Revised Making Space for Water 10 year programme Appendix B: Making Space for Water 10-year programme Appendix C: Making Space for Water 10-year forecast 	275-289

Attachment A: Budget advice to support Mayoral Proposal

Purpose

1. To outline the staff budget advice to support the Mayoral Proposal on considerations for the final Long-term Plan 2024-2034. Considerations include key aspects of the central proposal, relevant trade-offs, budget refresh and key public feedback from consultation.

Summary

- Auckland Council prepared a consultation document that included three budget scenarios to demonstrate the range of choices it might consider in preparing its long-term plan.
- The assumptions that sit behind the budgets have been updated to reflect the latest available information.
- Updated advice on each of the key choices, alongside refreshed budgets, and public feedback on the consultation document have been presented to councillors in workshops through April and May and are now included in attachments to this report.
- The council has a number of budget choices to make on 16 May 2024, including on the Auckland Future Fund, funding for local boards, and changes to other operating and capital budgets. These choices will impact the level of rates charged to Aucklanders and of debt held by the council.
- All LTP decision making will need to meet legislative requirements and audit expectations, and should maintain the council's strong commitment to prudent and sustainable financial management.

Context

Financial challenges

2. Auckland Council's long-term plan needs to reflect how the council will balance the diverse economic, social, cultural and environmental needs of all Aucklanders over the next 10 years. It includes plans for infrastructure (the fundamental facilities and physical systems which service the region, such as roads, bridges, parks and community facilities), operating spending (the costs to run activities and services) and the key financial settings to support an improvement in Auckland Council's financial and physical resilience over the next decade. This includes a need to respond to the financial challenges facing the region.
3. The significant items that are driving financial considerations for the next 10 years include:
 - a. Adapting to economic fluctuations – global economic factors with the re-emergence of high levels of inflation and interest rates leading to significant pressure on the costs to deliver existing and new services.
 - b. Paying for growth - population growth drives demand for infrastructure and services. Auckland has grown at an average of 2 per cent annually and is forecast to continue to grow, with a further net 200,000 Aucklanders expected by 2034.
 - c. Rising cost of asset ownership - the more we borrow to grow our assets to respond to population increases and other rising demands, the more we are exposed to rising interest rates. In particular, the City Rail Link (CRL) is forecast to be completed in 2026. Once open, the full operating costs will need to be funded from operating revenue, including maintenance costs, interest on the council's share of capital costs, depreciation on assets that will be owned by Auckland Transport, running facilities such as new stations, track access charges from Kiwirail, and the operational costs of running the increased services that the project will enable.
 - d. Storm response and resilience - decisions made to support homeowners severely impacted by the 2023 storm events through the voluntary buyout scheme, the Category 2P grant scheme, and the investment in community infrastructure. Despite co-funding from central government this continues to result in significant costs.
 - e. A limited funding system – the council uses a number of different tools to fund and finance its services and activities, but these are often limited by legislative or other constraints.
4. This process will involve prioritisation and trade-off decisions. These trade-offs include maintaining the confidence of Aucklanders and key external stakeholders including investors, credit rating agencies, auditors, and central government.

Process requirements

5. Auckland Council is required to prepare a long-term plan (LTP) every three years. The purpose of this plan is to provide a long-term focus for the council's decisions and activities, and then to provide a basis for the community to hold the council accountable.
6. To meet its statutory obligations and to enable quality decision making, the council will need to agree on items for this final LTP on 16 May 2024.
7. Staff will then prepare the final LTP budget for adoption by the Governing Body by the end of June 2024.
8. The final LTP document will need to be audited by Audit New Zealand ahead of Governing Body adoption.

Prudent financial management

9. A key requirement of financial management for a local authority is that it maintains financial prudence¹. Focusing on prudence and long-term financial sustainability is crucial to ensuring we are not placing an unsustainable debt burden on future ratepayers.
10. Maintaining a strong commitment to long-term financial prudence is critical to ensuring the council has ongoing and cost-effective access to the capital it needs to fund its investments and to be able to respond to any future shocks.
11. The key policy settings that ensure financial prudence are the debt-to-revenue limit and balanced budget approach included in the council's financial strategy, and the depreciation funding policy included in the council's Revenue and Financing Policy. The Revenue and Financing policy states that the council does not generally use borrowings to pay for operating costs and sets annual targets for the proportion of operating expense (including depreciation) that the council will fund from current operating revenue.
12. Staff consider that given the financial circumstances the council is currently facing, any softening from the key financial policies at this point would raise significant concerns for the council's bondholders, rating agencies and other external stakeholders. No such policy changes were proposed through consultation on this LTP, any future changes would require further consultation.
13. In line with our financial strategy as set out in the LTP supporting information of the consultation document, Auckland Council has continued to set operating savings targets in its budgets with a view to improved efficiency and value for money. The council continues to believe that further efficiencies can be realised and is focused on identifying these, particularly through greater shared services across the group, improved use of technology, alongside improved value from group procurement.

Criteria / Principles

14. In considering trade-off options it is crucial that the council maintains the confidence of key external stakeholders including investors, credit rating agencies, auditors and central government.
15. As with the previous annual budget, staff recommend that the council continues to use the following four criteria to consider budget options and solutions:
 - a. **Credible** – choices should build external stakeholders' confidence in the council's financial management and items should only be included if, and to the extent that the council can be credibly follow through and realise the financial benefits.
 - b. **Sustainable** – trade-off options selected need to be ones that provide ongoing benefits and don't contribute to bigger budget challenges or unintended service level challenges for future years.
 - c. **Affordable** – options selected need to avoid unacceptable shocks for ratepayers, both now and in the future. Substantial rates increases for the first few years could create affordability challenges for some ratepayers, but other mitigation actions may serve just to delay this impact and may result in larger rates increases in subsequent years.
 - d. **Implementable** – it is crucial that the benefits from trade-off options can be delivered within the planned timeframe. Some options that are more significant or more complex might be more credibly implemented in later years of the LTP. Other options that rely on changes in government policy and/or legislative change may need to be progressed outside of the LTP process for now.

¹ Local Government Act 2002. S.101

Consultation document

16. The Long-term Plan 2024-2034 Consultation Document was adopted by the council on 20 February 2024.
17. To encourage a quality conversation with Aucklanders about the 10-year budget the council put forward three different scenario budgets to demonstrate the spectrum of decision-making possible.

Central Proposal

18. The central proposal focused on strengthening Auckland's physical and financial resilience, while tackling some big budget challenges.
19. Details of the central proposal over 10 years included:
 - Capital investment of \$39.3 billion
 - Operating spending of \$72.0 billion
 - \$50 million operating cost reduction target by year three of the long-term plan for the services delivered by the Auckland Council group
 - \$30 million asset recycling target per year (\$300 million over 10 years)

Major investments

20. We proposed the establishment of an Auckland Future Fund ("the fund") as a regional wealth fund that is professionally managed in line with investment objectives and policies set by the council. The fund could improve the council's long-term financial resilience by making provision, and self-insuring, for some of the risks posed by climate change and other major environmental and economic challenges. The proposed Auckland Future Fund aims to reduce the extent to which we rely on rates to fund our plans and diversify our revenue sources.
21. This included a proposal to transfer all the council's remaining shares in Auckland International Airport Limited (AIAL) into the fund and enable the fund manager to decide to sell any or all of the shares. As the objectives for the fund would involve spreading the fund across a range of investments to diversify risk, it is almost certain that most of the remaining AIAL shares, if not all, would be sold over time.
22. We also proposed leasing the Port of Auckland operations and using the funds from this to help create the fund, while keeping the port land and wharves under council group ownership.

Port land

23. The consultation document included a proposal to transfer Marsden and Captain Cook wharves, currently being used for port operations, to direct council ownership within 2-5 years, freeing them up for alternative use.
24. It also discussed the possibility of the transfer of the Bledisloe Terminal to direct council ownership, so it becomes available for alternative uses within 15 years.

Rates and debt

25. To establish stability in rates and ensure a sustainable revenue stream capable of supporting the specified investment levels, the council suggested a cap on overall average rate increases for

residential ratepayers, linked to inflation. This limit would be set at 1.5 percent above the reported inflation level, based on the projected level of inflation or the Local Government Cost Index.

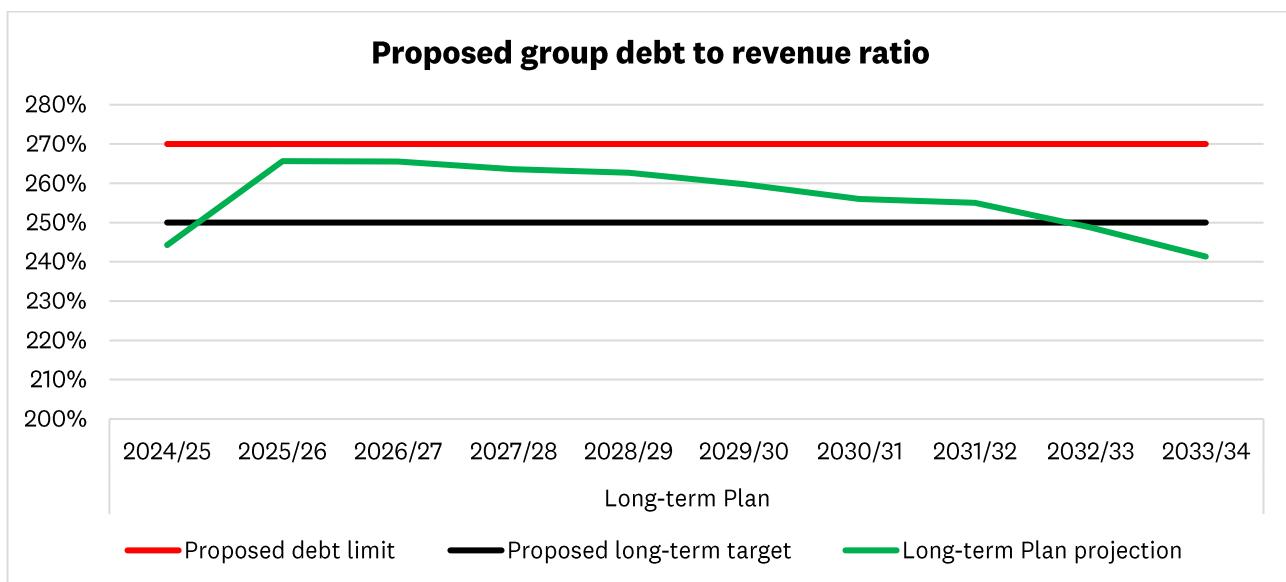
26. Proposed average rates increases surpassed this limit for two years within the plan:

- Year one – an average rates increase is a result of the home buyouts and resilience work needed as a result of the 2023 storm events.
- Year three – an average rates increase to cover the first full year of additional operating costs from the City Rail Link project commencing operations

\$ million	2024/2025	2025/2026	2026/2027	Years beyond
Annual rates increase	7.5%	3.5%	8.0%	No more than 3.5%

27. The council proposed to set a limit of group debt being less than 270 per cent of group revenue, which included Watercare. To maintain headroom for unexpected events, we proposed a long-term target to maintain this ratio below 250 per cent.

28. The chart below shows that the proposed budget maintained debt below the 270 per cent limit but only reached the 250 per cent long-term target by the end of the 10-year period.



Pay more, get more

29. A “pay more, get more” scenario with higher rates increases would enable us to deliver more and better service levels than is possible under our central proposal, but would require higher levels of rates and debt, including rates increases up to 14 per cent for residential ratepayers in the first year.

\$ million	2024/2025	2025/2026	2026/2027	Years beyond
Annual rates increase	14%	10%	10%	5%

Pay less, get less

30. A “pay less, get less” scenario with lower rates increases and less use of debt but would require cuts to some activities and service levels, or slowing down improvements, compared to the central proposal.

\$ million	2024/2025	2025/2026	2026/2027	Years beyond
Annual rates increase	5.5%	3.5%	3.5%	No more than 1% above CPI

Consultation Process

31. The consultation period ran from 28 February to 28 March and involved a number of different ways of gauging the views and preferences of Aucklanders. This included:

- Traditional submissions – either handwritten or online
- Opportunities for people to give in person feedback at Have Your Say events
- Engagement with Mana Whenua and Mataawaka groups
- A participatory democracy exercise, involving a demographically representative sample of Aucklanders
- Focused engagement with advisory groups
- Presentations to the committee by key stakeholder groups

32. The results of the consultation process were consolidated into a number of reports and presentations that were presented to the Budget Committee on 24 April 2024. These are available on the council website.

New information

Budget refresh

33. Since the adoption of the consultation budget, council staff have engaged in a budget refresh exercise. The purpose of this was to update budgets to reflect the latest available information.

34. The process involved the below key parts/changes:

- Reviewing the implications of updated key forecasting assumptions which include inflation, interest rates and government funding.
- Reviewing and updating unavoidable budget pressures.
- Budget tidy-ups for savings opportunities, workforce planning and re-phasing (timing changes) to reflect current delivery expectations.

35. Details of the updated assumptions, new information and the outcomes of the refresh exercise are included in Attachment B.

36. The overall impact of the budget refresh was neutral for the rates requirement with the only change being related to the timing adjustment that reduces rates in year one, with a corresponding increase in year two.

Projected rates increases	2024/2025	2025/2026	2026/2027	Later years
Central Proposal for consultation	7.5%	3.5%	8.0%	< 3.5%
Updated Central Proposal with timing adjustment	6.9%	4.1%	8.0%	< 3.5%

37. The key impacts on capital expenditure and debt from the budget refresh are timing changes to planned expenditure on transport infrastructure and in response to the 2023 storm event. More significant impacts on group borrowing are a result of changes to Watercare's price path (7.2% increases to water prices for the first three years) in response to the proposed legislation changes under the Local Water Done Well policy. These changes are discussed in Attachment B, and the impacts are discussed further below.

Auckland Future Fund

38. New information has become available in the continued work around the options to make changes to our two largest investments, 11 per cent of Auckland International Airport Limited (AIAL) and 100 per cent of Port of Auckland Limited (POAL). This has included both updated market information, more details around implementation options, and updated profitability projections from POAL.

39. Updated and developed advice on the options for our major investments has been provided in two workshops with the Budget Committee, and is included in Attachment F.

40. Latest market information has led to reductions in both the assumed valuation of AIAL shares, and also projected dividends paid by AIAL.

41. Refined information around implementation has identified the transfer of AIAL shares into an Auckland Future Fund could be achieved earlier and therefore some financial benefits realised in the 2024/2025 financial year. Updated projections of fund management costs have slightly reduced the expected returns from a fund from 7.5 per cent per annum to 7.24 per cent.

42. POAL have updated their operating projections, and these now include markedly improved profitability, compared to previous budgets, if port operations were continued to be undertaken by POAL.

43. The consolidation of the new information and advice has resulted in revised projections of the financial contribution to the council under the four options included in the consultation document.

44. The central proposal was based on Option 1 of the above and the movement in financial contributions for this option is detailed below.

Option 1 - financial contribution comparison

\$ million	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	Total
Consultation document	91	185	189	193	196	200	204	208	213	217	1,895
Updated projections	114	170	174	177	181	184	188	191	195	199	1,773
Difference	23	(14)	(15)	(15)	(16)	(16)	(16)	(17)	(17)	(17)	(122)

Fairer Funding of Local Boards

45. Through this long-term plan the council is looking to move to a fairer funding model for local boards. Detailed analysis and advice on this is included in Attachment D.

46. The central proposal in the consultation document included a funding model that would substantially implement the new model within three years, rather than the 10-15 years previously anticipated. It looked to do this through a mix of funding reallocation between boards, and new funding, on a 50:50 basis. This would get 18 boards within 5 per cent of their equitable funding levels.

47. Updated modelling of this proposal, based on the refresh of underlying budgets, indicates that this would require more additional operating funding than was included in the consultation document budget. This is shown in the below table.

Operating cost	2024/2025	2025/2026	2026/2027
Additional opex in the central proposal (\$m)		10.0	10.2
New opex requirement to get to within 5% (\$m)		13.5	15.3
Difference (\$m)		3.5	5.1

Impact on rates

48. The updated information in the sections above would have an effect on the overall rates requirement of the council. The impact is shown in the table below.

	Dollar impact (\$m)			Rates increase		
	FY25	FY26	FY27	FY25	FY26	FY27
Consultation document				7.5%	3.5%	8.0%
Timing adjustment	-14			6.9%	4.1%	8.0%
Update to AFF information (Option 1)	-23	14	15	5.9%	5.7%	8.0%
Fairer funding (50:50 option)		4	5	5.9%	5.8%	8.0%
Refreshed central proposal				5.9%	5.8%	8.0%

49. These rates increase projections will likely change further as a result of the proposed budget decisions discussed in the next section, and set out in the Mayoral Proposal, including decisions in relation to the Auckland Future Fund, fairer funding of local boards and any new spending or savings initiatives.

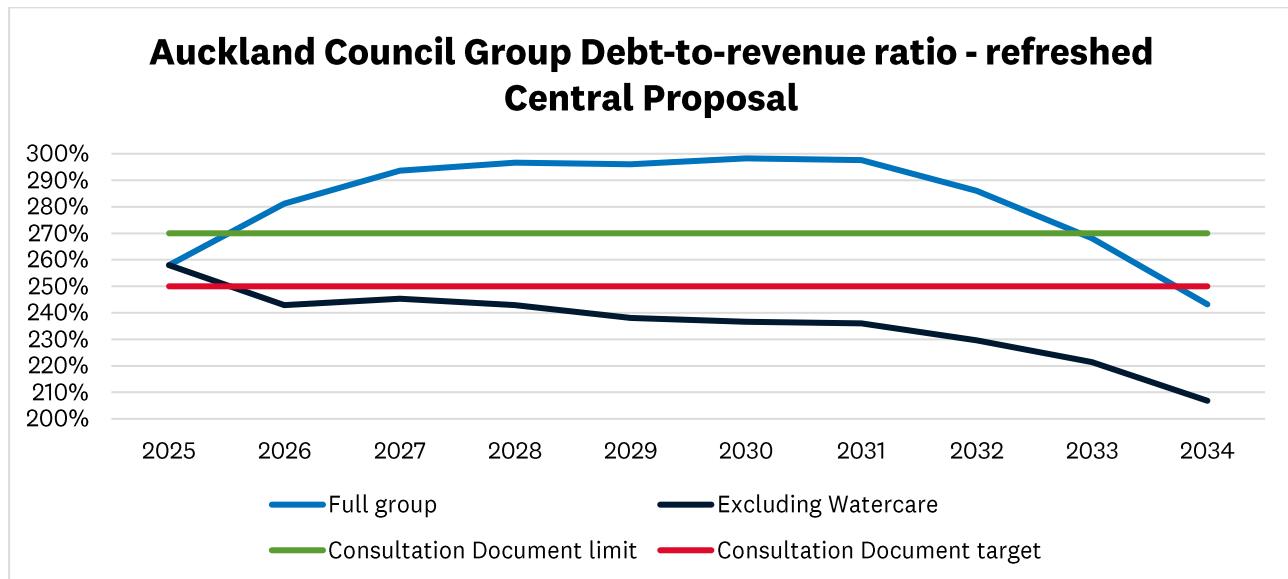
Impact on borrowing

50. The prudent use of debt is a key measure of the council's overall financial sustainability.

51. The draft Financial Strategy included in the supporting information for the consultation document proposed that the council continue to set a limit on debt defined by its relationship to revenue. It was proposed that the limit for this ratio is set at 270 per cent with a long-term target of maintaining a ratio below 250 per cent.

52. The changes associated with Local Water Done Well are expected to remove Watercare's financials when credit rating agencies look at this ratio. Therefore, is it appropriate that the council considers a change to its limits to reflect this.

53. The Mayor will propose updated financial strategy limits in his Mayoral Proposal but the chart below shows the ratios, based on the options included in the consultation document updated through the budget refresh process, both for the full group, and excluding Watercare from 2025/2026.



54. The full group ratio is notably higher than it was in the consultation document, peaking at just under 300 per cent, and this is primarily due to the update to Watercare projections to reflect a new price path and debt levels.

55. The key impact of the refreshed information on the ratio without Watercare is the earlier borrowing for storm recovery to ensure, through more voluntary buyouts, so that people can be removed from intolerable risk to life earlier.

Budget choices

56. In finalising the long-term plan the council needs to address a number of key budget choices. These include:

- Major investments
- Fairer Funding for local boards
- Additional spending and/or cost reductions

57. Each of these choices will have implications for rates and/or debt and need to be considered in this context.

58. Advice on these choices (included in other Attachments to this report) has been worked through with the Budget Committee and local board chairs at a series of workshops through April and May 2024. While no formal decisions have been made a sense of general political direction on some issues has become clear and the impacts of these choices is included in this advice.

Auckland Future Fund

59. The four options presented in the consultation document remain open to the council with respect to the investments in AIAL and POAL. Detailed analysis and advice on these options is included in Attachment F. The four options are:

- Option 1: Auckland Future Fund with AIAL shares and port lease proceeds
- Option 2: Enhanced status quo
- Option 3: Auckland Future Fund with AIAL shares only
- Option 4: Auckland Future Fund with AIAL shares and POAL dividends

60. Taking into account the new information available, the balance of projected financial contributions between options has changed. As the table below shows the option which would deliver the greatest financial contribution to the council over the long-term plan period, is now projected to be Option 3 (transfer AIAL shares to a fund, but POAL continue to deliver port operations).

Projected financial contribution of options

\$ million	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	Total
Option 1	114	170	174	177	181	184	188	191	195	199	1,773
Option 2	93	119	138	144	147	150	153	156	159	162	1,422
Option 3	114	172	190	196	201	204	208	213	217	221	1,936
Option 4	33	83	89	97	104	113	121	130	139	148	1,057

61. Advice delivered in workshops, and included in the attachment, also looked at the different potential uses of a future fund beyond the core aims of maintaining value and delivering cash returns to the council. These included:

- Self-insurance – the use of some of the fund to increase self-insurance and reduce insurance premiums in the medium and long-term. It is estimated that this would deliver operational cost savings of around \$10 million per annum.
- Resilience – the provision for the release of funds from the future fund in the case of a significant natural disaster. This has no planned budget impact.

- Liquidity – Providing liquidity to support ongoing council operations in the event of a major disruption to financial markets. The projected saving would be \$1-2m per annum.

62. With respect to the Auckland Future Fund there appears to be good support for improving the council's financial and physical resilience through a wealth fund.

- There is support for the transfer of shares in AIAL into the fund.
- The latest assessment of financial implications, alongside non-financial considerations, have led to a reduction in support for further work on a port lease. This has been emphasised by the joint statement from the Mayor, Port of Auckland Limited, and the Maritime Union.
- The committee seems to be balancing in the favour of not using the future fund to deliver self-insurance, and to therefore continue to rely on the external insurance market and current level of self-insurance.

Fairer funding of Local Boards

63. Alongside the updates to budget discussed above, further transition options were requested by, and presented to, the Joint Governance Working Group.

64. These included an option that would achieve the transition to substantially equitable funding levels within three years, but entirely with new funding, and no reallocation. This option is detailed within the advice in Attachment D, and would require an additional \$37 million of operating funding from 2025/2026. This equates to an additional rates requirement of around 1.7 per cent.

Operating cost	2024/2025	2025/2026	2026/2027
Additional opex in the central proposal (\$m)	0.0	10.0	10.2
New opex requirement without reallocation (\$m)	0.0	46.9	49.6
Difference (\$m)	0.0	36.9	39.4

65. The Joint Governance Working Party has been considering this work and has recommended to the Governing Body that it proceed with this option, with the associated rates impact.

Changes to other capital and operating investment

66. The consultation document included material around both “do more” and “do less” options for both capital investment and service delivery.

67. Consultation feedback included indications of the areas that submitters would support increased or decreased investment.

68. The council could choose to action some of the options from each of these scenarios, with the consequential impacts on rates and debt.

69. The central proposal in the consultation document included operating costs savings for the council group of \$20 million in 2024/2025, rising to \$50 million by 2026/2027 which would impact on some regional and local council services. Further cost reductions would have further impacts on council services and need to be considered in this context.

Transport investment

70. The central proposal in the consultation document included constraints on the programme of capital investment in transport infrastructure for Auckland (exacerbated by the removal of the Regional Fuel Tax), and limits on the level of additional operating funding for transport services. Achieving these budgets included the reduction of public transport services worth \$20 million.

71. General support for additional investment in transport was a key theme of the consultation feedback.

72. Auckland Transport has provided advice as to the impacts of additional capital and operating funding being made available.

73. The table below shows the service improvements under three scenarios of additional council funding being made available to Auckland Transport.

Public Transport service improvements	Scenario 1: \$10m Extra AC Funding	Scenario 2: \$15m Extra AC Funding	Scenario 3: \$20m Extra AC Funding
Service reinstatement / planned enhancements	\$4m	\$6m	\$6m
Capacity increases	\$1m	\$1.5m	\$1.5m
Rail / Auckland Network Access Agreement	\$5m	\$5m	\$10m
Bus Security Screens	\$0m	\$2.5m	\$2.5m
Total	\$10m	\$15m	\$20m

74. The table below shows the projects that Auckland Transport would recommend are delivered if an additional \$600 million of capital expenditure were provided for, from year four of the LTP.

Project	\$	Benefit
Level Crossings	\$500m	Stage 2 of level crossings removals in Takanini
Botany Interchange and Link	\$50m	Also known as Eastern Busway Stage 4
Cycleways	\$50m	Lower cost programme
Total	\$600m	

Funding requests from third parties

75. A number of third-party entities deliver community services under funding agreements from the council. Some of these agreements need to be reviewed before the LTP needs to be adopted.

76. Attachment B includes analysis and options for each of the funding agreements and requests that may require political consideration as part of the LTP.

Making Space for Water

77. Given the latest information on storm response requirements and the need to reprioritise funding between buy-outs and the Making Space for Water programme, the options for this issue have been updated. This is discussed in Attachment I.

78. The option, discussed in the consultation document of accelerating the blue-green network programme to deliver within six years, rather than ten, is not recommended due to an updated view on the risks this could involve around delivery of outcomes.

Port land

79. Updated information on the proposals, and associated financial implications, regarding port land are included in Attachment E.

Impact on residential rates

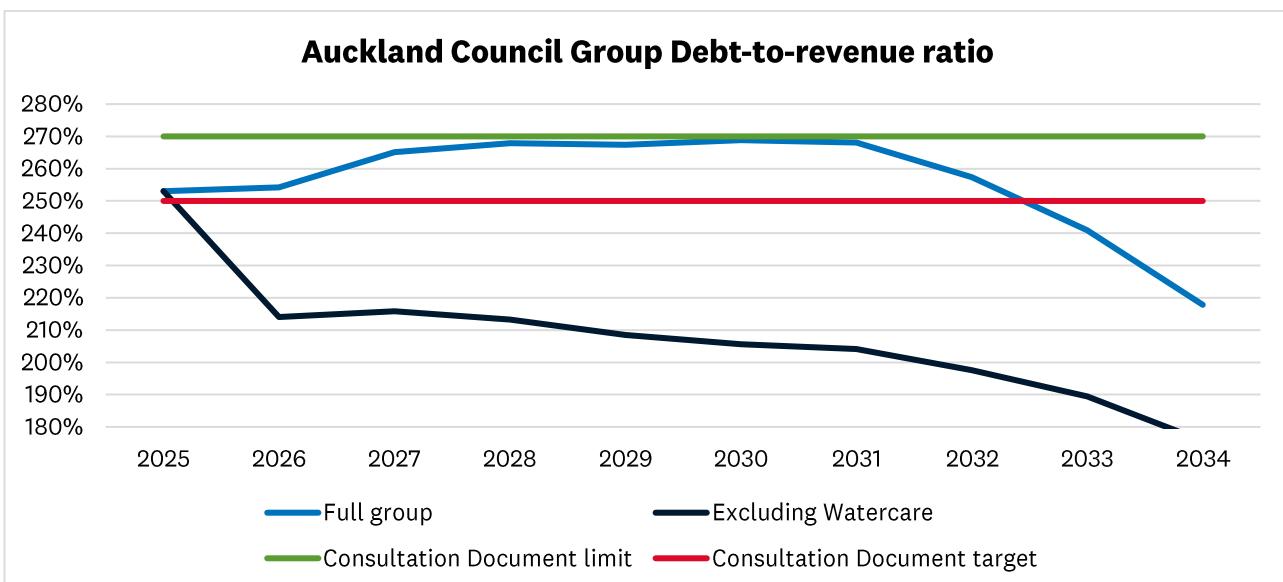
80. The table below shows the total impact on the rates requirement of changes from both the budget refresh exercise and the political direction received through the subsequent workshops.

	Dollar impact (\$m)			Rates increase		
	FY25	FY26	FY27	FY25	FY26	FY27
Consultation document				7.5%	3.5%	8.0%
Timing adjustment	-14			6.9%	4.1%	8.0%
AFF – update and change from Option 1 to Option 3	-23	12	-2	5.9%	5.6%	7.4%
Remove self-insurance		10	10	5.9%	6.0%	7.4%
Joint Governance Working Party recommendation on Fairer Funding		37	39	5.9%	7.5%	7.3%
				5.9%	7.5%	7.3%

81. These rates increase projections will likely change further as a result of the proposed budget decisions set out in the Mayoral Proposal, and then those agreed to by the Governing Body.

Impact on our borrowing

82. The main impact on debt-to-revenue ratios from these changes is an increase in operating revenue with the re-inclusion of POAL gross revenues and the AFF revenue associated with self-insurance.



Conclusion

83. This report and the associated, detailed reports on specific decisions provide the mayor and councillors with the analysis and advice required to make the key budget decisions for this long-term plan.
84. The Mayoral proposal should take into account public feedback from the consultation process and an assessment of sustainable investment solutions, along with the staff advice.
85. On 16 May 2024, the Governing Body will need to agree on a final position on the trade-offs and agree on a budget for the Long-term Plan 2024-2034.
86. Staff have considered prudent financial management to be at the core of decision-making, balancing affordability for current ratepayers with the delivery of services and investments, and with the needs of and affordability for future ratepayers. The LTP needs to be credible, implementable and must comply with all relevant legal requirements and audit expectations.

Attachment B: Budget Analysis

Purpose

1. To provide an update on the financial projections for the group operational and capital budgets for the Long-term Plan 2024-2034 (LTP) in support of final decision-making through the Mayoral Proposal.

Budget refresh process

2. The LTP consultation document and its accompanying supporting information were officially adopted by the Governing Body on 20 February 2024. The draft budget for consultation was adopted in December 2023.
3. Since the adoption of the consultation budget, a budget refresh process was undertaken, which provided an opportunity for the group to review and update the draft budgets to reflect newly available information and ensure alignment with current priorities and objectives. The process involved updating financial forecasts for things such as:
 - The implications of updated key assumptions which include inflation, growth and government policy changes.
 - The review and update of unavoidable budget pressures.
 - Budget tidy-ups for savings opportunities, workforce planning and re-phasing (timing changes) to reflect current delivery expectations.

Scope

4. The financial information outlined in this report covers the key changes for the Central Proposal adopted for consultation.
5. Some potential options to do more or less than the Central Proposal have been discussed in Budget Committee workshops and are set out in other staff advice reports, but these are excluded from this budget analysis.
6. The Central Proposal includes the full Auckland Future Fund proposal (with a transfer of airport shares, a 35-year port lease and self-insurance) and the proposal to move to fairer funding of local boards using 50 per cent reallocation and 50 per cent new funding. The latest updates and options for final decision-making are presented in other staff advice reports. For the purpose of this budget analysis, we have assumed no change to these two major items from the Central Proposal that was consulted on. Decision-making on these items will have material budget impacts that will need to be considered separately.
7. This budget analysis does not reflect any proposed new spending or savings initiatives introduced as part of the final Mayoral Proposal.

Key findings

Operating budgets and rates

8. The review of group operating budgets found that while many adjustments were required to reflect the revised assumptions and new information, the overall impact is neutral for the rates requirement. This is because the changes either broadly offset, or the nature of the changes are such that they do not affect the rates funding requirement. For example, there are minor timing changes, expenditure reclassifications and changes in one-off operating costs which have enduring benefits and can appropriately be debt-funded.
9. Staff have also reviewed the year-by-year percentage rate of depreciation funding in the refreshed budgets against the council's policy of moving to fully funding depreciation by 2028. This review found that the group is still on track to meet this target and is in fact running ahead of the target in year one. This means some timing changes can be accommodated while maintaining full compliance with the existing depreciation funding policy every year. Specifically, the rates increase in year one could be reduced by 0.6% with a corresponding increase in year two.
10. The projected rates increase for the Central Proposal could therefore be adjusted as follows:

Projected rates increase	2024/2025	2025/2026	2026/2027	Later years
Central Proposal for consultation	7.5%	3.5%	8.0%	< 3.5%
Refreshed Central Proposal with timing adjustment	6.9%	4.1%	8.0%	< 3.5%

11. These rates increase projections will likely change further as a result of the proposed budget decisions set out in the Mayoral Proposal, including decisions in relation to the Auckland Future Fund, fairer funding of local boards and any new spending or savings initiatives.

Capital budgets and debt

12. The review of the capex programme for the group has resulted in a 10-year total capital budget requirement that is also broadly in line with the draft budget for consultation. The main changes relate to timing.
13. Some investment in housing and growth infrastructure is now projected to occur beyond the 10-year period and some projects originally planned for the current year will now be delivered in the early years of the plan. The impact of these changes on the 10-year total broadly offset.
14. The profile of capital expenditure across the 10 years has changed a little due to a review of delivery assumptions for year one and smoothing out of the \$600 million reduction of transport capital expenditure associated with removal of the Regional Fuel Tax.
15. These changes have had only a minor impact on debt projections, slightly increasing the council group's projected debt to revenue ratio in the early years and slightly reducing it in the later

years. However, the new Watercare funding model will have a more fundamental impact on this ratio, these impacts are discussed in more detail in the overall staff advice report.

Updated assumptions

16. For the budget refresh process, key forecasting assumptions such as inflation and growth were updated based on new information and distributed to the group to consider the implications.

Inflation

1. Auckland Council does not have a central inflation rate for the different business areas to apply to their costs and revenues. However, in order to ensure the group took a consistent view of the economy, a set of indices were provided per the table below.
2. The set of indices below are informed by inflation reported by Statistics NZ, the inflation projections included in the Reserve Bank of New Zealand's February 2024 Monetary Policy Statement and the BERL economic forecasts provided to Taituarā.

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PPI inputs- Local govt admin	2.9%	2.4%	2.5%	2.3%	2.2%	2.1%	2.1%	2.0%	2.0%	2.0%
PPI inputs- Arts and recreation services	3.5%	2.4%	2.2%	2.0%	1.9%	1.8%	1.8%	1.7%	1.7%	1.7%
PPI inputs – Water, sewer, drainage and waste services	4.4%	3.3%	3.3%	3.1%	2.9%	2.8%	2.7%	2.7%	2.7%	2.7%
CGI – Earthmoving and site work	5.7%	3.7%	2.9%	2.1%	1.5%	1.0%	0.5%	0.1%	-0.4%	-0.4%
CGI – Pipelines	4.7%	3.5%	3.5%	3.3%	3.1%	3.0%	2.9%	2.8%	2.7%	2.7%
CGI – Reclamation and river control	3.5%	2.5%	2.4%	2.2%	2.1%	2.1%	2.0%	2.0%	1.9%	1.9%
CPI (prior Dec) -staff costs	4.7%	2.7%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

3. Compared to the draft, the Consumer Price Index (CPI) has reduced from 5.2 per cent for 2025 to 4.7 per cent. This is a key input into the forecasting of staff costs, with the prior year December actual inflation rate used as a starting point for the review of staff cost adjustments.
4. Each area within the group considers their area-specific information / indices for their industry and contracts to forecast indicative revenue and cost pressures on their budgets.

Growth

5. The group was advised the council's population and development growth forecasts are based on the latest Statistics NZ population forecasts and its recently adopted Future Development Strategy.

Legislative settings regarding water services

6. In February 2024 the government repealed all legislation relating to the establishment of new water services entities, leaving water infrastructure and services under council ownership and control.
7. For consultation, while the government continued to work on alternative policies and legislation, the council directed Watercare to maintain its debt to revenue ratio at or below 340 per cent, to ensure the group stays within its overall debt limits.
8. The implication of this directive required Watercare to reduce the amount of borrowing it had planned for 2024/2025. The reduced debt funding made it necessary for Watercare to increase water prices by 25.8 per cent to maintain the level of investment to deliver on its priorities.
9. On 5 May 2024, the government announced a solution under the Local Water Done Well plan which means Watercare will be able to borrow more money for long-term investment in water infrastructure. This change will avoid the proposed 25.8 per cent increase to water charges next year, a lower increase of 7.2 per cent will apply under the new model. However, this new funding model will have a material impact on the debt to revenue ratio for the group. These impacts are discussed in more detail in the overall staff advice report.

Budget Refresh updates

10. This section of the report outlines the key opex budget movements following the Budget Refresh process for Auckland Council and council-controlled organisations (CCO's).

Auckland Council

11. At a high level there were several operating budget updates for the 2024/2025 year that either largely offset each other at a net direct expenditure level or is expenditure that can appropriately be debt-funded so doesn't directly impact rates. The key movements include:
 - Reduction of animal management revenue – subject to final decision making, the refreshed budget has removed \$3.6 millions of fees and charges revenue for animal management. This reflects the option supported by councillors for consultation to evenly split the recovery of higher animal management costs; 50 per cent from fees and the remaining 50 per cent from rates. The draft budget assumed 60 per cent recovery from fees and charges.
 - Providing for the cost of the Category 2P grant scheme, around \$20 million additional gross cost for years 1 and 2 of the LTP. The net cost after accounting for government contributions can be debt-funded. This change is part of the broader budget movements discussed elsewhere in the staff advice for the Making Space For Water initiative. While those changes are overall neutral for council funding, they do include some reallocation and reclassification of expenditure as well as some timing changes.
 - Additional budget of \$10 million for the operations of the Recovery Office which will continue in a reduced capacity for the full financial year, earlier assumed to be in operation for the first half of the year only. These one-off costs will continue to be debt-funded.

- Providing for pay equity claims which will likely result in an increase to staff costs at the conclusion of negotiations.
- Inflationary pressure on supplier contracts, such as utilities.
- Deferred opex (carry forwards) of around \$7 million to reflect updated timing of delivery for projects that won't be completed until next financial year.

12. The increased costs above that impact rates funding are largely offset by:

- Reduction in staff costs due to lower actual annual inflation at the end of December 2023. The draft budget assumed projected inflation of 5.2 per cent, modelling for staff costs has now been updated applying 4.7 per cent inflation.
- Budget reductions for lower consequential opex forecasts reflecting current year delivery and updated capex forecasts, delaying work responding to government policy changes which will be undertaken when more detail is available and savings as a result of refining costs pressures, and improving and updating detailed budget data.

Years 2 and beyond:

13. Along with the changes above, for 2025/2026 and beyond there are some further updates to operating budgets. This includes changes related to the Fit for Purpose Technology and accelerated group shared services programmes, where some costs that were included as capex in the draft budgets are now recognised as opex due to accounting rules disallowing capitalisation of "software as a service" cost. Due to the nature of the spend, which provides an enduring benefit to council, the funding mechanism (debt) for these transfers does not need to change given our current financial policies.

Auckland Transport, Eke Panuku, Tātaki Auckland Unlimited

14. The budgets for Auckland Transport (AT), Eke Panuku and Tātaki Auckland Unlimited (TAU) remain largely in line with the draft central scenario.

15. AT have updated budgets to reflect slightly higher financing costs for the purchase of electric trains which are partly offset by lower staff costs reflecting updated inflation assumptions.

16. Eke Panuku have reduced staff costs to reflect updated inflation assumptions, the changes are under \$150,000.

17. Tātaki Auckland Unlimited has updated its budget to reflect higher expected utility costs of around \$1 million per annum and deferrals for forecast underspend for a few initiatives such as customer journey enhancement, finance process improvements and central organisation-wide training programme post the restructure totalling around \$6 million.

Refreshed operating budget projections

18. The table below shows an updated view of net operating budget projections following the work on the budget process undertaken to date, comparing movements between 2023/2024 Annual Plan and refreshed budgets for the first three years of the LTP by entity:

\$million	2023/2024	2024/2025	Change	2025/2026	Change	2026/2027	Change
Auckland Council*	1,237	1,319	82	1,379	60	1,345	(34)
Auckland Transport	439	501	62	547	46	569	22
Tātaki Auckland Unlimited	88	95	7	92	(3)	94	2
Eke Panuku	23	25	2	25	0	22	(3)
Port of Auckland	(52)	(65)	(13)	N/A	N/A	N/A	N/A

* Net direct expenditure comprises direct revenue (fees and user charges, operating grants and subsidies, and other direct revenue) less direct expenditure (employee benefits, grants, other direct expenditure). It excludes key revenue and expenditure items such as, general rates, movements in targeted rates and associated expenditure, vested assets, finance revenue, regional fuel tax, depreciation, interest costs, provisions and other sundry non-cash items.

** The figures for AT, Eke Panuku and TAU reflect Auckland Council's share of opex funding. For the Port, the figures shown are net profit after tax, and are only for year one as the Central Proposal assumed that the port lease occurs.

FY24 Annual Plan to refreshed budget 2024/2025 key budget movements

19. This section of the report focusses on the key budget movements by entity that were submitted as unavoidable pressures or required to implement an investment option.

20. The tables below provide the key drivers for changes in opex that have been forecast from 2023/2024 to 2024/2025 for the Auckland Council Group:

Entity	Key drivers	\$million
Auckland Council	Storm response including costs for Recovery Office, Making Space for Water, Category 3 property buy-outs and Category 2P grants – mostly debt-funded	73
	Net staff cost inflation based on CPI forecasts and provision for pay equity claims	16
	Animal management – adjustment of fees and charges	4
	Carry forward – rephasing from current year to 2024-2025 – debt-funded	7
	Net reductions from consequential opex savings and review of cost pressures	(18)
	Total	82

Entity	Key drivers	\$million
Auckland Transport	Higher public transport operating costs reflecting the impact of indexation, new services and track and ferry access charges	32
	Higher maintenance costs to better align with AMP requirements and support flooding recovery	12
	IT and other business support costs	13
	Staff costs	18
	Parking and enforcement revenue uplift	(13)
	Total	62

Entity	Key drivers	\$million
Tātaki Auckland Unlimited	Inflationary pressure on staff costs and utilities	1
	Carry forward – timing change from current year to 2024/2025	6
Eke Panuku	Net increase of inflationary pressure on staff costs partially offset by additional revenue and carry forward for corporate fit-out costs from current year to 2024/2025	2
Port of Auckland	Higher net profit after tax driven by increases in access charges and infrastructure levies	(13)

Year-on-year key refreshed budget movements 2024/2025 – 2026/2027

21. The key budget movements for year 2 and 3 of the LTP are outlined as follows.

Auckland Council

22. Increased operating cost in delivering community services differently - \$40 million in 2025/2026 to deliver non-asset-based community services and to enable more capital grants and lease payments to be paid to partner organisations as an alternative to council building, owning, operating and maintaining new or upgraded community facilities.

23. Equitable funding for local boards - \$10 million additional operating provision per annum starting in 2025/2026 to support the move to fairer funding for local boards.

24. Capex to opex conversions of \$5 million for accelerated group shared services technology investment due to accounting rules disallowing capitalisation of software as a service cost.

25. Other minor increases primarily due to delayed project delivery into 2026/2027, inflation forecasts, with staff and other contracted services tied to the CPI, projected at 2.7 per cent and 2 per cent for 2025/2026 and 2026/2027 respectively.

Auckland Transport

26. The funding requirement for 2025/2026 and 2026/2027 is \$46 million and \$22 million higher respectively compared to the year before due to a continuation of the same contributing factors as well as some early costs associated with the integration and commencement of new rail services through the City Rail Link tunnels and stations.

City Rail Link (CRL)

27. Once the CRL is fully operational the council will face significant additional costs to provide more rail services and maintain new infrastructure. The council also will need to fund a substantial amount of interest and depreciation each year. The specific amount of depreciation the council would need to fund remains highly uncertain and won't be confirmed until the allocation of ownership of relevant assets is confirmed and valued.

28. It is currently estimated that the council will need to fund around \$230 million of operating costs in relation to the CRL in the first full year of operations which is expected to be the 2026/2027 financial year.

29. The table below provides a summary view of the estimated annual net costs the council would need to fund:

\$million	By 2026/2027
Revenue (incl. Waka Kotahi co-funding)	(44)
Operating costs	64
Interest	167
Funded depreciation	42
Forecast total AC share of net CRL operating costs	229

30. The \$64 million of operating costs in the table include:

- Ongoing facility operations, encompassing the management and maintenance of new stations and related infrastructure.
- Incremental track access charges resulting to be paid to KiwiRail.
- Net expenses associated with the expansion of rail services, reflecting the comprehensive costs of increased operational activity.

Watercare

31. Following the solution that will result in the separation of Watercare financials from the council for the purposes of credit rating evaluations, Watercare has provided updated financial projections for the LTP.
32. Watercare indicated in the draft plan that \$13.9 billion of capex would be required to deliver on its priorities. The level of investment remains the same but the agreement with the government allows Watercare to increase its borrowing above the 340 per cent debt to revenue ratio that was set for the draft budget.
33. Watercare has provided an updated budget which is based on a lower price path, now set at 7.2 per cent increase per annum for water charges for the next three years (resulting in lower revenue projections), higher interest costs and higher debt levels. The updated key financial metrics for Watercare for the first three years of the LTP are as follows:

\$million	2024/2025	2025/2026	2026/2027
Capital expenditure	1,257	1,218	1,385
Revenue (incl. Infrastructure growth charges)	1,078	1,164	1,194
Operating expenditure (incl. interest and depreciation)	999	1,086	1,090
Closing debt	4,246	4,958	5,794
Debt to revenue ratio	400%	431%	491%
Price path for water charges	7.2%	7.2%	7.2%

Port of Auckland

34. Port of Auckland (POAL) has updated its net profit projections for the LTP. In the first year of the LTP the profit has improved by \$5 million compared to the consultation budget and contributes towards the level of rates funding required for the year one budget.
35. Over the 10-year period, POAL forecasts an estimated \$1.1 billion in profits which is around \$200 million more than the forecast provided for the draft budget. The new profit projections will input into the updated financial modelling for the Auckland Future Fund options that are to be considered as part of final decision-making on the LTP budget.

Non-direct operating costs

Interest costs

36. The council's Treasury department has provided updated interest rate projections based on an assessment of market rates and anticipated borrowing as part of the budget refresh process. The updated interest rates are higher than those assumed at the draft stage so have impacted the forecast finance costs for the unhedged portion of council debt.

37. The table below outlines the increase in projected interest costs compared with the draft budget across the first three years of the LTP:

\$million	2024/2025	2025/2026	2026/2027
Increase in group finance costs	30	35	82

Depreciation expense

38. Compared to the draft budget, depreciation projections for the group have reduced over the 10-year period. The main reasons for the decreases are attributable to the following:

- A review of useful lives within the stormwater asset class which has resulted in the reclassification of useful lives from intellectual property (useful lives of 6 years) to a stormwater reticulation asset class (useful lives of 80 years).
- Auckland Transport has revised its depreciation modelling which reflects the updated view of project completion timeframes and the reduced level of capital investment resulting from the removal of the Regional Fuel Tax (RFT).

39. Watercare has projected higher depreciation in alignment with the recent asset revaluation which partly offset the reductions from the rest of the group. However, the increases are funded by its own revenue streams such as water and wastewater charges and have no impact on council rates funding.

40. The table below outlines the increases in projected depreciation expense compared with the draft budget across the first three years of the LTP.

\$million	2024/2025	2025/2026	2026/2027
Depreciation forecast excluding Watercare	(32)	(29)	(37)
Watercare	56	56	55

Review of depreciation funding policy compliance

41. The council has a long-standing policy of moving to fully fund depreciation from rates and other revenue by 2028. This is set out in the council's Revenue and Financing Policy and is a key financial setting that underpins the council's commitment to long-term financial prudence and sustainability. The Consultation Document for the LTP made it clear that council was not considering any changes to this important policy setting. This means that no changes can be made to this policy without undertaking further consultation.

42. The depreciation funding policy parameters in the Revenue and Financing Policy are:

\$million	2024/2025	2025/2026	2026/2027	2027/2028
Minimum proportion of depreciation expense to be funded	85%	90%	95%	100%

43. Staff have now reviewed the year-by-year percentage rate of depreciation funding in the refreshed budgets against these policy requirements. This review found that the group is still on track to meet the 100% target by FY2028 and is in fact running ahead of target in year one.

44. This means some timing changes can be accommodated while maintaining full compliance with the depreciation funding policy in every year. Specifically, the rates increase in year one could be reduced by 0.6% provided that there is a corresponding increase in year two.

45. The projected rates increases for the Central Proposal could therefore be adjusted as follows:

Projected rates increases	2024/2025	2025/2026	2026/2027	Later years
Central Proposal for consultation	7.5%	3.5%	8.0%	< 3.5%
Refreshed Central Proposal with timing adjustment	6.9%	4.1%	8.0%	< 3.5%

46. These rates increase projections will likely change further as a result of the proposed budget decisions set out in the Mayoral Proposal, including decisions in relation to the Auckland Future Fund, fairer funding of local boards and any new spending or savings initiatives.

Capital investment projections

47. Following the budget refresh process the council group proposes a 10-year capital programme of \$39.2 billion. This is in line with the draft budget for consultation, and an increase of over \$7 billion of investment compared with the current Long-term Plan 2021-2031.

48. The key drivers for the increased level of investment (compared to the current LTP) proposed for the Long-term Plan 2024-2034 include:

- Accelerating planned flood management works through the Making Space for Water programme to build resilience to storms and respond to climate change.
- The costs of supporting storm-affected homeowners through the Category 3 voluntary buy-out scheme, which is co-funded by central government.
- The need for enhanced mode shift and emission reduction outcomes through investment in the bus and ferry network.
- Providing support for housing growth objectives through the Housing Acceleration Fund
- Increased asset renewal requirements.
- Construction cost escalations, including for projects like the CRL.
- Updated Watercare asset management plan projections.

49. Even though the overall budgets for the ten years haven't changed materially from the draft for consultation, through the budget refresh process timing changes have been incorporated. The key year-on-year changes relate to:

- Rephasing of Auckland Transport capex to smooth the year-on-year investment to update the adjustment made in the draft budget that reflected the removal of the RFT.
- Fit for purpose technology and accelerated group shared services capex to opex conversions due to accounting rules disallowing capitalisation of software as a service cost.
- Rephasing of Auckland Housing Programme (AHP) related investment to support for housing growth objectives as well as shifting budgets from Auckland Council to Auckland Transport for transport related spend. More information on housing and growth infrastructure investment is set out in the staff advice on this topic.
- Capital deferrals from the current year 2023/2024 mainly related to the following projects:
 - Category 3 property buyouts for storm impacted properties.
 - Te Whau pathway.
 - Regional parks acquisitions.
 - Auckland Art Gallery Heritage Restoration Project and Zoo renewal programmes.
 - Land settlement related to the Avondale transform and unlock programme.

50. The table below provides a high-level investment comparison of current LTP 2021-2031 with the refreshed LTP 2024-2034 by entity:

\$million	Current Long-term Plan 2021-2031	Refreshed Budget 2024-2034
Auckland Council*	7,437	9,266
Auckland Transport*	11,373	13,876
Tātaki Auckland Unlimited (incl. managed activity)	554	591
Eke Panuku (incl. managed activity)	777	916
Watercare	9,653	13,868
City Rail Link	1,272	592
Port of Auckland	741	76
Total*	31,807	39,185

*Includes additional capital expenditure of which is part of the Auckland Housing Programme (AHP).

Timing of capital expenditure

51. For financial modelling purposes an assumption has been made that at a group level \$125 million of capital expenditure (Auckland Transport \$75 million, Auckland Council \$50 million) will not be delivered in 2024/2025 and will instead be delivered in 2026/2027 and 2027/2028. This has been

assessed by considering previous capital delivery rates and the organisations demonstrated ability to expand or increase capacity to fully deliver the projected higher levels of investment.

\$million	2024/2025	2025/2026	2026/2027	2027/2028	2028-2034	Total Delivery vs Budget
Auckland Council	(50)	0	25	25	0	0
Auckland Transport	(75)	0	37	38	0	0
Total Over/(Under) Delivery vs. Budget	(125)	0	62	63	0	0

Capital Funding

Development contributions

52. Following the update to the capital programme, modelling for development contribution (DC) revenue projections have also been refreshed.

53. Over the 10-year period the overall level of estimated DC revenue has decreased from the levels included in the consultation budget by around \$180 million. However, the reduction impacts the outer years more, while in the first three years there is an increase in the level of expected DC revenue.

54. The key driver for this reduction is a lower number of projects being for growth infrastructure over the LTP period than was assumed for the consultation document. This change aligns with the focus to maintain assets rather than building more assets.

55. The table below shows the change in forecast DC revenue from the draft to the current budget projections over the first three years of the plan:

\$million	2024/2025	2025/2026	2026/2027
Change in DC revenue	48	33	32

Asset recycling

56. The draft LTP set targets for the proceeds from asset sales for general asset recycling (\$300 million), reinvestment sales (Transform and Unlock) and the strategic development fund. Through the budget refresh process, further work was undertaken to align the budgets with when cash proceeds are expected based on the best information that is currently available.

57. As a result of this further work, more cash is expected from asset sales in the first three years, however this is mainly driven by cash coming in from unconditional sales that have already occurred but have a deferred settlement date.

58. The \$300 million asset recycling target remains but some timing changes have been made compared to the \$30 million per annum phasing that was included in the draft budget.

Summary of capex changes

59. The overall capex programme for the group is in line with the draft budget. The key changes to the 10-year total in the refreshed projections reflect an overall reduction in the level of spend related to the AHP investment within that timeframe, which is broadly offset by carry forwards from the current year.

60. The changes in year-on-year phasing have mainly altered the spend profile in the middle and outer years of the LTP period (compared to the draft) except for the under-delivery assumption that has been applied to year one of the plan.

Appendices

No.	Title
A	Further funding requests from third parties
B	Refreshed LTP budget projections

Appendix 1: Further funding requests from third parties

1. In prior LTPs and Annual Budgets the council has received funding requests from third-party organisations who provide community services throughout the region. The funding agreements were reviewed as part of the LTP, with some of these funding agreements lapsing as well as new funding requests received as part of the consultation process.
2. The current inventory of funding agreements as part of the LTP are as follows, including some that may require political consideration.

Coastguard New Zealand

3. In July 2020, Coastguard Northern Region amalgamated with its national body, Coastguard New Zealand. As a result, it is no longer considered a regional “specified amenity” under the Auckland Regional Amenities Funding Act (ARAFA) and can no longer seek funding through that mechanism.
4. Since amalgamation Coastguard New Zealand has applied directly to the council for funding for services provided in the Auckland region.
5. As part of the Annual Plan 2023/2024, \$765,000 of operating funding was granted for Coastguard New Zealand to support the provision of services in the Auckland region. The central proposal assumes an operating budget of around \$780,000 per annum ongoing.
6. Alternatively, not funding this request would allow for the budget allowance to be released, providing a further saving for the operating budgets.

Mangere Mountain Education Trust

7. The LTP 2021 – 2013 approved funding of \$300,000 per annum for the first three years, made up of \$96,000 from local board funding and the remaining \$204,000 from regional funding.
8. The agreement for the \$204,000 portion of regional funding will end this financial year and is not included in the central proposal. The local board funded portion is assumed to continue but will need to be approved by the local board when budgets and work programmes are adopted.
9. Additional funding or cost reductions would be required should the Governing Body agree to increase funding above the local board funded portion.

Surf Life Saving Northern Region

10. Surf Life Saving Northern Region (SLSNR) is a regional “specified amenity” under the Auckland Regional Amenities Funding Act (ARAFA). SLSNR receives around \$1.5 million per annum for operational costs from the Auckland Regional Amenities Funding Board.
11. In August 2023 SLSNR outlined a request for additional funding of \$10.46 million for clubhouse redevelopment. Since this was submitted (24 Aug 2023), the Orewa Surf Life Saving Club has received a grant allocation of \$2 million from the council’s Sport and Recreation Investment Fund which funds the Orewa surf club redevelopment, reducing the total SLSNR request for funding support to \$8 million.

12. No budget provision has been assumed for this request in the central proposal. If the Governing Body agrees to fund this request, additional funding or cost reductions would be required.
13. There could be the potential for some funding for this activity to be secured by individual clubs by making an application to the existing Sport and Recreation Investment Fund.

Auckland Marine Rescue Centre (AMRC) Trust

14. In the 2018 - 2028 LTP a grant of \$2 million was allocated to enable the rebuild of the Auckland Marine Rescue Centre (AMRC). This facility also houses Coastguard NZ, Harbour Master, Maritime Police, Auckland Volunteer Coastguard and Surf Life Saving Northern Region NZ. A development funding agreement was put in place however the terms were not met before the agreement's expiry date.
15. The AMRC presented to the Governing Body in August 2023, after the Trust had been advised that the \$2 million grant funding had lapsed and was no longer available for future developments.
16. A new 'application' has since been provided by AMRC seeking funding to be allocated over multiple years to enable a refurbishment of the AMRC facility. It is seeking \$486,000 as soon as practicable (2025), and a further \$2 million for further works as part of a more extensive redevelopment at a later date (2025-2030).
17. No budget provision has been assumed for this request in the central proposal. If the Governing Body agrees to fund this request, additional funding or cost reductions would be required.

Mount Albert Grammar School Community Swimming Pool Trust (Mt Albert Aquatics)

18. The lease expires at the end of financial year 2023/2024 and an alternative accessway to the Mount Albert Aquatics Centre is likely to be required to renew the lease.
19. A budget provision of \$1 million has been assumed for this request in the central proposal to cover the cost of constructing the accessway.

The Auckland Citizens' Advice Bureaux (ACABx)

20. The current three-year funding agreement, as confirmed in the Long-term Plan 2021-2031, ends on 30 June 2024. While the funding agreement is for a three-year period, it noted that the funding was subject to annual budget decision-making.
21. Council staff and the ACABx board are working together to implement enhanced reporting and development of the service model. The Mayor's office and Customer and Community Services staff are undertaking work to determine whether central government funding can be sought to reduce the amount of council investment by 50 percent.
22. The board of ACABx has confirmed that the national body, CABNZ, is in the advanced stages of an agreement with key central government agencies on a model to support increased central government funding for the services nation-wide.

23. ACABx previously presented a draft service model and action plan for the region, which staff in Customer and Community Services reviewed and provided feedback on. Further consultation was held within the wider CAB network, including staff and volunteers, and presented back to council.

24. The central proposal assumes \$2 million of funding per annum for ACABx.

Hibiscus Coast Youth Centre

25. A three-year funding agreement of \$100,000 per annum was provided for in the Long-term Plan 2021-2031, this will end this financial year (2023/2024).

26. The youth centre provided a written submission through the consultation process advocating for the continuation of the \$100,000 per annum operational grant. This represents just under one third of the annual operational costs of the centre.

27. There is no budget provision included in the central proposal for this operational grant to continue. If the Governing Body agrees to fund this request, additional funding or cost reductions would be required.

Q Theatre

28. Auckland Council has a funding relationship with Q Theatre extending back to opening of the complex in 2011.

29. Governing Body decisions made in the Long-term Plan 2021-2031 recognised operational grant levels were insufficient to sustain Q Theatre's operations. A three-year restructuring of the Q Theatre investment by council was agreed alongside the adoption of the 2021-2031 Long-term Plan to increase operational funding allocation and to ensure regular investment in asset maintenance.

30. It was intended that the three-year restructuring of funding would support a shift in the financial performance of Q Theatre.

31. The current term of governing body decision and funding agreement ends in June 2024. Q Theatre have signalled a desire for ongoing council financial support. This is likely to require consideration of both restructuring existing funding and a request for additional funding.

32. The central proposal assumes provision of ongoing funding at around \$1 million per annum. Not funding this request would allow for the budget allowance to be released, providing an operating budget cost saving.

Appendix 2: Refreshed LTP budget projections

Refreshed Central Scenario - Net Opx

\$million	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	10-year total
Net direct expenditure/AC opex funding¹											
Auckland Council	1,319	1,379	1,345	1,358	1,401	1,465	1,542	1,611	1,664	1,676	14,761
Auckland Transport	501	547	569	602	609	617	618	596	582	578	5,820
Tātaki Auckland Unlimited (incl. managed activity)	95	92	94	95	97	99	101	103	105	107	986
Eke Panuku (incl. managed activity)	25	25	22	24	24	23	23	24	24	24	238
Watercare Services Limited	(653)	(731)	(825)	(964)	(1,119)	(1,280)	(1,473)	(1,692)	(1,921)	(2,184)	(12,841)
POAL ²	(65)	-	-	-	-	-	-	-	-	-	(65)

Refreshed Central Scenario - Capital Investment

\$million	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	10-year total
Group capital investment³											
Auckland Council	4,412	4,093	4,061	4,012	4,069	4,084	3,984	3,578	3,399	3,492	39,184
Auckland Transport	1,303	1,029	777	808	896	858	878	887	907	924	9,266
Tātaki Auckland Unlimited (incl. managed activity)	1,459	1,526	1,501	1,585	1,483	1,385	1,307	1,189	1,203	1,237	13,876
Eke Panuku (incl. managed activity)	86	85	68	70	54	46	45	42	41	54	591
Watercare Services Limited	99	86	82	87	95	147	80	80	80	80	916
City Rail Link	1,257	1,218	1,385	1,400	1,542	1,648	1,673	1,379	1,169	1,197	13,868
POAL ²	258	149	185	-	-	-	-	-	-	-	592
Timing adjustment	76	-	-	-	-	-	-	-	-	-	76
	(125)	-	62	63	-	-	-	-	-	-	-

Notes

1. Net direct expenditure comprises direct revenue (fees and user charges, operating grants and subsidies, and other direct revenue) less direct expenditure (employee benefits, grants, other direct expenditure). It excludes key revenue and expenditure items such as, general rates, movements in targeted rates and associated expenditure, vested assets, finance revenue, regional fuel tax, depreciation, interest costs, provisions and other sundry non-cash items.

The figures for Auckland Transport, Eke Panuku and Tātaki Auckland Unlimited reflect Auckland Council's share of opex funding. For POAL, the FY25 figure represents their net profit after tax projection.

2. The numbers for FY26 and onwards are not shown here for POAL based on the assumptions for the Auckland Future Fund (Option 1) proposal under the central scenario.

3. The group capital investment figures include additional capital expenditure of which is part of the Auckland Housing Programme (AHP).

Attachment C: Rates Issues

Purpose

1. The advice in this report addresses the three key rating issues consulted on as part of the central proposal for the Long-term Plan 2024-2034:
 - remove the policy that gradually reduces the share of the general rates, and generally applied targeted rates, paid by businesses, the Long-term Differential Strategy (LTDS)
 - reinstate the Water Quality Targeted Rate (WQTR)
 - reinstate the Natural Environment Targeted Rate (NETR).
2. Advice on other rates and fees matters not addressed in the Mayor's proposal is covered in a separate report on this agenda.

Executive summary

Business rates

3. The council has a long-standing policy, the Long-Term Differential Strategy (LTDS), of gradually lowering of the share of general rates collected from business from around 31 per cent in 2023/2024 to 25.8 per cent in 2038/2039. This policy means non-business rates rise by around 0.5 per cent more each year than the overall general rates increase, and business rates rise by around 1.0 per cent less.
4. Council considered two options in relation to the LTDS. The council proposed option 2 below as part of the central proposal as well as the pay more, get more and pay less, get less options.
 1. continue the policy with businesses paying 30.64 per cent of the general rates revenue requirement in 2024/2025
 2. discontinue the policy and continue to collect 30.98 per cent of the general rates revenue requirement from businesses – no impact on the overall general rates increase.
5. Officers note that businesses place more demand on, and impose more cost on, transport and stormwater services. Rates are 0.24 per cent of average business income, but 3.29 per cent of the median household income for 2022/2023. Businesses can claim back GST on rates and expense rates against tax.
6. The council's business differential ratio, 2.63 times the residential rate in the dollar, is comparable to other metropolitan centres which range from 2.1 in Tauranga (who also fund economic development with a rate on businesses) to 3.7 in Wellington.
7. Decisions on the business differential are general taxation matters and this requires the exercise of political judgement after weighing the information set out in this report. As the Water Quality, Natural Environment and Climate Action Transport Targeted Rates are generally applied targeted rates, the business share of their revenue requirement should reflect the LTDS decision.
8. Discontinuing the LTDS also requires amending the Revenue and Financing Policy. The proposed amendment to the Revenue and Financing Policy was consulted on as part of the Long-Term Plan 2024-2034. Amendments to the Revenue and Financing Policy are planned to be adopted by Governing Body at its 27 June 2024 meeting.

9. 14,423 submissions were received with 47 per cent for, 33 per cent against, 18 don't know and 2 other 13 of 14 business organisations were opposed. Maori feedback was split evenly. 14 of 20 local boards were in support and 6 were opposed.

Water Quality Targeted Rate

10. The Annual Budget 2023/2024 reduced the Water Quality Targeted Rate (WQTR) by 77.7 per cent for one year from the planned \$49.9 million to \$11.1 million, with unspent reserve funds enabling the planned programme for 2023/2024 to be fully delivered.

11. The WQTR funds investment to improve the water quality in Auckland's harbours and streams. Key programmes are stormwater upgrades and wastewater/stormwater upgrades in the Western and Eastern Isthmus.

12. Council considered four options for the WQTR set out in the table below which shows the revenue and rates impact for the average value residential property. The council proposed option 4 as part of the central proposal as well as the pay more, get more and pay less, get less options.

Option	10-year Revenue	Rates impact 2024/2025*		Additional increase 2025/2026 onwards
		Rate	Additional overall rates increase	
1. Retain at 2023/2024 level, rises 3.5% per year, ends 2030/2031 repay of capex over 7 years	\$96m	\$16.88	0.02%	Around 0.02%
2. Resume as planned, rises 3.5% per year, ends 2033/2034, repay of capex over 10 years	\$674m	\$76.88	1.68%	Around 0.07%
3. Rate set to fund programme and repay of capex over 30 years rising at 3.5% per year	\$253m	\$28.88	0.35%	Around 0.03%
4. PROPOSED: Rate set to cover only annual programme operating and interest costs in each year	\$233m	\$10.52	-0.16%	Between 0.06% and 0.23%

13. Options 3 and 4 would fund all the outcomes for which the rate was established and better align payment with the period over which the investments deliver benefits. However, debt would rise under either of these two options by around \$660 million in 2034/2035. Under option 3 debt would be fully repaid by 2053/2054. Under option 4 debt would slowly be repaid as the asset is depreciated over time.

14. Option 2 would deliver on the Western and Eastern Isthmus but with lower operational programme investment. Option 1 would only deliver part of the Western Isthmus programme.

15. There were 14,736 responses to this proposal with 70 per cent in favour, 20 per cent against, 8 per cent don't know and 3 per cent other. Feedback from Maori entities supported the proposal. 18 of 20 local boards were in support with Whau supporting option 2 and Puketāpapa's on in supported of the pay less get less scenario was adopted.

Natural Environment Targeted Rate

16. The Annual Budget 2023/2024 reduced the Natural Environment Targeted Rate (NETR) by 48.8 per cent for one year from the planned \$31.6 million to \$16.2 million, with unspent reserve funds enabling the planned programme for 2023/2024 to be delivered.
17. The NETR funds protection of native ecosystems and species, the Regional Pest Management Plan (RPMP) and the obligations in the National Policy Statement - Indigenous Biodiversity (NPS-IB). Key programmes include kauri dieback, managing pests on parkland and islands, and marine and freshwater biosecurity.
18. Council considered four options for the NETR set out in the table below which shows the expenditure funded and rates impact for the average value residential property. The council proposed option 3 in the table below as part of the central proposal and the pay more, get more option. Option 2 was part of the pay less, get less option.

Option	10-year Revenue	Rates impact 2024/2025*		Additional increase 2025/2026 onwards
		Rate	Additional overall rates increase	
1. Retain at 2023/2024 level	\$176m	\$23.69	n/a	n/a
2. Resume at \$30 in 2024/2025	\$245m	\$30.00	0.17%	Around 0.02%
3. PROPOSED: Resume at previously planned level	\$350m	\$47.02	0.65%	n/a
4. Resume at previously	\$412m	\$47.02	0.65%	Around 0.04%

19. Option 4 would deliver the proposed full programme and have capacity to respond to emerging threats. Option 3 would deliver most of the original intentions but with limited capacity for community-led initiatives or to deal with emerging threats. Options 1 and 2 would be insufficient to deliver the currently planned programme and would mean significant scaling back of existing programmes and consequently reduce the council's ability to deliver on the RPMP.
20. There were 14,835 responses to this proposal with 54 per cent in favour, 35 per cent against, 9 per cent don't know and 2 per cent other. Feedback from Maori entities supported the proposal. All local boards supported the proposal Puketāpapa's was only if the Pay Less and Get Less option was adopted.

Context

Proposal

21. The council consulted on three key rating issues as part of the central proposal for the draft Long-term Plan 2024-2034. The central proposal included an overall rates increase for the average value residential property of 7.5 per cent. As part of this the council proposed to:
 - Discontinue the Long-term Differential Strategy (LDS) which gradually lowers the share of general rates paid by businesses and provide for businesses to pay 31 per cent of the general rates revenue requirement from 2024/2025 onwards. This has no impact on the overall general rates increase but does mean that residential ratepayers do not continue to face higher increases in general rates than business ratepayers. The council also proposed to adjust the share businesses pay of the generally applied targeted rates (the Water Quality Targeted Rate, Natural Environment Targeted Rate and Climate Action Transport Targeted

Rate) to align with the proposed general rates business differential. This would result in an increase from the current 25.8 per cent to 31 per cent from 2024/2025 onwards.

- resume the Water Quality Targeted Rate (WQTR) and extend it to 2033/2034 at a level that only covers the annual programme operating and interest costs. This ensures that council can continue to fund the water quality improvements in harbours and streams across the region, at a lower immediate cost to ratepayers. This reduces rates for the average value residential property by around \$5.79 and \$26.94¹ for the average value business property.
- resume the Natural Environment Targeted Rate (NETR) and extend it to 2033/2034 to ensure that council can deliver most of the originally planned programme of investing the protection of priority native ecosystems and species and managing pest plants, animals and pathogens (including Kauri dieback disease). The proposal also provides for \$200,000 of the revenue from this rate in 2024/2025 to be used to support the response to Caulerpa. This increases rates for the average value residential property by around \$23.33 and \$108.71² for the average value business property.

22. The council consulted on these proposed changes in February and March 2024 as part of the consultation on the Long-term Plan 2024-2034. Detailed analysis of the feedback received during the consultation was presented at a Budget Committee workshop on 24 April 2024.

Decision making

23. Part 6 of the Local Government Act 2002 sets out the key requirements the council must comply with when making decisions. In particular, the council must:

- identify all reasonably practicable options to achieve the objective of the decision
- assess those options in terms of their advantages and disadvantages
- give due consideration, with an open mind, to the views and preferences of people likely to be affected by, or have an interest, in the decision.

24. The consultation process for the Long-term Plan 2024-2034 provided an opportunity for those interested in, or affected by, decisions to have their voices heard by their elected representatives prior to decisions being made. Feedback received during consultation is one key part that needs to be considered when making final decisions. Comments provided as part of the feedback should be considered in order to understand the context and the meanings behind the overall numbers and percentages in terms of those who supported or did not support the various proposals.

25. The council must weigh up the information provided on the advantages and disadvantages of each option, consider the feedback received from local boards and the public, and then arrive at what it determines to be the best decision.

26. When making decisions the council is limited by the scope of the original consultation. Decisions can only be made within the bounds of the options considered in the proposal put forward for consultation. If the council wishes to make a decision that goes materially beyond the options in the original consultation, then further consultation is required.

¹ Includes impact of proposed changes to business differential for WQTR

² Includes impact of proposed changes to business differential for NETR

Analysis

27. This section sets out detailed background on, and analysis, of the reasonably practicable options to address each of the issues covered in this report:

- Business rates differential, LTDS
- Water quality targeted rate
- Natural environment targeted rate.

28. The analysis includes an assessment against the key funding decision making criteria in the Local Government Act 2002 for the level of business rates. The key considerations for this analysis are the relative distribution of benefits, drivers of costs, and affordability between differential groups. A full analysis against the criteria in section 101(3) of the LGA 2002 was attached to the Supporting Information for consultation and is attached to this report as Appendix A: Assessment against statutory criteria.

29. All rates impact numbers included in this report are estimated based on budget and property information available to officers as at the time the report is written. These may change when rates are set in June 2024.

Business rates differential

Background: Long-term differential strategy

30. The LTDS provides for a gradual lowering of the share of general rates revenue requirement paid by businesses from 31 per cent in 2022/2023 to 25.8 per cent by 2038/2039. The council paused the LTDS in the 2023/2024 year keeping the business share of the rates revenue requirement at 31 per cent to manage the impact of rates increases on non-business properties. To collect this share from business properties, urban businesses pay a cents in the dollar of capital value around 2.63 times that of urban residential properties.

31. The business differential was originally adopted in 2012/2013 as part of the adoption of a standardised rating policy following amalgamation. In setting the differential the council considered businesses:

- benefited more from council services
- imposed more cost on council service provision
- were better able to afford rates than other properties.

32. However, while the council considered business rates should be higher than non-business, the council also decided they were too much higher and should be gradually lowered over time. The council accordingly adopted the first LTDS. In 2017/2018 the council introduced the WQTR and NETR and then in 2022/2023 the council introduced the Climate Action Transport Targeted Rate (CATTR). As these targeted rates were generally applied all three included a business differential. The business differential for these rates was set to collect 25.8 per cent of the revenue requirement being the ultimate target of the LTDS.

33. Business differentials are also commonly applied by the other large urban councils in New Zealand. The table below shows the comparative general rates business differential ratios for these councils. The actual share of rates paid by business in these councils will vary depending on the respective size of the business sector in the underlying rating base and the application of targeted rates.

Council	General rates business differential ratio 2023/2024
Auckland	2.63
Tauranga	2.1 (also fund ED with a targeted rate on business)
Hamilton	2.98
Wellington	3.7 (also fund ED with a targeted rate on business)
Christchurch	2.2
Dunedin	2.47

Options for the business differential

34. There is no optimum level for setting the business differential. As with all matters that relate to rates setting, decisions on the business differential require the application of political judgement. Council considered two options for the approach to the level of the business differential from 2024/2025, these were:

1. continue with the reduction of the business differential (either through continuing with the LTDS (status quo) or a move straight to the target level of 25.8 per cent)
2. hold the business differential at the current level of around 31 per cent (stopping the LTDS)

35. The following sections sets out the impacts for each of the options. Stopping the LTDS will require amending the Revenue and Financing Policy to reflect council's new approach to the business differential. This amendment was consulted on as part of the Long-term Plan 2024-2034. The Governing Body will be asked to adopt amendments to the Revenue and Financing Policy at its meeting on 27 June 2024.

Option 1: Continue with the reduction of the business differential

36. Resuming the LTDS would result in a slow reduction of the business differential until it reaches the current target of 25.8 per cent in 2038/2039. This would see residential rates increase by around 0.5 per cent more each year and business rates to increase by around 1.2 per cent less each year.

37. An alternative would be to move straight to the 25.8 per cent in 2024/2025. This would see residential rates increase by around 7.1 per cent more in 2024/2025 and business rates to increase by around 17.7 per cent less in 2024/2025. From 2025/2026 non-business and business rates would generally see the same overall rates increase each year.

Option 2: Hold the business differential at the current level

38. Holding the business differential at around 31 per cent would see non-business and business rates having generally the same overall rates increase each year from 2024/2025.

Feedback from consultation

39. There were 14,423 responses to this proposal with 47 per cent in favour, 33 per cent against, 18 per cent don't know and 2 per cent other. The most common themes were:

- businesses increase demand on council services and can afford more rates
- general support for the proposal
- businesses don't increase demand on council services, are less able to afford rates increases particularly small business.

40. Other less common themes included:

- comments on other rating or funding policy settings
- concern about the incentive this may have on businesses

41. Feedback was received from 14 organisations that represent business groups, 13 did not support the proposal. Key points raised were that the business differential is too high, they disagreed with council's assessment of greater impacts from business for some services, and that business did not have increased affordability to pay rates.

42. Four Iwi provided feedback on this proposal: two were in support (Ngāti Rehua - Ngātiwai ki Aotea Trust Board and Ngāti Tamaterā Treaty Settlement Trust). Two did not support the proposal (Ngāti Tamaoho and Ngātiwai Trust Board).

43. Five matawaka entities provided feedback on this proposal: two were in support (Te Kotahi a Tāmaki Makaurau Marae Collective and Wāhine Relative Limited (Wāhine Māori), Te Kaha O Te Rangatahi and Whanau Hauā CCS Disability Action selected "Other". Mad Ave Community Trust - Rangatahi Ora selected "I don't know".

44. Twenty local boards provided feedback on the proposed to change to the LTDS. Fourteen local boards (Albert-Eden, Aotea / Great Barrier, Devonport-Takapuna, Henderson-Massey, Hibiscus and Bays, Kaipātiki, Māngere-Ōtāhuhu, Manurewa, Ōrākei, Papakura, Rodney, Waiheke, Waitākere Ranges, and Whau) supported the proposal. Six local boards (Franklin, Howick, Maungakiekie-Tāmaki, Puketāpapa, Upper Harbour, and Waitematā) did not support the proposal.

45. Franklin, Howick, Maungakiekie-Tāmaki, Upper Harbour and Waitematā supported the continuation of the LTDS. Franklin and Howick noted the importance of local business to local social and economic well-being. Devonport-Takapuna and Waiheke noted local support for the proposal.

Benefits received from council services and cost imposed

46. This section considers the relative benefit that business and non-business properties receive from council activities and the extent to which these properties contribute to the need for council to undertake those activities.

47. Assessing the level of benefit the business sector receives is a subjective process. In 2012/2013, benefits were assessed based on usage, availability, and proximity to particular sectors and locations. Consideration was also given to the impact on property values that arise from access to council provided services.

48. General rates funded council activities are public goods. They are undertaken for the benefit of the community as a whole rather than for individuals. As such there is no direct relationship between the amount of rates an individual pays and the benefits they receive. However, to some extent the benefits of council activities are already partly capitalised in property values.

49. Properties in closer proximity to services will tend to have higher property values than those that do not. However, developing a rating system based on this assumption would not reflect the levels of benefit received. This is because the supply of council services is not the primary driver of property values. Market forces of supply and demand, and the relative desirability of locations (e.g., seaside locations) have a greater impact.

50. In 2012/2013 an assessment of the distribution of benefits between sectors was undertaken. The analysis used information and statistics from asset management plans and other sources from council and Waka Kotahi. It then attributed benefits to the broad rating differential categories approximating both the benefits and the costs of provision accrued to each group. Due to the

nature of assessing benefits outlined above the resulting analysis only provides an indication of the relative magnitude of benefit and cost provision between the groups. It should not be taken as providing an absolute assessment. The table below shows the results of this analysis.

Activity	Urban		Rural		Farm/ lifestyle
	Business	Residential	Business	Residential	
Roads	36%	55%	1%	3%	5%
Footpaths and cycleways	27%	65%	2%	4%	2%
Parking	37%	55%	2%	4%	2%
Public transport	37%	50%	3%	5%	5%
Community resources	13%	70%	6%	6%	5%
Regional and local facilities	18%	70%	2%	5%	5%
Building consents	38%	52%	2%	3%	5%
Stormwater	46%	48%	2%	2%	2%
Other	17.0%	67.5%	2.4%	4.2%	8.9%

51. This assessment was then compared, at an aggregate level, to the proportional size of each sector in the underlying rating database. The table below shows this comparison.

Category	Benefit	Property count	Property value
Metro – business	26%	7%	17%
Metro – residential	61%	81%	68%
Rural – business	3%	0.5%	2%
Rural – residential	4%	6%	4%
Farms and lifestyle	6%	5.5%	8%

52. This comparison showed that the business sector was receiving a higher level of benefit from council activities relative to their proportion of the rating base. Examples of higher use of council services associated with the business sector include:

- a larger impact on the cost of transport infrastructure due to heavy vehicles
- increased stormwater infrastructure related to the larger impervious surface areas for businesses when compared to other property types, although some residential properties also allow for higher impervious surface areas.

53. Officers revisited the work that was undertaken in 2012/2013. While the business share of property value and numbers of property has fallen slightly, they continue to place greater demand on council services. Officers therefore consider that the original analysis continues to hold true.

54. Analysis of the rating database shows that the proportional size of business sector capital value has reduced from 19 per cent in 2012/2013 to 16.5 per cent in 2023/2024 while the proportional

size of the business sector SUIP's has reduced from 9.8 per cent in 2012/2013 to 9.3 per cent in 2023/2024.

55. Officers also revisited the assessment of benefits for residential and business land and have found that:

- business continue to place greater demand on transport infrastructure
- business continue to place greater demand on stormwater infrastructure.

56. The Ministry of Transport's Household Travel Survey³, undertaken between July 2019 and August 2022 shows that across New Zealand there has been a decline of around 10 per cent (from 47 per cent to 37 per cent) in business-generated travel for shopping, social entertainment, and services. This is shown in both total kilometres and trip duration. This has been largely due to COVID-related lockdowns and shifts in consumer shopping behaviour. However, the proportion of business-generated trips (37 per cent) continues to be higher than the overall proportion of business sector capital value (16.5 per cent).

57. Since 2013 there has also been an increase in truck road freight distances travelled by 22.8 per cent and an increase of freight activity (tonne-kilometres) by 25.5 per cent. Heavy vehicles, primarily serving business require roads designed to higher engineering standards. Heavy vehicles also accelerate deterioration of road infrastructure increasing maintenance and requiring more frequent renewal. This increases the costs of roading infrastructure and the costs of maintaining roads.

58. Unitary Plan rules allow for business land to be developed to a greater extent than most residential land. This results in a greater proportion of business land being covered in impervious surface area in comparison to non-business land. This contributes to increased run-off from the land during heavy rain events which places increased demand on stormwater infrastructure.

59. In response to changes in the Unitary Plan, there has been an increase in high intensity development of residential land. New multi-unit homes account for 58 per cent of building consents issued within the Auckland since 2013. Increasing urban density for both business and residential purposes creates increased demand on stormwater infrastructure requiring additional investment by council. However, the proportion of highly developed residential land remains relatively low in relation to all residential land while the majority of business zoned land can be developed to high intensity.

Affordability

60. In general, a rating system based on property value reflects ability to pay to the extent that people with higher value properties usually have higher incomes. The fairness of the distribution of rates can be considered in the following three different ways:

- the differing ability to pay between different sectors
- the relationship of distribution of rates by household income for the residential sector
- the relationship between the changes of incidence of rates and household income for the residential sector.

³ <https://www.transport.govt.nz/statistics-and-insights/household-travel/> This is a nationwide survey and does not provide a breakdown of activity by region, however officer assume that the same impacts shown nationally would also apply to Auckland.

61. There are two main reasons that differentiate the ability to pay between the business and residential sectors. These are:

- the business sector can claim back the GST component on rates
- the business rates are an expense and paid out of pre-tax earnings.

62. Rates are also an expense for the portion of the residential sector used for residential tenancies or at home occupations. Approximately 40 per cent of Auckland's residential properties are tenanted. However, it is administratively prohibitive to apply business sector rates in these circumstances.

63. The legal incidence of rates usually falls upon the property owner. However, the economic incidence depends on who actually pays the rates. The standard practice for commercial leases of business properties requires tenants to pay the rates. However, if the property is untenanted then the property owner will be required to pay the rates.

64. Analysis of residential rates affordability is undertaken against the 5 per cent threshold proposed in the Report of the Local Government Rates Inquiry 2007, referred to as the Shand Report. The table below shows the median rates and water costs as a percentage of median household income for owner-occupied households.

Financial year	Estimated annual rates and water costs (\$)	Median household income for homeowners (\$)	Costs as a % of household income
2012/2013	2,494	86,600	2.88%
2013/2014	2,568	87,600	2.93%
2014/2015	2,690	90,500	2.97%
2015/2016	2,907	95,100	3.06%
2016/2017	2,993	99,200	3.02%
2017/2018	3,048	102,900	2.96%
2018/2019	3,085	110,200	2.80%
2019/2020	3,186	113,800	2.80%
2020/2021	3,294	112,700	2.92%
2021/2022	3,507	114,500	3.06%
2022/2023	3,801	115,645	3.29%

65. This analysis shows that, in general, Auckland Council rates and water and wastewater charges are currently well within the affordability threshold as set out in the Shand Report. Decisions on shifting the level of the business differential would not materially affect this assessment.

66. It is not possible to undertake the same type of analysis for business properties as earnings/profit information is not collected at a granular enough level. Additionally, earnings and profit vary considerably between business sectors and between businesses within a sector. However overall business income information is available through the Annual Enterprise Survey.

67. The analysis of business affordability below focusses on relative affordability through time rather than absolute affordability at a point in time. The table below shows the proportion of rates, as a whole, in comparison to total business income. It includes general rates and targeted rates set

across the region. It excludes targeted rates assessed on specific locations such as Business Improvement Districts and City Centre.

Financial Year	Total Business Income (\$ b)	Total Business Rates (\$ m)	Rates as a portion of total income (%)
2015/2016	\$206.5	\$476.9	0.231%
2016/2017	\$211.1	\$490.7	0.232%
2017/2018	\$225.5	\$511.9	0.227%
2018/2019	\$242.2	\$537.9	0.222%
2019/2020	\$254.9	\$553.1	0.217%
2020/2021	\$256.6	\$577.0	0.225%
2021/2022	\$265.1	\$607.1	0.229%
2022/2023	\$296.5	\$724.0	0.244%

68. There are no metrics for assessing what is an affordable level of rates for business. However, what this analysis shows is that generally the level of business rates in relation to income is very small and that it hasn't materially changed since 2015/2016. As with the affordability assessment for residential properties, decisions on shifting the level of the business differential would not materially affect this assessment.

Conclusion

69. In determining which option to adopt the council will need to weigh the matters set out in the preceding sections which discuss the relative benefits received and costs imposed, and affordability, between business and non-business properties.

70. One of the reasons for the original introduction of the LTDS was that lowering business rates would encourage business development. Rates are a small proportion of business income, 0.24 on average, and as a form of land tax, movements in rates will ultimately flow through to land prices. The scale of reduction in rates will at best only have a very small impact on business development in the long term. Officers do not consider that this should form a material element in a decision on the business differential and the LTDS options.

Water Quality Targeted Rate

Introduction

71. In 2018 the council introduced a Water Quality Targeted Rate (WQTR) to fund an accelerated program of investment to improve the water quality in Auckland's harbours and streams. The rate was to run for 10 years to 2028, be set on capital value, and collect 25.8 per cent of the rates requirement from business properties (being the target share of the general rates requirement to be paid by businesses under the LTDS).

72. The 10-year Budget 2021-2031 included an extension of the targeted rate to 2030/2031 and for the rate to increase by 5 per cent for the 2021/2022 year, and at 3.5 per cent per year thereafter. The rate raised \$47.4 million in the 2022/2023 year and was \$70.87 for the average value residential property.

73. To manage the impact on ratepayers of changes to rates in 2023/2024 the council temporarily reduced the WQTR by 77.7% for one year (GB/2023/100) from the planned \$49.9 million to \$11.1 million. The rate for the average value residential property in 2023/2024 was \$16.31.

Feedback from consultation

74. There were 14,736 responses to this proposal with 70 per cent in favour, 20 per cent against, 8 per cent don't know and 3 per cent other. The most common themes were:

- general support for investment in water related infrastructure
- concern for the quality of water in our harbours and waterways.

75. Other less common themes included:

- the impact of regulatory settings
- comments about specific areas of investment for the programme.

76. There were also a small number of comments where the submitter was unsure of the difference between the options.

77. Five Iwi provided feedback on this proposal: four were in support (Ngāti Tamaterā Treaty Settlement Trust, Te Kawerau Iwi Tiaki Trust, Ngātiwai Trust Board, and Ngāti Rehua - Ngātiwai ki Aotea Trust Board). Ngāti Tamaoho did not support the proposal.

78. Five matawaka entities provided feedback on this proposal: three were in support (Mad Ave Community Trust – Rangatahi Ora, Te Kotahi a Tāmaki Makaurau Marae Collective, and Wāhine Relative Limited (Wāhine Māori). Whanau Hauā CCS Disability Action and Te Kaha O Te Rangatahi selected “Other”.

79. Twenty local boards provided feedback on the proposed to change to the WQTR. Eighteen local boards (Albert-Eden, Aotea / Great Barrier, Devonport-Takapuna, Franklin, Hibiscus and Bays, Howick, Kaipātiki, Māngere-Ōtāhuhu, Manurewa, Maungakiekie-Tāmaki, Ōrākei, Ōtara-Papatoetoe, Papakura, Rodney, Upper Harbour, Waiheke, Waitākere Ranges, and Waitematā, and Whau) supported the proposal. Puketāpapa had condition support only if the Pay Less and Get Less option was adopted. Whau supported option 2.

80. Devonport-Takapuna and Waiheke noted local support for the proposal. Franklin and Hibiscus and Bays made suggestions on how the WQTR should be spent. Ōtara-Papatoetoe noted the importance of the outcomes of the investment. Maungakiekie-Tāmaki recommended increasing the rate by inflation. Hibiscus and Bays, Howick, Manurewa, and Ōtara-Papatoetoe advocated for increased transparency on the investments made.

Services funded

81. The program provides for:

- stormwater upgrades and wastewater/stormwater upgrades in 7 catchments in the Western Isthmus
- infrastructure for stormwater contaminant removal across the region - e.g., Kaipara
- rehabilitation of urban and rural streams – e.g., Omaru creek in East Tamaki
- introduction of a proactive regional septic tank monitoring programme
- in 2021 the program was extended for 3 years until 2031 and provided for the first stage of investment in the Eastern Isthmus.

82. The programme delivers improved water quality in harbours and streams across the region. Key outcomes from the Western Isthmus investments will be a reduction in wastewater overflows into the Waitematā Harbour from hundreds of events to six or less each year. The Eastern Isthmus investments will deliver improved water quality in the following catchments: Hobson Bay to St Heliers, Manukau Harbour, and Tāmaki Estuary.

83. Since the rate was last adjusted as part of the 10-year Budget 2021-2031 the cost of delivering the stated outcomes has increased. The full-scale separation projects in Herne Bay and St Mary's Bay are being replaced with the Pt Erin storm water tunnel project. The Pt Erin tunnel project cost exceeds the previously planned budget but is well below what the cost of the alternative full separation is now understood to be. In addition, the original budget provided for only the first three years, from 2029, of the Eastern Isthmus costs. The next three years of those costs are now included.

Options

84. The council considered four options for the WQTR and the level of expenditure it funds. Options 1, 2, and 3 repay the capital expenditure funded by the rate over the life of the rate. Option 4 does not repay the capital expenditure from the rate - instead, under option 4, the programme's capital expenditure would be debt-funded with the WQTR set to only cover the annual operating and interest costs relating to the programme.

85. The options considered are set out in the table below which shows the expenditure funded and rates impact under each option, and the impact of each option on the overall rates increase, for the average value residential property in 2024/2025 (this includes the impact of our proposal to set the share of the rate raised by business at approximately 31 per cent).

Option	10-year Revenue	Rates impact 2024/2025		Additional increase 2025/2026 onwards
		Rate	Additional increase	
1. Retain at 2023/2024 level plus a 3.5 per cent increase, with expiry in 2030/2031	\$96m ⁴	\$12.05	0.02%	Around 0.02%
2. Resume at previously planned level and extend to 2033/2034	\$674m	\$71.51	1.53%	Around 0.07%
3. Rate set to fund programme and repayment over 30 years	\$253m	\$26.86	0.29%	Around 0.03%
4. Rate set to cover only annual programme operating and interest costs in each year	\$233m	\$9.78	-0.18%	Between 0.06% and 0.23%

86. The rates impact on business and farm/lifestyle properties was attached to the Supporting Information for consultation and is attached to this report as Appendix D: Rates impact on

⁴ This is the revenue over a seven-year period as the targeted rate will expire at the end of 2030/2031 under this option, consistent with the timeframe adopted as part of the 10-year Budget 2021-2031.

business and farm/lifestyle properties of options for the Water Quality Targeted Rate and Natural Environment Targeted Rate.

87. The table below shows an estimate of the level of investment/expenditure in each element of the programme that can be funded from the revenue raised by each option. The difference between the revenue raised over the ten-year period and expenditure it can fund for options 3 and 4 reflects the longer period over which options 3 and 4 operate taking into account the higher interest costs incurred.

WQTR programme expenditure	Option 1	Option 2	Option 3	Option 4
Western Isthmus - Pt Erin tunnel	\$65m	\$65m	\$65m	\$65m
Western Isthmus except Pt Erin	\$28m	\$354m	\$354m	\$354m
Eastern Isthmus	-	\$202m	\$202m	\$202m
Water quality improvement works non capitalisable	-	\$38m	\$118m	\$118m
Water quality planning	-	\$6m	\$6m	\$6m
Contaminant management	-	-	\$25m	\$25m
Safe networks (Illicit discharges)	\$3m	\$9m	\$9m	\$9m
Total	\$96m	\$674m	\$779m	\$779m

88. Each option is discussed below. Further detail on the expenditure options is attached as Appendix B: Water Quality Targeted Rate expenditure options.

Option One: Retain current rate with expiry in 2030/2031

89. Option 1 has minimal impact on ratepayers. Option 1 also has no impact on debt as the capital expenditure it can fund is repaid within the term of the rate.

90. Option 1 would have a significant impact on planned service levels. Option 1 would deliver the Pt Erin extension component of the Western Isthmus programme, but all other planned upgrades for the Western Isthmus programme would be stopped. This would achieve Safeswim outcomes for the Herne Bay and St Mary's Bay catchments, i.e., the beaches of Herne Bay, Home Bay, Sentinel Road Beach and St Mary's Bay. However frequent wet-weather overflows would persist in most of the remaining Western Isthmus catchments, and continue to affect the beaches of Pt, Chevalier, Meola and Cox's Bay, as well as other coastal environments. Under this scenario, there is a risk that Watercare may not achieve its overflow reduction targets set out in the Central Interceptor consent.

91. Option 1 would also require ceasing almost all projects outside of the Western Isthmus. The Eastern Isthmus programme would be unable to proceed, which will compromise outcomes from Watercare's planned wastewater investment in this area. The urban contaminant management programme would also be stopped. Sufficient funding would be available to continue some operational programmes such as Safe Networks or Safe Septics at reduced levels. Funding for rural sediment reduction programmes would also likely cease or reduce to very low levels of investment.

92. Despite the narrow focus of investment under this option all Aucklanders will still benefit from the improvements this provides for water quality across the Auckland Region's harbours and

streams. The direct benefits to individual ratepayers will vary depending on the use they make of Auckland's waterways and their proximity to the areas of investment. Properties on the combined network will not receive any additional benefit from this investment compared to other properties as their stormwater will continue to be conveyed away as it had been before the work was undertaken.

93. Properties adjacent to beaches currently closed to swimming may benefit from higher land values as a result of the beaches being reopened. However, establishing the extent to which particular properties will benefit is difficult, as improvements to water quality will be incremental and over a long timeframe.

Option two Resume rate at previously planned level and extend to 2033/2034

94. Under Option 2 the rate in 2024/2025 for the average value residential property would be \$71.51, adding 1.53 per cent to the overall rates increase. For the average value business property in 2024/2025 the rate would be \$357.94, adding 1.48 per cent to the overall rates increase. Option 2 also has no impact on debt as the capital expenditure it can fund is repaid within the term of the rate.
95. Option 2 would raise around \$674 million over 10 years. Due to increases in cost and scope of the work required to deliver on the original program this option would not deliver all the originally intended outcomes.
96. Option 2 would allow for the completion of the Western Programme; achieving Safeswim outcomes at all beaches from Pt Chevalier to St Mary's Bay and ensuring all Central Interceptor consent conditions are met.
97. The Eastern Isthmus Programme could also proceed according to plan within this 10-year period. Operational programmes such as Safe Networks and Safe Septics; as well as rural sediment reduction programmes would likely be able to continue at reduced levels, Urban contaminant management programmes would likely be significantly reduced or stopped.
98. This option would see most of the original investment in water quality improvements continue. This will provide widespread benefits to all Aucklanders. However, the extent of those benefits would not be to the levels originally intended by the investment programme.

Option three: Resume rate at previously planned level and extend over 30 years

99. Under Option 3 the rate in 2024/2025 for the average value residential property would be \$26.86, adding 0.29 per cent to the overall rates increase. For the average value business property in 2024/2025 the rate would be \$13,447, adding 0.31 per cent to the overall rates increase.
100. Option 3 would raise around \$1.32 billion over 30 years. As the recovery of the investment is spread over 30 years this includes \$542 million interest costs and borrowing increases by \$660 million in 2033/2034 and then gradually reduce for the remainder of the rate. It would also avoid the issue of having unspent targeted rates reserves building up in the years prior to the large construction projects commencing.
101. Option 3 would allow for delivery of the full programme. This includes the completion of the Western Isthmus programme, with all outcomes as above. The Eastern Isthmus Programme would proceed supporting all related Watercare investment. The extended period in this option also ensures funding for the full Eastern Isthmus upgrade work programme which extends

beyond the current 2030/2031 expiry date for the rate. Operational and rural sediment reduction and urban contaminant reduction programmes would continue as planned.

Option four (Proposal): Rate set to cover only annual programme operating and interest costs in each year

102. Under Option 4 the rate in 2024/2025 for the average value residential property would be \$9.78, reducing by 0.18 per cent the overall rates increase. For the average value business property in 2024/2025 the rate would be \$48.96 reducing by 0.14 per cent the overall rates increase.
103. This option treats the capital investment like investments funded by the general rates (i.e. funded from borrowings). Under this option, the WQTR would not provide for capital investment to be repaid.. As a result, debt would rise to \$661 million by 2033/2034 and there will be ongoing interest costs from 2034/2035. It should also avoid the issue of having unspent targeted rates reserves building up in the years prior to the large construction projects commencing. Assets created from the capital investment will be depreciated over the useful life of the assets. Debt incurred to finance the capital programme will be repaid from general rates as the assets are depreciated. This provides for the asset to be replaced over time
104. Recent refinement of final costs of the Pt Erin tunnel project has resulted in further clarification of Healthy Waters contribution towards this project which is higher than the \$65 million included in the budget for consultation. Final costs will not be known until the project is delivered. The Pt Erin tunnel project is a priority project for the Water Quality Targeted Rate programme as it delivers the best environmental outcomes out of all planned projects. The impacts of changes in final project costs will be managed within the planned budget by adjusting the timing and scope of other projects in the Water Quality Targeted Rate programme. This is not expected to have a material impact on the overall outcomes delivered from the programme.
105. Updated budget figures include a shift of \$2.5 million of operational expenditure from 2027/2028 (year 4) to 2024/2025 (year 1) while the capex programme has remained unchanged. The overall planned budgeted operational and capital expenditure for the 10-years of the Long-term Plan 2024-2034 have remained unchanged. This results in a slightly different phasing of the utilisation of the WTQR reserve in years 1 and 4.
106. Like Option 3, Option 4 funds the full program.

WQTR business differential

107. The WQTR is applied to all properties across the region. The scale and distribution of the investments differs across the options. However, the nature of the benefits the investments deliver provide benefits across the region in terms of improved Safeswim outcomes at beaches accessible to all Aucklanders and by reducing overflows into the harbour. The rate funds an activity that generally benefits properties across the region. When introduced it was decided that as a generally applied rate it should have a business differential. The business differential for the WQTR was set to raise the share of the revenue requirement from business that was the ultimate target of the LTDS (25.8 per cent).
108. If the council makes changes to the LTDS the council should also amend the share of the WQTR. The impact of these options on rates increases and level of WQTR paid by the average value residential property are set out below.

WQTR option	LTDS option	
	Retain LTDS	Bus differential 31%
	% increase \$ in 2024/2025	% increase \$ in 2024/2025
1. Retain at 2023/2024 level plus a 3.5% increase, with expiry in 2030/2031	0.02% \$16.88	-0.02% \$15.7
2. Resume at previously planned level and extend to 2033/2034	1.68% \$76.88	1.53% \$71.51
3. Rate set to fund programme and repayment over 30 years	0.35% \$28.88	0.29% \$26.86
4. Rate set to cover only annual programme operating and interest costs in each year	-0.16% \$10.52	-0.18% \$9.78

Conclusion

109. The proposed Option 4 would fund the full planned programme and the delivery of all the outcomes for which the rate was established at a lower immediate cost to ratepayers⁵ and better aligns payment, via depreciation and interest costs, with the period over which the capital investments deliver benefits. As the capital is treated like other council investments and funded by debt rather than the revenue from the targeted rate, the council would have an increased borrowing requirement with the additional debt required to fund the program rising to \$661 million in 2034/2035. It should also avoid the issue of having unspent targeted rates reserves building up in the years prior to the large construction projects commencing.

110. Option 3 would also deliver the full programme and all the outcomes for which the rate was established and better align the payment period with the period over which the programme's capital investments will deliver benefits. Option 3 has a higher cost to ratepayers than Option 4 as it would fund the repayment of the capital investment with revenue from the targeted rate. It also leads to higher debt which rises to \$660 million by 2034/2035 and then gradually reduces over the remainder of the term of the rate. It would also avoid the issue of having unspent targeted rates reserves building up in the years prior to the large construction projects commencing.

111. Option 2 would have the largest immediate impact on ratepayers, and would not fund the full planned programme. While it would deliver on the Western and Eastern Isthmus programmes but investment in operational programmes like urban sediment reduction and Safe Septics would be substantially reduced. Option 1 while having no immediate rates impact would have a significant impact on planned service levels in that it would only deliver the Pt Erin tunnel and a small investment in Safe networks.

⁵ Overall costs will be higher as the recovery of the investment is spread out over 30 years and incurs additional interest until the capital is fully recovered.

Natural Environment Targeted Rate

Introduction

112. In 2018 council introduced a Natural Environment Targeted Rate (NETR) to fund an accelerated investment programme to improve outcomes for the natural environment. The rate was first set in 2018 and does not increase over time except for growth in the rating base (GIRB), unlike the WQTR which rises at 3.5 per cent per year in addition to the GIRB. The rate is set on capital value with 25.8 per cent of the revenue requirement from businesses (being the target share of the general rates requirement to be paid by businesses under the council's long-term differential strategy (LTDS)).

113. The 10-year Budget 2021-2031 included an extension of the targeted rate to 2030/2031. The rate raised \$31.05 million in the 2022/2023 year and was \$46.43 for the average value residential property.

114. To manage the impact on ratepayers of changes to rates in 2023/2024 the council temporarily reduced the NETR by 48.8% for one year (GB/2023/100) from the planned \$31.6 million to \$16.2 million. The rate for the average value residential property in 2023/2024 was \$23.69. While the collected rate was reduced in the 2023/2024 financial year, the planned NETR work programme has largely been able to be delivered through utilising reserve funds which had been accumulated to support “delivery peaks” across the life of the work programme.

Feedback from consultation

115. There were 14,835 responses to this proposal with 54 per cent in favour, 35 per cent against, 9 per cent don't know and 2 per cent other. The most common themes were:

- concern for the state of the environment
- comments about specific areas of investment for the programme.

116. Other less common themes included:

- general support for the proposal
- the impact of regulatory settings, the role of central government, concern for the future, and affordability of rates increases.

117. Five Iwi provided feedback on this proposal: four were in support (Ngāti Tamaterā Treaty Settlement Trust, Te Kawerau Iwi Tiaki Trust, Ngātiwai Trust Board, and Ngāti Rehua - Ngātiwai ki Aotea Trust Board). Ngāti Tamaoho did not support the proposal.

118. Five matawaka entities provided feedback on this proposal: four were in support (Mad Ave Community Trust – Rangatahi Ora, Te Kotahi a Tāmaki Makaurau Marae Collective, Te Kaha O Te Rangatahi, and Wāhine Relative Limited (Wāhine Māori). Whanau Hauā CCS Disability Action selected “Other”.

119. All local boards provided feedback on the proposed change to the NETR. Twenty local boards (boards (Albert-Eden, Aotea / Great Barrier, Devonport-Takapuna, Franklin, Henderson-Massey, Hibiscus and Bays, Howick, Kaipātiki, Māngere-Ōtāhuhu, Manurewa, Maungakiekie-Tāmaki, Ōrākei, Ōtara-Papatoetoe, Papakura, Rodney, Upper Harbour, Waiheke, Waitākere Ranges, Waitematā, and Whau). Puketāpapa had condition support only if the Pay Less and Get Less option was adopted.

120. Aotea / Great Barrier, Māngere-Ōtāhuhu, and Ōtara-Papatoetoe noted the importance of the outcomes of the investment. Devonport-Takapuna and Waiheke noted local support for the proposal. Franklin, Hibiscus and Bays, Howick, Manurewa, and Ōtara-Papatoetoe advocated for increased transparency on the investments made. Maungakiekie-Tāmaki recommended increasing the rate by inflation. Henderson-Massey and Whau noted Te Kawerau ā Maki support for option 4 with increased investment in Kauri protection.

Services funded

121. The targeted rate funds the protection of native ecosystems and species and delivery of council's biodiversity and biosecurity related activities. In particular, NETR funding is used to meet council's biodiversity-related legal obligations, carry out enforcement and monitoring activity, and deliver operational programmes under a range of legislation, including the:

- Biosecurity Act 1993 (including in relation to the Regional Pest Management Plan under it),
- Resource Management Act 1991 (RMA) (including the National Policy Statement on Indigenous Biodiversity (NPS-IB) under it),
- National Pest Management Plans, and to a lesser extent,
- Reserves Act 1977 and the Waitakere Ranges Heritage Area Act 2008.

122. Council consulted on the introduction of the NETR and the current RPMP in tandem because, when developing the RPMP, the Biosecurity Act required us to be satisfied that there was likely to be adequate funding for the implementation of the plan.

123. The NETR also funds programmes which help us meet our biodiversity-related obligations under the Resource Management Act 1991, including implementation of the recently adopted National Policy Statement for Indigenous Biodiversity⁶ (NPS-IB). The NPS-IB contains relatively prescriptive requirements for all councils including large-scale monitoring and assessment of land, and various requirements relating to the maintenance of indigenous species and ecosystems. The NETR has positioned us well in terms of meeting our obligations under the NPS-IB. The NETR, to a lesser extent, also funds programmes which contribute to us meeting our obligations under other legislation including the Reserves Act and the Waitakere Ranges Heritage Act.

124. The programmes funded are:

- pest plant management in parks
- managing kauri dieback
- maintaining the pest-free status of Hauraki Gulf Islands
- controlling possums across the region

⁶ The NPS-IB provides direction to councils to protect, maintain and restore indigenous biodiversity requiring at least no further reduction nationally from the commencement date (4 August). The key obligations require the council to:

- work in partnership with tangata whenua on protecting ecologically significant areas.
- promote the restoration of indigenous biodiversity and indigenous vegetation cover.
- have a regional biodiversity strategy setting out our native biodiversity priorities.
- monitor our native species.

- protecting threatened species and high priority ecosystems
- community-led action through the provision of advice, grants, and tools.

125. Management of the natural environment requires ongoing investment to maintain the benefits gained through the programmes above. Contractual costs have increased over the last few years and on average by 6.3% in the current financial year. Without adequate management of pest species and other pressures, biodiversity outcomes can be quickly lost, particularly as environmental pressures increase. New pressures include additional work required to manage low incidence pest plant infestations, new invasive species such as exotic Caulerpa, and increased demand for support from communities. Not responding to these new pressures would be inconsistent with the overall objective of the NPS-IB to “maintain indigenous biodiversity across Aotearoa New Zealand so that there is at least no overall loss in indigenous biodiversity” and could lead to slower or incomplete delivery of the RPMP commitments.

Options and analysis

126. Council considered four options for the NETR and the level of expenditure it funds. These are set out in the table below which shows the expenditure funded and rates impact under each option, and the additional impact on the overall rates increase, for the average value residential property in 2024/2025 (note this includes the impact of our proposal to set the share of the rate raised by business at approximately 31 per cent, see later section). Under all options the rate is extended to 2033/2034:

Option	10-year Revenue and Expenditure	Rates impact 2024/2025		Additional increase 2025/2026 onwards
		Rate	Additional increase	
1. Retain at 2023/2024 level	\$176m	\$22.03	-0.05%	n/a
2. Resume at \$30 in 2024/2025 for average value residential property and increase at 2.0 per cent per year	\$245m	\$27.90	0.12%	Around 0.02%
3. PROPOSAL: Resume at previously planned level	\$350m	\$43.73	0.55%	n/a
4. Resume at previously planned level and increase at 3.5% per year	\$412m	\$43.73	0.55%	Around 0.04%

127. The rates impact on business and farm/lifestyle properties was attached to the Supporting Information for consultation and is attached to this report as Appendix D: Rates impact on business and farm/lifestyle properties of options for the Water Quality Targeted Rate and Natural Environment Targeted Rate.

128. The table below shows an estimate of the level of investment in each element of the programme under the expenditure level in each option.

NETR programme expenditure	10-year total			
	Option 1	Option 2	Option 3	Option 4
Mainland: plant and pest management	\$85m	\$115m	\$173m	\$198m
Plant pathogens: kauri dieback, myrtle rust	\$48m	\$63m	\$80m	\$91m
Islands: plant and animal pest management	\$19m	\$22m	\$24m	\$28m
Marine pest pathways and biosecurity	\$10m	\$13m	\$13m	\$25m
Marine ecology	\$3m	\$3m	\$4m	\$6m
Enabling tools: monitoring/data collection	\$3m	\$3m	\$4m	\$4m
Expanding community-led action	\$4m	\$18m	\$40m	\$46m
Biodiversity focus areas: priority ecosystems	\$4m	\$8m	\$12m	\$14m
Total	\$176m	\$245m	\$350m	\$412m

129. Each option is discussed below. The analysis below presents the rates impact of each option separate from the proposed adjustment to the share of the revenue requirement from businesses. Under all options the rate is extended to 2033/2034. Further detail on the expenditure options was attached to the Supporting Information for consultation and is attached to this report as Appendix C: Natural Environment Targeted Rate expenditure options.

Option 1. Retain at 2023/2024 level

130. Retaining the rate at its current level would raise around \$16.4m in 2024/2025 and grow over time at around 1.35 – 1.7 per cent per year in line with growth in the rating base. The NETR for the average value residential property would be \$22.03 per year and the overall rates increase would be -0.05 per cent lower in 2024/2025. For the average value business property, the rate would be \$110.27 with no impact on the overall rates increase.

131. This level of funding would result in significant scaling back of biodiversity-related activities and/or non-delivery of commitments made through the RPMP, and some of the National Pest Management Plan requirements for kauri dieback management. Council would need to review the plan and consult on amendments that reflected the available funding for the implementation of the plan going forward.

132. As a result, fewer pest species, priority ecosystems, and threatened species would be managed meaning some environmental gains made in the last few years would be lost compromising the council's commitments to protecting indigenous biodiversity. There would also be significantly reduced support for community-delivered outcomes. The council would have no ability to respond to new biosecurity issues (e.g., marine incursions such as exotic Caulerpa).

Option 2. Resume rate at \$30 per year for the average value residential property and increase it by 2 per cent annually

133. Reinstating the rate at this level would raise around \$20.8m in 2024/2025 and grow by around 3.5 per cent per annum in line with the 2 per cent annual increase and the growth in the rating base. The overall rates increase would be 0.12 per cent higher in 2024/2025 for the average value residential property. For the average value business property in 2024/2025 the rate would be \$139.65, adding 0.16 per cent to the overall rates increase.

134. The increased level of funding over option one would allow additional investment in possum control, managing kauri dieback, and community led action. However, these investments would still be below the original goals. Therefore, while providing for additional investment, option 2 presents similar risks to the delivery of the RPMP with the consequent potential for amending the plan as noted above.

Option 3. Resume rate at previously planned level

135. Reinstating the rate at previously planned levels would raise around \$32.6m in 2024/2025 and grow over time in line with growth in the rating base. The NETR for the average value residential property would be \$43.73 per year and the overall rates increase would be 0.55 per cent higher in 2024/2025. For the average value business property in 2024/2025 the rate would be \$218.91 adding 0.57 per cent to the overall rates increase.

136. This level of funding would generally allow for the maintenance of current programmes, but some programmes will need to be scaled back due to cost increases and to accommodate the delivery peaks in the programme, previously addressed through reserves. This option does not have capacity to support landscape-scale community-led initiatives such as the Tu Mai Tonga programme or emerging threats. The timeframe for the delivery of the some of the programmes committed to in the RPMP would also need to be extended to manage the impact of cost pressures. There would be no funding allowed for the management of any emerging threats such as new marine and pest animal incursions. However, the proposal commits \$200,000 of the revenue from this rate in 2024/2025 to be used to support the response to exotic Caulerpa species in 2024/2025.

Option 4. Resume rate at previously planned level and increase at 3.5%

137. Reinstating the rate at previously planned levels and providing for it to increase at 3.5 per cent per year would raise around \$32.6m in 2024/2025 and grow over time at around 5 per cent per year in line with the 3.5 per cent increase and growth in the rating base. The NETR for the average value residential property would be \$43.73 per year and the overall rates increase would be 0.55 per cent higher in 2024/2025. For the average value business property in 2024/2025 the rate would be \$218.91 adding 0.57 per cent to the overall rates increase. Subsequent increases would be in line with, or lower than, the forecast increases in the general rate being considered as part of the draft 10-year Budget 2024-2034.

138. This option would provide sufficient funding for the programmes committed to in the RPMP, maintain support for community initiatives, and have provision for response to new threats. It would also support the delivery of new obligations including those under the NPS-IB.

NETR business differential

139. The NETR is applied to all properties across the region. The rate funds an activity determined to generally benefit properties across the region. When introduced it was decided that as a

generally applied rate it should have a business differential. The business differential for the NETR was set to raise the share of the revenue requirement from business that was the ultimate target of the LTDS (25.8 per cent).

140. If the council makes changes to the LTDS it should also amend the share of the NETR. The impact of these options on rates increases and level of NETR paid by the average value residential property are set out below. Under all options the rate is extended to 2033/2034.

NETR option	LTDS option	
	Retain LTDS	Bus differential 31%
	% increase \$ in 2024/2025	% increase \$ in 2024/2025
1. Retain at 2023/2024 level	0% \$23.69	-0.05% \$22.03
2. Resume at \$30 in 2024/2025 for average value residential property and increase at 2.0 per cent per year	0.17% \$30	0.12% \$27.90
3. PROPOSAL: Resume at previously planned level	0.65% \$47.02	0.55% \$43.73
4. Resume at previously planned level and increase at 3.5% per year	0.65% \$47.02	0.55% \$43.73

Conclusion

141. The funding level proposed in Option 4 would impact on rates only marginally more than Option 3 in 2024/2025. Option 4 would enable the delivery of the:

- original commitments made when the NETR was introduced
- NPS-IB which has come into effect post-NETR
- maintenance of existing environmental outcomes
- ongoing support for community-led initiatives
- responses to new and emerging biosecurity issues.

142. Option 3 would deliver most of the originally planned programmes with some scaling back due to cost increases and does not have capacity to deal with emerging threats or to support any new investment in landscape-scale community-led initiatives.

143. Option 2 provides for additional investment beyond Option 1 in particular for possum control and management of kauri dieback. However, these investment levels are still below that required to deliver the RPMP and some of the National Pest Management Plan requirements for kauri dieback management or to progress new obligations under the NPS-IB and therefore would result in poorer environmental outcomes than under Options 3 and 4.

144. While option 1 does not increase rates it would mean the council would not be able to deliver the workplan set out in the RPMP, some of the National Pest Management Plan requirements for kauri dieback management, new obligations under the NPS-IB, potentially other legal obligations, and would result in significantly poorer environmental outcomes than the other options.

145. For both options 1 and 2 the investment levels identified in the table above are indicative. Further work would be required to refine budgets. As these options have not been pursued, further advice has not been prepared for final decision-making on the Long-term Plan 2024-2034.

Council group impacts and views guidance

146. The analysis in this report have been agreed on by the following departments or business units of the Auckland Council group:

- Chief Economist Unit
- Healthy Waters
- Environmental Services.

147. The advice in this report has been reviewed by Legal Services.

Appendices

No.	Title
A	Assessment against statutory criteria
B	Water Quality Targeted Rate expenditure options
C	Natural Environment Targeted Rate expenditure options
D	Rates impact on business and farm/lifestyle properties of options for the Water Quality Targeted Rate and Natural Environment Targeted Rate

Appendix A: Assessment against statutory criteria

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, see below. This involves elected members exercising their political judgement and considering the proposal in the context of council's funding decisions as a whole.

101(3) The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of,—

- a) in relation to each activity to be funded,—
 - (i) the community outcomes to which the activity primarily contributes; and
 - (ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
 - (iii) the period in or over which those benefits are expected to occur; and
 - (iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
 - (v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and
- b) the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of the community.

The following section considers the proposal to change the business differential and the long-term differential strategy in the general rate against the criteria in section 101(3) of the Local Government Act 2002.

The community outcomes to which the activity primarily contributes

General rates fund a broad range of council activities that contribute towards the outcomes set out in the Auckland Plan. General rates are used as general revenue and can fund the operating and capital costs of any activity that council undertakes. Where practicable, and cost-effective, the council will seek to recover the cost of providing its services from individuals or groups of beneficiaries (or causes of costs) where they directly benefit from, or impose costs on, the council undertaking an activity.

The council uses general rates to fund activities:

- which have a 'public good' element, e.g., civil defence
- where it wishes to subsidise the provision of services because of the wider social benefits they provide e.g., pools, libraries, and other community facilities, these are called merit goods
- where the application of fees and charges causes affordability issues.

The outcomes of council's general activities affect owners of business land in different ways to owners of non-business land. Both business and non-business land receive the benefits of council provided public good services. However, the council generally only subsidises merit goods for services provided to residents while it requires user charges to fully recover the costs for services

provided to business. The nature of activities therefore provides rationale for distinguishing between the two.

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

Assessing the benefits of general rates funded council services is largely a subjective process. There is no way to objectively measure the benefits received from public and merit goods.

The provision of roads and public transport benefit both business and non-business land by providing accessibility and connectivity. Stormwater services protect all land from flooding and ensure the maintenance of connectivity by protecting the transport network.

Other activities such as parks and community services primarily benefit residents. However, businesses also benefit when co-location attracts more customers and from a happier and healthier workforce. Businesses also benefit from the availability of a workforce and more customers attracted to the city for the lifestyle provided by the availability of these services.

From a benefits perspective any rationale for general rates business differential comes down to the weighting applied to how the benefits accrue. A detailed assessment of benefits was carried out when the rating policy was adopted in 2012/2013. Findings from this analysis have been supported by recent analysis.

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

General rates fund the operating costs of council activities and consequential operating costs of assets in line with the period over which the benefits are received. Changing the level of the business differential has no impact on the relationship between the funding of activities and the period over which benefits are received.

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

Owners of business land place more demand on council roading and stormwater infrastructure. Roads serving business land are more expensive to develop and maintain. Heavy vehicles serving business land require roads designed to higher engineering standards and incur greater maintenance and replacement costs as a result of the damage caused.

Unitary Plan rules allow for business land to be developed to a greater extent than most residential land. This results in a greater proportion of business land being covered in impervious surface area in comparison to non-business land. This contributes to increased run-off from the land during heavy rain events which places increased demand on stormwater infrastructure. Some residential land is also allowed to develop to the same level as business land. However, this land is a relatively small proportion of all residential land.

Owners of non-business land place more demand on the need for council to provide community services, such as parks, pools, libraries, and other community facilities. These services are primarily provided for residents. Businesses place relatively little demand on these services.

From a causation perspective there is rationale for having a general rates business differential.

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

General rates raise revenue that can be used to fund any of council's activities. General rates do not add transparency or accountability to the extent that user fees and targeted rates can. Changing the level of the business differential has no impact on the transparency or accountability for funding services and will not affect administration costs.

Changing the general rates business differential will not result in any additional ongoing administrative issues for council as it already forms part of council's rating policy.

Consideration of overall impact

Having considered the above criteria, the council needs to consider the proposal in terms of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of 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.

Matters for council to consider as include:

- a) General rates fund council activities which generally benefit all ratepayers. There is no way of objectively measuring the level of benefits received between business and non-business properties and ultimately decisions on the level of the business differential require the application of political judgement
- b) Business place more demand on some council activities, such as transport and stormwater infrastructure. However, businesses place less demand on other council services, such as parks, libraries, and pools
- c) The level of business rates has no material impact on the incentives for owning and developing business land in Auckland. Rates are a relatively low cost for businesses in relation to other costs
- d) Estimated annual rates and water charges make up around 3.29 per cent of the median income for a median value residential property. On average business rates make up around 0.24 per cent of total business income and have remained around this level since 2015/2016. Changes to the business differential will not have a material impact on the level of affordability of rates for either category.
- e) Businesses receive tax advantages that owners of residential land generally do not. Businesses are able to reclaim the GST portion of rates and rates are treated as a pre-tax expense. In comparison residents are unable to claim GST and are an expense that is paid after taxation has been applied. Tax advantages also apply to residential land used as rental accommodation or

where part of the property is used for business purposes. Farm land also benefits from the same tax advantages as business

Appendix B: Water Quality Targeted Rate expenditure options

Introduction

1. In 2018 the council introduced a Water Quality Targeted Rate (WQTR) to fund an accelerated program of investment to improve the water quality in Auckland's harbours and streams. The rate was to run for 10 years to 2028, be set on capital value, and collect 25.8 per cent of the rates requirement from business properties. The 10-year Budget 2021-2031 extended the WQTR to 2030/2031. The rate raised \$47.4 million in the 2022/2023 year and was \$70.87 for the average value residential property.
2. To manage the impact on ratepayers of changes to rates in 2023/2024 the council temporarily reduced the WQTR by 77.7% for one year (GB/2023/100) from the planned \$49.9 million to \$11.1 million. The rate for the average value residential property in 2023/2024 was \$16.31.
3. The WQTR program provides for:
 - Wastewater upgrades and stormwater separation in the *Western Isthmus* and *Eastern Isthmus* areas
 - *Safe Networks* and *Safe Septics* programmes which track cross-connections and contamination in urban and rural areas, respectively.
 - *Rural Sediment Reduction* projects - e.g., in the Kaipara harbour
 - *Urban Contaminant Reduction* projects
 - *Water Quality Planning* initiatives
4. The programme delivers improved water quality in harbours and streams across the region. Key outcomes from the *Western Isthmus* investments will be a reduction in wastewater overflows into the Waitematā Harbour from hundreds of events to six or less each year. The *Eastern Isthmus* investments will deliver improved water quality in the following catchments: Hobson Bay to St Heliers, Manukau Harbour, and Tāmaki Estuary.
5. Since the rate was last adjusted as part of the 10-year Budget 2021-2031 the cost of delivering the stated outcomes has increased. The full-scale separation projects in Herne Bay and St Mary's Bay are being replaced with the Pt Erin tunnel project. The Pt Erin tunnel project cost exceeds the previously planned budget but is well below what the cost of the alternative full separation is now understood to be. In addition, the original budget provided for only the first three years, from 2029, of the Eastern Isthmus costs. The next three years of those costs are now included.
6. Officers considered four options for the WQTR and the level of expenditure it funds. The table below shows an estimate of the level of investment in each element of the programme under the expenditure level in each option over the 10-year period.

WQTR programme expenditure	Option 1	Option 2	Option 3	Option 4
Western Isthmus – Pt Erin tunnel	\$65m	\$65m	\$65m	\$65m
Western Isthmus except Pt Erin	\$28m	\$354m	\$354m	\$354m
Eastern Isthmus	-	\$202m	\$202m	\$202m
Water quality improvement works non capitalizable – sediment management	-	\$38m	\$118m	\$118m
Water quality planning	-	\$6m	\$6m	\$6m
Urban Contaminant management	-	-	\$25m	\$25m
Safe Networks (Illicit discharges)	\$3m	\$9m	\$9m	\$9m
Total	\$96m	\$674m	\$779m	\$779m

7. The services delivered under each option and the impact on the water quality outcomes for each option are discussed below.

Option 1.

8. Under this option, total expenditure would be \$96 million. An initial assessment of best-value investment under this scenario would be likely to only deliver the following:

Western Isthmus - Pt Erin tunnel

Healthy Waters cost-share (with the balance from Watercare) of the Pt Erin extension with completion of only current small-scale separation projects in the *Western Isthmus* – the remainder of the *Western Isthmus* separation programme could not occur in this 10-year period. This would deliver wet-weather overflow reduction targets and Safeswim outcomes to the beaches of Herne Bay, Home Bay, Sentinel Road Beach and St Mary's Bay. Frequent wet-weather overflows would persist in most of the remaining Western Isthmus catchments, and continue to affect the beaches of Pt, Chevalier, Meola and Cox's Bay, as well as other coastal and freshwater environments. Under this scenario, there is a risk that Watercare may not achieve its overflow reduction targets set out in the Central Interceptor consent.

Safe Networks

A scaled-back *Safe Networks* programme may be able to continue.

9. Note that under this option:

- Auckland Council may be unable to fund the sediment reduction projects in the Kaipara harbour, which is currently co-funded with the Crown.
- *Safe Septics* programme, the *Urban Contaminant Management* programme and all *Water Quality Planning* initiatives would likely need to be discontinued.

Option 2.

10. Under this option, total expenditure would be \$674M. An initial assessment of best-value investment under this scenario would be likely to deliver the following, in addition to Option 1:

Western Isthmus (in addition to Pt Erin)

This will achieve all the Safeswim outcomes at beaches from Pt Chevalier to St Mary's Bay and ensuring all Central Interceptor consent conditions are met.

Eastern Isthmus

The separation programme will proceed as planned within this 10-year period; noting that planned investment will continue past this 10-year period.

Safe Networks and Safe Septics programmes

These programmes will continue at current levels.

Rural Sediment Reduction

This programme could continue but at a reduced level. This level of investment would enable the council to meet its funding obligations for co-funded projects in the Kaipara harbour. Regional reduction of planned scope would be required elsewhere in the programme.

Water quality Planning

Initiatives could continue but at a reduced scale.

11. Note that, under this option, the Urban Contaminant Management programme would likely need to be discontinued.

Option 3 & 4.

12. Under these options, total expenditure would be \$779 million. This would enable the delivery of the entire current scope of the WQTR, including all the following:

Western Isthmus (both elements)

Both elements of the programme would proceed. This will achieve the programme's overflow reduction targets and Safeswim outcomes for all beaches from Pt Chevalier to St Mary's Bay.

Eastern Isthmus

This will allow the separation programme to proceed at the pace necessary to integrate with key Watercare wastewater projects for best overflow reduction outcomes.

Rural Sediment Reduction

This programme will proceed as currently scoped, including all co-funded projects with the Crown.

Safe Septics

Delivering this programme across the region will provide ongoing improvements in swimmability.

Safe Networks

This will continue the constant improvement in dry-weather water quality, which is not addressed by wet-weather overflow reduction initiatives, such as the *Western Isthmus* and *Eastern Isthmus* programmes.

Urban Contaminant Management

This provides a budget source to retrofit treatment into high contaminant generating urban areas.

Appendix C: Natural Environment Rate expenditure options

Introduction

1. In 2018 council introduced a Natural Environment Targeted Rate (NETR) to fund an accelerated investment programme to improve outcomes for the natural environment. The rate was first set in 2018 and does not increase over time except for growth in the rating base (GIRB). The rate is set on capital value with 25.8 per cent of the revenue requirement from businesses.
2. The 10-year Budget 2021-2031 included an extension of the targeted rate to 2030/2031. The rate raised \$31.05 million in the 2022/2023 year and was \$46.43 for the average value residential property.
3. To manage the impact on ratepayers of changes to rates in 2023/2024 the council temporarily reduced the NETR by 48.8% for one year (GB/2023/100) from the planned \$31.6 million to \$16.2 million. The rate for the average value residential property in 2023/2024 was \$23.69. While the collected rate was reduced, the planned NETR work programme has largely been able to be delivered through utilization of reserve funds which had been accumulated to support “delivery peaks” across the life of the work programme.
4. NETR funding is used to meet council’s biodiversity-related legal obligations, carry out enforcement and monitoring activity, and deliver operational programmes under a range of legislation, including the:
 - Biosecurity Act 1993 (including in relation to the Regional Pest Management Plan under it),
 - Resource Management Act 1991 (RMA) (including the National Policy Statement on Indigenous Biodiversity (NPS-IB) under it),
 - National Pest Management Plans, and to a lesser extent,
 - Reserves Act 1977 and the Waitakere Ranges Heritage Area Act 2008.
5. The Biosecurity Act requires council to develop and implement a Regional Pest Management Plan that sets out (amongst other things) council’s pest management objectives, the measures that council will take to meet these objectives, and how council will measure achievement of those objectives (Biosecurity Act, s 73(3)(a) – (c)). Council also has obligations to contribute to the management of pest species that are subject to National Pest Management Plans, for example kauri dieback disease.
6. Council consulted on the introduction of the NETR and the current Regional Pest Management Plan (RPMP) in tandem. The Biosecurity Act required council to be satisfied that there was likely to be adequate funding for the implementation of the RPMP. The scale of proposed activities in the RPMP could not go ahead without additional funding from the NETR.
7. Management of the natural environment requires ongoing investment to maintain the benefits gained through the programmes above. The NETR has positioned council well in terms of meeting obligations set out in the recently adopted NPS-IB under the RMA. The NPS-IB contains relatively prescriptive requirements for councils including large-scale monitoring and assessment of land, and various requirements relating to the maintenance of indigenous species and ecosystems.
8. Without adequate management of pest species and other pressures, biodiversity outcomes would be quickly lost. This would be inconsistent with the overall objective of the NPS-IB to “maintain indigenous biodiversity across Aotearoa New Zealand so that there is at least no overall loss in indigenous biodiversity”.

9. The existing NETR programme does not provide for responding to new-to-New Zealand pest incursions or for managing existing pests at new locations, including expansion of weed infestations on the mainland and in marine environment that are likely to occur as a result of the January/February storm events.

10. Officers considered four options for the NETR and the level of expenditure it funds. The table below shows an estimate of the level of investment in each element of the programme under the expenditure level in each option.

NETR programme expenditure	10-year total			
	Option 1	Option 2	Option 3	Option 4
Mainland: plant and pest management	\$85m	\$115m	\$173m	\$198m
Plant pathogens: kauri dieback, myrtle rust	\$48m	\$63m	\$80m	\$91m
Islands: plant and animal pest management	\$19m	\$22m	\$24m	\$28m
Marine pest pathways and biosecurity	\$10m	\$13m	\$13m	\$25m
Marine ecology	\$3m	\$3m	\$4m	\$6m
Enabling tools: monitoring/data collection	\$3m	\$3m	\$4m	\$4m
Expanding community-led action	\$4m	\$18m	\$40m	\$46m
Biodiversity focus areas: priority ecosystems	\$4m	\$8m	\$12m	\$14m
Total	\$176m	\$245m	\$350m	\$412m

11. The sections below provide detail on the programmes that could be delivered under expenditure level funded by each of the rating options discussed in the report.

Option 1.

12. Retaining the rate at its current level would raise around half the funding of currently planned levels over the period of the Long-term Plan 2024-2034. In 2024/2025 this would raise around \$16.4 million of a planned budget of \$30.9 million. This would be a significant reduction in funding required to deliver the NETR work programme and would mean that the council would not be able to meet its commitments set out in the Regional Pest Management Plan or progress obligations set out in the NPS-IB.

13. The table below shows the key outputs the council would deliver for each programme element under this option. This is an initial assessment of implications on the NETR work programme. This level of reduction in operating budget would require a full review of current work programmes taking into account legal obligations, contractual commitments and loss on investment if programmes are reduced or ceased.

NETR Programme	Budget 10-year total	Delivery
Mainland: plant and pest management	\$85m	<p>Continued possum control across the region at approximately half the area initially planned (between 10,000 to 12,000 ha annually). This will result in a reduction in the overall area under sustained management.</p> <p>Continue protection of priority species and ecosystems on regional and local parks at a reduced level with focus on a smaller number of sites, for example Hunua and Waitakere Ranges and Aotea.</p> <p>Continue pest plant control in buffer areas around a reduced number of high priority parks and or at a reduced level, for example Waitākere Ranges and Tāwharanui Regional Parks.</p> <p>Ceasing efforts to eradicate some low-incidence pest species.</p> <p>Reduced surveillance and prevention of deer, pig, and goat incursions into the Waitākere and Hunua Ranges.</p> <p>Not commencing pest control on new species programmes set out in the Regional Pest Management Plan (for example cockatoo management).</p>
Plant pathogens: kauri dieback, myrtle rust	\$48m	<p>Continuing kauri track maintenance and compliance activity but at reduced level which may not consistently meet requirements to keep these open to the public. Kauri health monitoring would be conducted in the Hunua and Waitakere Ranges only with no monitoring on Aotea, and research to inform future management would cease.</p>
Islands: plant and animal pest management	\$19m	<p>Continuing some elimination of low incidence plant species at Aotea, Waiheke, and mainland sites. Sites not managed will become established or require ongoing management.</p> <p>Ceasing financial support to community organisations we have partnered with to deliver multi-species landscape scale pest eradication including Te Korowai o Waiheke (Waiheke) and Tū Mai Taonga (Aotea/Great Barrier).</p>
Marine pest pathways and biosecurity	\$10m	<p>A significantly scaled back programme of underwater inspection of commercial and non-commercial vessel hulls to assess compliance with allowable hull biofouling standards.</p>

		A lower proportion of commercial sailings to Aotea Great Barrier and Waiheke Islands inspected to detect and eliminate any potential pest incursions.
Marine ecology	\$3m	Reprioritised marine species protection, including seabirds and habitat mapping.
Enabling tools: monitoring/data collection	\$3m	No new investment in conservation data collection and management tools.
Expanding community-led action	\$4m	Continue volunteer coordination on parks at a reduced level. Ceasing support for community-led initiatives, including the Community Coordination and Facilitation funds, supply of traps/bait and training. Continuing native re-vegetation on parkland, riparian and high erosion areas at a reduced level.
Biodiversity focus areas: priority ecosystems	\$4m	Continuing monitoring activity at a reduced level that may not meet the needs of the NPS-IB. Some of this work also informs other activities in Council. Reduced number of threatened species and priority ecosystems being managed.

14. Under Option One there is no funding to support the current response to the exotic Caulerpa seaweeds or any emerging threats. Examples of these include new marine and pest animal incursions or increased weed infestations as a result of the January/February storm events.
15. Proceeding with this option would require a review of the Regional Pest Management Plan with consultation on amendments that reflected the available funding. Officers have commenced preparatory work on the 2030-2040 Regional Pest Management Plan with a view to commencing public consultation in 2025.
16. Officers consider that this option may pose a risk of legal challenge, given that there are members of the community with a strong interest in council delivering on the objectives set out in the RPMP and delivering on other biodiversity-related obligations that the council would not be able to deliver on under this option. The investment levels identified in the table above are indicative. As these options have not been pursued, further advice has not been prepared for final decision-making on the Long-term Plan 2024-2034.

Option 2.

17. A partial resumption of the rate would raise around 70 per cent the funding of currently planned levels over the period of the Long-term Plan 2024-2034. This would raise around \$20.8 million in 2024/2025. This would enable more activity than Option One but still require significant reductions in activity for some parts of the NETR work programme. As per Option One, council would not be able to meet its commitments set out in the RPMP or substantially progress obligations as set out in the NPS-IB.
18. The table below shows the key outputs the council would deliver for each programme element under this option. This is an initial assessment of implications on the NETR work programme. This level of reduction in operating budget would require a full review of current work

programmes taking into account legal obligations, contractual commitments and loss on investment if programmes are reduced or ceased.

NETR Programme	Budget 10-year total	Delivery
Mainland: plant and pest management	\$115m	<p>Continue sustained possum control across the region at approximately two-thirds of the area initially planned.</p> <p>Continue protection of priority species and ecosystems on regional and local parks at a reduced level.</p> <p>Continue pest plant control in buffer areas around a reduced number of high priority parks and or at a reduced level, for example Waitākere Ranges and Tāwharanui Regional Parks</p> <p>Ceasing efforts to eradicate some low-incidence pest species.</p> <p>Reduced surveillance and prevention of deer, pig, and goat incursions into the Waitākere and Hunua Ranges.</p> <p>Not commencing pest control on new species programmes set out in the Regional Pest Management Plan (for example cockatoo management).</p>
Plant pathogens: kauri dieback, myrtle rust	\$63m	<p>Continuing kauri track maintenance and compliance activity but at reduced level.</p> <p>No new investment in kauri health monitoring or research to inform future management.</p>
Islands: plant and animal pest management	\$22m	<p>Limited support for multi-species landscape scale pest eradication programmes being delivered in partnership with community organisations including Te Korowai o Waiheke (Waiheke) and Tū Mai Taonga (Aotea/Great Barrier) but at a significantly scaled back level.</p> <p>Continuing the elimination of low incidence plant species being eliminated at Aotea, Waiheke, and mainland sites at a reduced level. This will likely result in these plant species establishing and requiring ongoing control.</p>
Marine pest pathways and biosecurity	\$13m	<p>A scaled back programme of underwater inspection of commercial and non-commercial vessel hulls to assess compliance with allowable hull biofouling standards.</p> <p>A lower proportion of commercial sailings to Aotea Great Barrier and Waiheke Islands inspected to detect and eliminate any potential pest incursions.</p>
Marine ecology	\$3m	As per Option One.

Enabling tools: monitoring/data collection	\$3m	As per Option One.
Expanding community-led action	\$18m	<p>Some support for community-led initiatives, including the Community Coordination and Facilitation funds, supply of traps/bait and training, volunteer coordination on parks but at a significantly reduced level.</p> <p>Continuing native re-vegetation on parkland, riparian and high erosion areas at a reduced level.</p>
Biodiversity focus areas: priority ecosystems	\$8m	<p>Continuing monitoring activity at a reduced level that may not meet the needs of the NPS-IB. Some of this work also informs other activities in Council.</p> <p>Reduced number of threatened species and priority ecosystems being managed.</p>

19. No funding to support the current response to the exotic Caulerpa seaweeds or any emerging threats such as new marine and pest animal incursion or increased weed infestations as a result of the January/February storm events.
20. Similar to Option One, staff consider that non-delivery under this option raises a risk of possible legal challenge. The investment levels identified in the table above are indicative. Further work would be required to refine budgets pending additional officer investigation of legal and contractual obligations. As these options have not been pursued, further advice has not been prepared for final decision-making on the Long-term Plan 2024-2034.

Option 3.

21. Resuming the rate at previously planned levels would raise most of the funding initially planned for the period of the Long-term Plan 2024-2034⁷. This would raise around \$32.6m in 2024/2025 and grow over time at around 1.35 - 1.7 per cent per year in line with forecast growth in the rating base.
22. The NETR rate had previously been set at a level that does not increase each year for existing ratepayers. NETR revenue only increases through growth in the underlying ratepayer base. Since 2018 there have been significant increases to programme costs (materials and contracted services) over recent years and additional costs incurred to some activity as a result of the storm events. These costs have been managed through making adjustments to the work programme, scaling back some activity, pushing out the delivery timeframes and procurement efficiencies.
23. In 2023/2024 an additional pressure has been placed on the programme through the utilisation of NETR budget reserves to reduce the overall impact on ratepayers. These reserves had accumulated to enable higher levels of delivery in some years where cyclical pest management is being carried out (for example the aerial control of rats and possums in the Hunua Ranges which occurs every three to four years).

⁷ There will be a slight reduced in revenue from previously planned levels due to lower than forecast growth in the rating base.

24. Resuming the NETR at its previously planned level would allow for the funding for maintenance of current programmes but require scaling back of some activity to absorb these cost increases and the programme peaks. Additional adjustments to timeframes for programmes committed to in the RPMP would need to be made.

25. The current assessment of implications on the NETR work programme under this option include continued delivery of programmes to exclude, eradicate, progressively contain, or control priority pest animals, pest plants and pest pathogens across the region year on year. Some adjustments to programmes will be required for example reducing pest plant control in buffer areas around high priority parks and pushing out the timeframes for the management of some priority species and ecosystems on regional and local parks, noting that this could ultimately result in increased costs with pest infestations expanding in the meanwhile.

26. The table below shows the key outputs the council would deliver for each programme element under this option.

NETR Programme	Budget 10-year total	Delivery
Mainland: plant and pest management	\$173m	<p>Continue sustained possum control across the region as planned.</p> <p>Continue protection of priority species and ecosystems on regional and local parks with some reductions.</p> <p>Continue pest plant control in buffer areas around high priority parks, for example Waitākere Ranges and Tāwharanui Regional Parks.</p> <p>Continued focus on eradicating low-incidence pest species.</p> <p>Not commencing pest control on new species programmes set out in the Regional Pest Management Plan (for example cockatoo management).</p>
Plant pathogens: kauri dieback, myrtle rust	\$80m	<p>Continued investment in kauri health monitoring to inform management decisions and targeted compliance to deliver on national pest management plan objectives.</p> <p>Increased levels of track maintenance to meet standards.</p>
Islands: plant and animal pest management	\$24m	<p>Continued focus on eradicating low-incidence pest species.</p> <p>No new support/investment in multi-species landscape scale pest eradication programmes being delivered in partnership with community organisations including Te Korowai o Waiheke (Waiheke) and Tū Mai Taonga (Aotea/Great Barrier).</p>
Marine pest pathways and biosecurity	\$13m	<p>Underwater inspection of approx. ~1,000 commercial and non-commercial vessel hulls to assess compliance with allowable hull biofouling standards.</p>

		Inspection of approx. 75-80% of commercial sailings to Aotea Great Barrier and Waiheke Islands to detect and eliminate any potential pest incursions, and response capability for island incursions.
Marine ecology	\$4m	Expanded marine habitat mapping to support management and reporting. Seabird monitoring and protection programmes delivered.
Enabling tools: monitoring/data collection	\$4m	Tools used for monitoring, data capture and reporting are kept current and investment into new technology to improve conservation management efficiencies is enabled.
Expanding community-led action	\$40m	Support for community-led conservation through Conservation Coordination and Facilitation Grant funding, scaled-back provision of tools and resources, training, advice, and volunteer coordination support.
Biodiversity focus areas: priority ecosystems	\$12m	Management, and monitoring of an increased number of high priority ecosystems and indigenous species.

27. Under this option \$200,000 of the revenue from this rate in 2024/2025 would be used to support the response to Caulerpa.

28. If costs continue to increase, further reductions across these programmes could be required.

Option 4.

29. Resuming the NETR at previously planned levels and providing for it to increase at 3.5 per cent per year would provide additional funding over the period of the Long-term Plan 2024-2034 to meet the cost pressures discussed in Option Three. NETR revenue raises from around \$32.6m in 2024/2025 and grow over time at around 5 per cent per year in line with the 3.5 per cent increase and forecast growth in the rating base.

30. This level of investment would enable higher levels of delivery in some years where cyclical pest management is being carried out (for example the aerial control of rats and possums in the Hunua Ranges which occurs every three to four years) and would provide the funding required to deliver the programmes originally committed to the public. The table below shows the key outputs the council would deliver for each programme element under this option.

NETR Programme	Budget 10-year total	Delivery
Mainland: plant and pest management	\$198m	The sustained management of possum control across rural Auckland and areas of high biodiversity value The sustained management of pest plants across approximately 65% of priority native habitats on regional parks

NETR Programme	Budget 10-year total	Delivery
		<p>Control of small mammal pests, including mustelids, rats, rabbits, and pigs, across offshore islands and eighteen of our Regional Parks and in areas of high biodiversity value.</p> <p>Ongoing surveillance and prevention of deer, pig, and goat incursions into the Waitākere and Hunua Ranges.</p> <p>Inspection and educational visits to commercial entities to ensure sellers are aware of and compliant with the rules in regard to sale, breeding and distribution of high-risk pest species</p>
Plant pathogens: kauri dieback, myrtle rust	\$91m	Mitigation of human induced spread of kauri dieback disease across the majority of kauri areas managed by Council. Kauri health surveys include Aotea/Great Barrier. Kauri tracks maintained to meet standards and remain open to the public. Development of tools to support more effective management.
Islands: plant and animal pest management	\$28m	Management of pest plant and animal pests in accordance with the Regional Pest Management Plan objectives.
Marine pest pathways and biosecurity	\$25m	<p>Underwater inspection of ~1,500 commercial and non-commercial vessel hulls to assess compliance with allowable hull biofouling standards.</p> <p>Inspection of 90-100% of commercial sailings to Aotea Great Barrier and Waiheke Islands to detect and eliminate any potential pest incursions, and response capability for island incursions.</p>
Marine ecology	\$6m	Expanded marine habitat mapping to support management and reporting. Seabird monitoring and protection programmes delivered.
Enabling tools: monitoring/data collection	\$4m	As per Option Three.
Expanding community-led action	\$46m	Support for community-led conservation through current levels of Conservation Coordination and Facilitation Grant funding, provision of tools and resources, training, advice, and volunteer coordination support.
Biodiversity focus areas: priority ecosystems	\$14m	Management, and monitoring of a representative range of high priority ecosystems and indigenous species.

31. This option would enable the council to provide some funding towards the management of exotic Caulerpa species and better position council to respond to any new biosecurity incursions. It would support the delivery of obligations (for example the National Pest Management Plan for Kauri Dieback Disease) and those under the National Policy Statement for Indigenous Biodiversity.
32. This option would provide some additional funding towards community-led landscape scale pest control programmes (up to around \$500k annually). It is anticipated there will be increased demand from community groups for support as a number are facing a significant reduction in funding with the expiry of the central government funded Jobs for Nature scheme. In Auckland Jobs for Nature boosted funding for the region's environment by over \$82 million over the past 4 years. Community-led entities received around \$33.5 million.

Appendix D: Rates impact on business and farm/lifestyle properties of options for the Water Quality Targeted Rate and Natural Environment Targeted Rate

Business property impacts

Impact of WQTR options on the average value business property

Option	Rates impact 2024/2025		Additional increase 2025/2026 onwards
	Rate	Additional increase	
5. Retain at 2023/2024 level plus a 3.5 per cent increase, with expiry in 2030/2031	\$78.58	0.01%	Around 0.01%
6. Resume at previously planned level and extend to 2033/2034	\$357.94	1.48%	Around 0.06%
7. Rate set to fund programme and repayment over 30 years	\$134.47	0.31%	Around 0.02%
8. Rate set to cover only annual programme operating and interest costs in each year	\$48.96	-0.14%	Between 0.05% and 0.20%

Impact of WQTR and LTDS options on the average value business property

Option	LTDS option	
	Retain LTDS	Bus differential 31%
1. Retain at 2023/2024 level plus a 3.5% increase, with expiry in 2030/2031	0.01% \$78.58	0.10% \$94.38
2. Resume at previously planned level and extend to 2033/2034	1.48% \$357.94	1.86% \$429.87
3. Rate set to fund programme and repayment over 30 years	0.31% \$134.47	0.45% \$161.49
4. Rate set to cover only annual programme operating and interest costs in each year	-0.14% \$48.96	-0.09% \$58.80

Impact of NETR options on the average value business property

Option	Rates impact 2024/2025		Additional increase 2025/2026 onwards
	Rate	Additional increase	
1. Retain at 2023/2024 level	\$110.27	n/a	n/a
2. Resume at \$30 in 2024/2025 for average value residential property and increase at 2.0 per cent per year	\$139.65	0.16%	Around 0.01%
3. Resume at previously planned level	\$218.91	0.57%	n/a
4. Resume at previously planned level and increase at 3.5% per year	\$218.91	0.57%	Around 0.04%

Impact of NETR and LTDS options on the average value business property

Option	LTDS option	
	Retain LTDS	Bus differential 31%
Retain at 2023/2024 level	n/a \$110.27	0.12% \$132.43
Resume at \$30 in 2024/2025 for average value residential property and increase at 2.0 per cent per year	0.16% \$139.65	0.30% \$167.71
Resume at previously planned level	0.57% \$218.91	0.80% \$262.91
Resume at previously planned level and increase at 3.5% per year	0.57% \$218.91	0.80% \$262.91

Farm/lifestyle property impacts

Impact of WQTR options on the average value farm/lifestyle property

Option	Rates impact 2024/2025		Additional annual increase 2025/2026 onwards
	Rate	Additional increase	
1. Retain at 2023/2024 level plus a 3.5 per cent increase, with expiry in 2030/2031	\$27.35	0.02%	Around 0.02%
2. Resume at previously planned level and extend to 2033/2034	\$124.59	2.60%	Around 0.09%
3. Rate set to fund programme and repayment over 30 years	\$46.81	0.54%	Around 0.04%
4. Rate set to cover only annual programme operating and interest costs in each year	\$17.04	-0.25%	Between 0.08% and 0.31%

Impact of WQTR and LTDS options on the average value farm/lifestyle property

Option	LTDS option	
	Retain LTDS	Bus differential 31%
	% increase \$ in 2024/2025	% increase \$ in 2024/2025
1. Retain at 2023/2024 level plus a 3.5% increase, with expiry in 2030/2031	0.02% \$27.35	-0.03% \$25.44
2. Resume at previously planned level and extend to 2033/2034	2.60% \$124.59	2.37% \$115.89
3. Rate set to fund programme and repayment over 30 years	0.54% \$46.81	0.45% \$43.53
4. Rate set to cover only annual programme operating and interest costs in each year	-0.25% \$17.04	-0.28% \$15.85

Impact of NETR options on the average value farm/lifestyle property

Option	Rates impact 2024/2025		Additional annual increase 2025/2026 onwards
	Rate	Additional increase	
1. Retain at 2023/2024 level	\$38.38	n/a	n/a
2. Resume at \$30 in 2024/2025 for average value residential property and increase at 2.0 per cent per year	\$48.61	0.27%	Around 0.02%
3. Resume at previously planned level	\$76.20	1.00%	n/a
4. Resume at previously planned level and increase at 3.5% per year	\$76.20	1.00%	Around 0.06%

Impact of NETR and LTDS options on the average value farm/lifestyle property

Option	LTDS option	
	Retain LTDS	Bus differential 31%
Retain at 2023/2024 level	n/a	-0.07%
	\$38.38	\$35.70
Resume at \$30 in 2024/2025 for average value residential property and increase at 2.0 per cent per year	0.27%	0.18%
	\$48.61	\$45.21
Resume at previously planned level	1.00%	0.86%
	\$76.20	\$70.88
Resume at previously planned level and increase at 3.5% per year	1.00%	0.86%
	\$76.20	\$70.88

The impacts of discontinuing the business differential shown in the tables above have been calculated as 30.98 per cent. This is the affective business differential at the time the calculation was undertaken. The actual differential level may change to reflect final calculation of rate from 2024/2025 pending deicsons on the business differential for future years and ongoing movements in the underlying changes to rating data through maintenance and growth.

Attachment D: Fairer Funding for Local Boards Proposal

Purpose

1. To provide updated advice on the:
 - recommendations of the 3 May 2024 meeting of the Joint Governance Working Party that relate to Fairer Funding
 - funding requirements for the Fairer Funding for local boards proposal in the Long-term Plan 2024 – 2034
 - summary of public and local board feedback
 - options focussed on the Central Proposal and Joint Governance Working Party resolutions

Fairer Funding for local boards

2. From 1 July 2022 local boards have had increased decision-making over local assets and services. Currently, local board funding to deliver community services differs greatly between local boards and the allocation of funding is based largely on what services were provided by legacy councils prior to amalgamation in 2010.
3. In 2021, the Governing Body approved in principle a new funding model for local community services (GB/2021/138). The new model distributes available funding based on population (80 per cent) deprivation (15 per cent) and land area (5 per cent) with an implementation timeframe of 10 to 15 years. When current funding is compared to funding based on the new model, some local boards are currently funded above the equitable funding level¹ and some local boards are funded below. The Governing Body supported in principle the distribution of future unallocated funding to local boards identified as funded below the equitable level to bring all local boards to equity, with an implementation timeframe of 10 to 15 years. No local boards were to lose funding under this approach.
4. Since early 2023, at the direction of the Mayor, and consistent with the 'Direction to Council Group from Mayor and Councillors' and the Mayoral Proposal for the LTP (page number), staff worked with the Joint Governance Working Party (JGWP) to develop options to achieve local board funding equity in a shorter timeframe, including developing the Fairer Funding Proposal for consideration through the LTP (details covered in Appendix A).
5. The proposal in the LTP aims to achieve local board funding equity through options ranging from using only new funding to reallocating all existing funding with no new funding. A mix of some reallocation of existing funding with some new funding to achieve significant funding equity by year three of the LTP was the preferred approach for consultation.
6. To achieve the Fairer Funding Proposal, a change is required to the current Local Board Funding Policy. (Section 7.2.2 of the [LTP 2024-2034 consultation document](#))
7. The JGWP met on 3 May to consider the post-consultation refreshed analysis on Fairer Funding and the public and local board feedback on the proposal. This resulted in a new option (achieving significant equity by year three of the LTP using only new funding and no reallocation) being proposed as part of the LTP considerations. Refer to the resolutions appended at Appendix B.

¹ Equitable funding level means the funding each local board would be entitled to under the proposed funding allocation model of 80/15/5

Fairer Funding as proposed through the LTP 2024 – 2034 consultation

- Within the LTP consultation, the options to transition to Fairer Funding Proposal were outlined within each of the three scenarios, ‘Pay Less Get Less’, ‘Central’ and ‘Pay More Get More’.

Table 1: Fairer funding within the three LTP scenarios

LTP Scenario	In response to each scenario, the Fairer Funding proposal aims to:
Pay Less Get Less	<ul style="list-style-type: none"> requires a significant reallocation of existing local board funding from the local boards that are currently funded above their equitable level of funding, to local boards that are under the equitable funding level no additional funding is required local boards that could lose funding may not be able to deliver projects previously agreed upon, asset renewals or services without increasing fees, considering targeted rates or rationalising assets
Central	<ul style="list-style-type: none"> rebalances local board funding through a 50/50 combination approach i.e. reallocating some existing funding between local boards and provision of new funding (\$20 million opex and \$30 million capex) over the first three years of the LTP equitable funding achieved for 18 local boards, getting them within 5% of their equitable funding levels (opex and capex) by year three of the LTP. Some local boards will have reduced budgets to enable the reallocation of funds. Three local boards remain funded above their equitable levels but to a lesser degree than current levels implementation is staged where changes to funding levels take place from 1 July 2025 (year two of the LTP). Staff would use year one of the LTP to prepare for change.
Pay More Get More	<ul style="list-style-type: none"> new funding only, no reallocation among local boards is required local boards receive a funding uplift to get all local boards to their equitable funding levels. No local board budget is reduced. to achieve full equity requires close to \$900 million opex and \$1 billion capex over the 10 years of the LTP

Refreshed Fairer Funding Proposal

- Staff have updated the advice for the Fairer Funding Proposal based on refreshed budget data as at 9 May 2024. Using the refreshed budget information, the Central Proposal requires an additional \$9 million of opex in the first three years of the LTP (no change over 10 years) and \$10 million less capex in the first three years of the LTP (\$58 million less over 10 years), compared to what was consulted on. The equivalent additional rates impact would be about 0.1 per cent in the financial year 2025/2026.
- If the Central Proposal additional funding was not changed, then 18 local boards would get to within 7 per cent of their opex equitable funding level and within 3 per cent of their capex equitable funding level. The funding requirements under the Refreshed Central Proposal that achieves the 5 per cent equitable funding level are provided in Tables 3.1 and 3.2.

Impact of the new population model

11. From March 2024, Auckland Council use a new population model (AGS23v1) for analysis that considers population, which is slightly different to the i11 models used previously. This has impacted the Fairer Funding allocation due to the differences in the population spread between local boards and projected future growth.

Impact of the JGWP recommendation

12. Public and local board feedback on the Fairer Funding Proposal and the refreshed budget analysis was presented to the JGWP meeting on 3 May 2024. The JGWP resolved to support an option to get eighteen local boards to within 5 per cent of equity in opex and capex by 2026/2027, using only new funding (no reallocation). This new option was not specifically included in the LTP consultation material, but it is within the range of options consulted on as it is a hybrid of the option that was included in the central proposal and that included in the 'Pay More Get More' scenario. Funding impact analysis of the JGWP recommendations is provided in Tables 3.1 and 3.2. Implementing the JGWP option would require an additional \$77 million of opex in the first three years of the LTP (\$239 million more over 10 years) and \$26 million more capex in the first three years (\$96 million more over 10 years). These amounts are in addition to what was included in the Central Proposal. The equivalent additional rates impact would be about 1.50 per cent in the financial year 2025/2026.
13. If the Fairer Funding Proposal is not adopted, then the current Local Board Funding Policy 2022 will continue to apply.

Summary of consultation feedback²

14. Council received 234 submissions on the Fairer Funding Proposal. Public feedback (69 per cent) generally supports the preferred option in the Central Proposal to achieve significant equity for most local boards in the first three years of LTP.
15. Local boards also provided their feedback on the LTP proposals through their April and May business meetings. In general, ten local boards supported the LTP Central Proposal for Fairer Funding, and six local boards supported the Pay More Get More option for Fairer Funding. One local board supported all three options, and two local boards did not support any option. The remaining two local boards did not provide a clear recommendation. However, it is to be noted that the individual local board resolutions were more detailed and responded to the local implications of the Fairer Funding Proposal. Local board resolutions on the Fairer Funded Proposal are covered in Appendix C.

Options

16. The LTP consultation provided three options under the Central, Pay Less Get Less and Pay More Get More scenarios. The JGWP met on 3 May 2024 and considered the public and local board feedback on the consultation document. One of the resolutions recommended a solution that sees 18 local boards get to within 5 per cent of their equitable opex and capex levels within three years using new funding only. All these options have different mixes of funding and achievement of equity funding as shown below in Table 2.

² The Summary of Feedback report on consultation results for the Long-term Plan 2024-2034 is publicly available [here](#).

Table 2: Funding mix and level of equity achieved

LTP Scenario	Reallocation of existing funds	New funds	Gap to achieve full equity funding (opex)	Gap to achieve full equity funding (capex)	Number of Local Boards within the gap	Implementation Timeframe
Central*	√	√	7%	3%	18	3 years
Do Less	√	X	0	0	21	3 years
Do More	X	√	0	0	21	3 years
JGWP resolution	X	√	5%	5%	18	3 years

17. *Note: the funding shown in the Central Proposal was calculated based on data at June 2023 and at that point in time the estimated additional funding achieved a 5 per cent equity gap for both opex and capex for 18 local boards. This was the consultation option. However, since the May 2024 budget refresh, the amounts in the Central Proposal achieve within 7 per cent equity in opex and 3 per cent equity in capex as shown in Table 2 above.

18. The options analysis in the following tables compares three options: the **Central Proposal** as consulted on, the **Refreshed Central Proposal** which achieves a 5 per cent equity gap for both opex and capex for 18 local boards, and the **JGWP** option.

19. Each of these options have different levels of funding required across three years and ten years. The amounts also differ according to whether or not the funding is opex or capex as can be seen in the Tables 3.1 and 3.2.

Table 3.1: Opex Funding Analysis

Opex ³	First three years	Ten years	Outcome
Central Proposal: additional opex included in consultation	\$20m	\$98m	18 local boards get to within 7 per cent of opex equity
Refreshed Central Proposal: opex required to get to 5% equity based on refreshed analysis (reallocation and new funding)	\$29m	\$98m	18 local boards get to within 5 per cent of their opex equitable funding level.
Difference to LTP central proposal	\$9m	0	
JGWP proposal: opex required to get to 5% equity based on refreshed analysis (new funding only)	\$97m	\$337m	18 local boards get to within 5 per cent of their opex equitable funding level.
Difference to LTP central proposal	\$77m	\$239m	

³ The Pay Less Get Less option sees no additional funding, it's all just a reallocation.

Table 3.2: Capex Funding Analysis

Capex	First three years	Ten years	Outcome
Central Proposal: additional capex included in consultation	\$30m	\$135m	18 local boards get to within 3 per cent of capex equity
Refreshed Central Proposal: Capex required to get to 5% equity based on refreshed analysis (reallocation and new funding)	\$20m	\$77m	18 local boards get to within 5 per cent of their capex equitable funding level.
Difference	-\$10m	-\$58m	
JGWP Proposal: Capex required to get to 5% equity based on refreshed analysis (new funding only)	\$56m	\$231m	18 local boards get to within 5 per cent of their capex equitable funding level.
Difference to LTP central proposal	\$26m	\$96m	

Table 4 identifies the impact on funding requirements across 10 years for each of the three options:

Table 4 : Additional funding needed to achieve significant opex and capex funding equity for 18 local boards in three years											
Fairer Funding Option	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	10 Yr Total
Central Proposal: opex (\$m)	0	10.0	10.2	10.4	10.6	10.8	11.0	11.3	11.5	11.7	98
Refreshed Central Proposal: opex requirement to get to within 5% (\$m) based on refreshed analysis	0.0	13.5	15.3	10.3	10.2	10.1	12.8	10.4	8.7	7.0	98
Additional funding (\$m)	0.0	3.5	5.1	-0.1	-0.4	-0.8	1.7	-0.9	-2.8	-4.7	0
JGWP Proposal: opex requirement to get to within 5% (\$m) with new funding only	0.0	46.9	49.6	33.7	34.2	34.5	36.9	35.0	33.8	32.6	337
Additional funding (\$m)	0.0	36.9	39.4	23.3	23.5	23.7	25.8	23.7	22.3	20.8	240

20. The increased operating funding requirement for the Refreshed Central Proposal would increase the overall rates requirement in year two of the LTP (2025/2026) by about 0.1 per cent. For the JGWP proposal, the rates impact in that year would be about 1.5 per cent.
21. The impact of each option on the 21 local boards across three years and ten years of the LTP is shown in Appendix D.

Summary of Fairer Funding options

22. The three options achieve the same outcome of 18 local boards achieving significant funding equity in the next three years. The difference is the equity gap and how that equity is achieved as shown in Table 5 below:

Table 5: Equity gap difference and how that equity is achieved						
	Reallocation of existing funds	New funds	Gap to achieve full equity funding (opex)	Gap to achieve full equity funding (capex)	Number of local boards	Implementation timeframe
Central Proposal	√	√	7%	3%	18	3 years
Refreshed Central Proposal	√	√	5%	5%	18	3 years
JGWP Proposal	X	√	5%	5%	18	3 years

23. By using only new funding to achieve the proposed funding equity means that no local board gets less money than they have now. A new funding baseline for all local boards will be set. The amount of new funding will differ in each local board area depending on the 80:15:5 formula. This option will cost the most of the three options.
24. By using re-allocation of funding under the Central and Refreshed Central proposals, some local boards will get less money than they have now, and that money will be given to other local boards.
25. Therefore, the key decision for the Governing Body is how the funding equity should be funded – a mix of re-allocation of existing funds and new funds, or new funds only. This will determine the total cost and impact on general rates.

Risks

26. If the Fairer Funding proposal is not adopted through the LTP, the current funding model, i.e. asset-based services (ABS), locally driven initiatives (LDI) funding, and the existing local board funding policy, will continue.
 - LDI funding is distributed based on a ratio of 90 per cent (population): 5 per cent (deprivation): 5 per cent (land area) in the existing local board funding policy.
 - ABS funding is allocated to each local board based on the assets and services in the local board area.
27. If this is the case, concerns raised relating to inequity of funding between local boards are likely to continue, and the council will need to consider other ways to address these issues.

28. In particular, further direction will be required from the Governing Body if they wish to pursue the 2021 Governing Body (GB/2021/138) decisions (Appendix E) or other alternatives.

- The 2021 Governing Body decisions aimed at achieving local board funding equity:
 - (i) by reallocating future unallocated growth and renewals funding to local boards that are funded below their equitable level
 - (ii) within 10 to 15 years starting from 01 July 2024 (LTP 2024-2034).
- However, subsequent work has identified that most of this unallocated funding supports growth, which is primarily funded through the collection of development contributions (DCs) from property developers. Reallocating this growth funding may lead to the council having to amend the DC policy or refund some of the DCs collected.
- Also, local boards that will receive the reallocated growth funding have limited investment options, as DCs funded growth budget can only be invested in areas where development is planned and for the investment type the DCs were collected for, as adopted through the DCs policy.
- The 2021 analysis estimated almost \$1 billion of unallocated local community services funding available in future years to help resolve local community services funding equity. However, through the LTP 2024-2034, this amount has been almost halved as a result of the deliverable budget proposals and further refinement of budgets. Hence, it is likely that it would take more than the previously estimated 10 to 15 years to get to local board funding equity.

29. Staff will need more time to provide further advice (if required) on implementing the 2021 decisions to achieve local board funding equity.

30. Implementation of the Fairer Funding Proposal will result in some changes for both local boards and staff. Some of the key changes and mitigations are outlined below:

Change	Risk level	Mitigation
Change in service levels	High risk: Possible change to service levels and service delivery models especially in local boards that see a reduction in funding.	Ensure that adequate advice is provided to local boards to help prioritise their services that aligns with local community needs and local board plans.
Balancing budget and managing variances to budget	Moderate risk: Local boards that see a reduction in funding may find it difficult to balance their budget due to competing priorities	Ensure that adequate advice is provided to local boards to help prioritise their services within their budget capacity. Staff to develop clear financial guidelines to advise the local boards on the implications of unbalanced budget and going over budget.
Readiness of financial systems and processes	Moderate risk: Budget systems and processes including reporting and forecasting will require changes to implement the fairer funding approach.	Ensure that changes are well planned out and executed in the first year of the LTP for the systems to be ready for implementation in year two.
Large amount of new funding to some local boards	Moderate risk: If the option is to get to equity using only new funding, some local boards are likely to receive substantially more funding than they receive currently. Without good advice, this could lead to poor quality spending.	Ensure that during the first year of the LTP, such local boards are prioritised to provide advice to ensure the best value for money investment.

Appendices

No.	Title
A	Development of Fairer Funding proposal
B	Joint Governance Working Party resolutions on 03 May 2024
C	Local board feedback on LTP Fairer Funding Proposal
D	Local Board opex and capex budget under the different scenarios
E	2021 Governing Body Decisions

Appendix A: Development of Fairer Funding proposal

1. As a result of the recommendations of the Governance Framework Review (GFR), the Governing Body, at their 28 October 2021 business meeting, resolved the following (GB/2021/138):

n) support in principle the proposal to establish an alternative service level equity and funding policy as outlined in the Equity of Service Levels and Funding report, which has the following scope and key elements:

- i) **funding scope of Long-term Plan funding for local community services, excluding slip remediation and coastal renewals funding, and which excludes:**
 - A) **Locally Driven Initiatives funding, which is already allocated to local boards**
 - B) **regional community service decisions and funding, which would remain the responsibility of the Governing Body.**
- ii) **a transition seeking to achieve funding equity for most local boards within a 10 - year timeframe and all local boards within a 15-year timeframe by prioritising Long-term Plan outer year funding for growth and future renewals to local boards with the largest funding gaps, noting the Joint Governance Working Party's support for achieving funding equity for all local boards within 11 years**
- iii) **a funding allocation approach based on the balanced scenario, 80% population, 15% deprivation and 5% land area**
- iv) **a fixed funding amount or percentage for the Gulf Islands based on that used in Locally Driven Initiatives funding**
- v) **a hybrid approach to multi-board service funding and further development of principles, criteria and firmer proposals on which services would be included.**

o) note the objective of this proposal that no local board would lose funding and further investigation is proposed to validate that no additional funding would be needed to bring all local boards to funding equity within a 15-year timeframe.

p) note the proposed implementation under the Long-term Plan 2024-2034, subject to consultation and a resolution to proceed under that plan, and the strong preference of the Joint Governance Working Party for earlier implementation under Annual Plan 2022/23.

q) note that staff will report back on proposals to address funding inequities to the Governing Body during its current term as resource and costs aspects are further investigated.

2. The current local community services funding allocation for local boards is based on the existing Local Board Funding Policy. It consists of asset-based services (ABS), and locally driven initiatives (LDI) funding.
3. The existing Local Board Funding Policy 2022 states that asset-based services funding will be allocated to local boards based on the assets and services in a local board area. Locally driven initiatives (LDI) funding is distributed based on a ratio of 90 per cent (population): 5 per cent (deprivation): 5 per cent (land area). Both are funded through a mix of revenue generated by activities in the local board area with the remaining funding (net of revenue) provided from general rates.
4. The Governing Body sets the total amount of general rates funding for the local boards.
5. A comparison of the current funding allocation and the equitable funding allocation identifies local boards that are currently funded differently (above or below) to their projected equitable funding level⁴.

⁴ Equitable funding level means the funding each local board would be entitled to under the proposed funding allocation model of 80/15/5.

6. Since April 2022, staff have been working on proposals to implement the October 2021 Governing Body decisions on local board funding equity through the LTP.
7. In early 2023, the Mayor directed staff to investigate options to achieve local board funding equity in a shorter timeframe and for this to be considered by the JGWP and the local boards prior to implementation.
8. Following this direction staff have been working with the JGWP to develop the fairer (or equitable) funding proposals.
9. A discussion paper, with options to achieve fairer funding, was endorsed by the JGWP on 11 July 2023 to be presented to the local boards for their feedback (JGWPC/2023/6).
10. For the discussion paper staff started with the original scope of the GFR and investigated additional scope elements such as other local activities, LDI, etc., that could be included in the scope for the updated analysis. Staff also found that some areas of the existing scope were not feasible to be considered for a shorter timeframe of implementation.
11. The options in the discussion paper included using entirely new funding, complete reallocation of current funding, and various combinations of new funding and reallocation to help achieve local board funding equity. The JGWP supported a combination funding approach.
12. The discussion paper also included options to achieve complete equity for all local boards, or significant equity for most local boards, in the first three years of the LTP.
13. Local boards provided formal feedback on the proposals through their August 2023 business meetings. Fourteen local boards supported achieving significant local community services funding equity for most local boards in the first three years of the LTP.
14. Local board feedback was reported to the JGWP on 13 October 2023, and they resolved to support staff prioritising work needed to achieve local board funding equity through the LTP.
15. With the support of the JGWP, staff presented the options to achieve local board funding equity to a Budget Committee workshop on 25 October 2023.
16. In his proposal for the LTP, the Mayor put forward a 50:50 funding option (refer para 30 for detail) intended to achieve significant funding equity in local community services funding for eighteen local boards within the first three years of the LTP. This option was adopted as part of the central proposal for consultation by the Budget Committee (BCCCC/2023/12) on 6 December 2023.
17. The consultation document for the LTP also included the Pay More Get More⁵ option (full equity using only new funding) and the Pay Less Get Less⁶ option (full equity through reallocation of existing funding and no new funding).
18. It was noted in the LTP consultation material that the figures provided were indicative only, based on analysis completed at the time and that this analysis would be updated through the development and adoption of the LTP to provide final figures.

⁵ Auckland Council Long-term plan 2024-2034 consultation document, page 24

⁶ Auckland Council Long-term plan 2024-2034 consultation document, page 26

Appendix B: Joint Governance Working Party resolutions on 03 May 2024

6 Long-term Plan 2024-2034 consultation feedback on Fairer Funding proposal and updated analysis

A presentation was provided and further information tabled. Copies are attached to the notes.

Note: changes were made to the original recommendations, adding new clauses b), c), d), e), f) and g), with the agreement of the meeting

The recommendation was put in parts.

The Joint Governance Working Party:

- a) tuhi ā-taipitopito / noted the feedback on the Fairer Funding proposal received through the Long-term Plan 2024-2034 consultation
- b) continued to support the move to more equitable funding for local boards, based on an 80% population, 15% deprivation and 5% land area formula, rather than existing assets, included in the Long Term Plan proposal as "Fairer Funding" (Gate 1)
- c) recommended getting 18 local boards to within 5 per cent of their opex equitable funding level and 5 per cent of their capex equitable funding level within three years, noting the challenges of moving to full equity quickly, noting that would likely require a small additional increase in rates (Gate A – level of equity in a timeframe)

Note: Member J Gillon requested that his disagreement with clause b), be recorded.

The Joint Governance Working Party:

- d) tautokongia / supported the "pay more get more" proposal in relation to Fairer Funding, using 100% new funding for significant equity in Y2 of the LTP

A division was called for, voting on which was as follows:

<u>For</u>	<u>Against</u>	<u>Abstained</u>
Member B Catchpole	Member A Fulljames	Deputy Chairperson C Handley
Chairperson J Fairey		Cr S Henderson
Member J Gillon		
Cr L Leoni		
Cr D Newman		
Member R Northey		
Houkura Chair D Taipari		
Member K Thomas		

The decision was declared CARRIED by 8 votes to 1.

The Joint Governance Working Party:

- e) tautokongia / supported LTP 2024-2034 addressing closing any remaining equity gaps in both opex and capex over the remaining seven years of the current LTP, and request staff advice on this go to the Governing Body for their consideration
- f) tuhi ā-taipitopito / noted that the funding policies for those facilities that are of a regional or sub-regional nature in terms of the majority of users coming from outside the board area where they are located, will be formally considered once the outcomes of any local board reorganisation becomes clearer
- g) tautokongia / supported a full review is undertaken in FY24/25 of how Hauraki Gulf Island boards are funded.

Attachments

- A 3 May 2024, Joint Governance Working Party, Item 6 - Long-term Plan 2024-2034 consultation feedback on Fairer Funding proposal and updated analysis presentation
- B 3 May 2024, Joint Governance Working Party, Item 6 - Long-term Plan 2024-2034 consultation feedback on Fairer Funding proposal and updated analysis - tabled information

Appendix C : Local board feedback on LTP Fairer Funding Proposal

Local Board	Pay less	Central	Pay More	Other	
Albert-Eden		Support			Support the proposed changes to the Local Board Funding Policy moving to the fairer funding model.
Aotea / Great Barrier		Support			Support for overall principle of allocating fairer funding.
Devonport-Takapuna			Support		<p>Support reaching equity through new funding only, and not through any reallocation.</p> <p>Massive risk to delivery in the community and reduction in funding will undermine the partnership approach the local board takes with community groups who deliver on the aspirations contained within the Local Board Plan.</p> <p>Risk is compounded through potential local board reorganisation, as Devonport-Takapuna and Kaipatiki Local Boards are anticipating reduced budgets under fairer funding and are two boards proposed to be amalgamated.</p>
Franklin		Support			Strongly support on the basis that too many boards have been underfunded for too long and the time has come for overfunded boards to adjust expenditure in line with equitable funding. While the board supports the ‘payless, get less’ approach it also acknowledged the need to stage this over time i.e. supports a 50/50 approach.
Henderson-Massey		Support			Support accelerating fairer funding for local boards to address legacy imbalances, with a combination of new funding and reallocation,
Hibiscus and Bays				Other	<p>Local boards should be funded to a level that ensures good decision-making over local assets and services, and the ability to renew and maintain local assets including when they are at end of life.</p> <p>Aug 2023 - support the 2021 Government Framework Review decisions (in principle) to achieve local board funding equity within a 10-year period rather than the shorter timeframe, noting that this approach would ensure there is no reduction in current local board funding levels</p>
Howick				Other	Note the important connection between the funding equity and local board reorganisation review and request that the reorganisation should be done prior to addressing funding equity.
Kaipātiki				Do not support	<p>We disagree with the “Fairer Funding” proposal as under all three proposals, the Kaipātiki Local Board budget will reduce over time, putting at risk the maintenance and renewal of existing assets and reducing the ability to develop new assets to meet community needs.</p> <p>However of the three proposals, the Pay More and Get More variation will have the least negative impact as it utilises new funding and not reallocation of existing local board funding.</p>

Local Board	Pay less	Central	Pay More	Other	
Māngere-Ōtāhuhu				Do not support	<p>Do not support</p> <p>Based on the feedback provided to the Joint Governance Working Party in 2023, areas of higher deprivation are more vulnerable to the effects of the fairer funding model. Therefore, this funding needs to be allocated according to the areas of greatest need. We need to ensure those who are most vulnerable are prioritised</p>
Manurewa		Support			<p>Manurewa Local Board would receive an increase in OPEX, but not CAPEX.</p> <p>With costs increasing and local boards expected to take on further costs, this increase in OPEX is not as impactful for our community as it appears.</p> <p>As a local board we are needing to focus our funding on immediate issues including safety and illegal dumping. More funding would mean we are able to provide more services to the community that are not simply reacting to the immediate needs.</p> <p>Manurewa has few facilities and assets. Many of the assets we have are in poor condition and we do not have the budget to repair them, let alone make them high quality assets that the community deserves.</p> <p>Areas of higher deprivation require more funding as they're more reliant on council facilities, services and programmes. While increasing the percentage for deprivation aims to take this into account, the result is still that inequity remains despite Fairer Funding. Local boards are being asked to fund activities that were previously regionally funded, including rubbish bins. Local boards should be using the additional funding to add services and benefit to the community, rather than continuing business as usual.</p>
Maungakiekie-Tāmaki			Support		Support pay more get more scenario and locally driven initiatives (LDI) funding being included in the scope for this analysis, in the light of increased local board decision-making and the funding approach of 80:15:5 being adopted as the equitable model.
Ōrākei			Support		Do not support the implementation of Fairer Funding under the central proposal, but requests that if Fairer Funding is implemented that it be done under the 'Pay more, get more' scenario where more funding is set aside for local boards where full equity could be achieved without reallocating budgets between local boards
Ōtara-Papatoetoe			Support		<p>The Local Board is not supportive of the Fairer Funding under the Central Proposal.</p> <p>The Local Board does not support the Fairer Funding Model as it means that if Ōtara-Papatoetoe and Māngere-Ōtāhuhu Local Boards merge, it will be a larger board with lesser funding. A more equitable funding model should be considered where the board's current funding model should be a baseline, and then building up from there to a more equitable level.</p>
Papakura		Support			The board supports the fairer funding approach.
Puketāpapa		Support			vii) Support the Fairer funding - Local Board Funding Policy moving to the fairer funding model proposal.

Local Board	Pay less	Central	Pay More	Other	
Rodney				Support All	support moving to the fairer funding model (includes 'pay more get more' and 'pay less and get less' options)
Upper Harbour			Support		xxvii) support the 'pay more get more' proposal outlined in the Long-term Plan 2024 – 2034 noting this would result in more new funding for local boards and no redistribution of existing funding xxviii) do not support the redistribution of existing local board funding amongst local boards within the first three years of the Long-term Plan 2024 – 2034 due to the impacts reductions in operational funding will have on service provision for affected local boards
Waiheke		Support			The board agree with the principle of allocating funding on a more equitable basis, however request the funding model for the Hauraki Gulf Islands be reviewed. If there is insufficient total budget available to provide an increase, then this should also be reviewed.
Waitākere Ranges		Support			liii) fully support fairer funding - Local Board Funding Policy proposal for local boards.
Waitematā			Support		Support Fairer Funding under the 'pay more, get more' scenario as we would not be required to reallocate budgets between local boards and still ensure that equity is achieved. c. Under the "Central" scenario our Board and others like Henderson-Massey would be unfairly disadvantaged, and have to make cuts, for having facilities predominantly used by those outside our Board area, particularly our four pools and the Central Library.
Whau		Support			Strongly support fairness of funding of local boards, acknowledging that the Whau local board area doesn't currently have many assets which has impacted on the local board funding levels.

Appendix D: Local Board opex and capex budget under the different scenarios

- The analysis in the tables below are based on budgets as at 09 May 2024. LTP decisions may have an impact on this analysis.
- For population the Council has moved to a new population model (AGS23 v1) which is different to the previous i11v6 model used (Appendix E)
- Deprivation statistics are estimated based on 2018 census. Statistics based on the latest census are not yet available.
- The scenarios covered in the tables are
 - (i) Current ABS and LDI funding based on the existing Local Board Funding Policy, that are in scope for Fairer Funding analysis
 - (ii) Central Proposal: Fairer Funding allocation with additional funding included in the LTP Central proposal (50:50)
 - (iii) Refreshed Central Proposal: Fairer Funding allocation with additional funding required to get 18 local boards to within 5 per cent equity in three years of the LTP under the 50:50 approach.
 - (iv) JGWP Proposal - Fairer Funding allocation with additional funding required and no reallocation, to get 18 local boards to within 5 per cent equity in three years of the LTP
- The general scope of the fairer funding analysis is the general rates funded local community services budget with exclusions as below:

	In scope	Out of scope
Opex	Customer and Community Services local board opex budget	Response budgets - FFC response budget, Green Assets OPEX, Coastal Management OPEX
	All LDI Opex	Overhead costs and interest and depreciation
Capex	LB Renewals All LDI Capex	Growth funding
		Discrete projects
		Response funding such as urgent minor capex, Slip remediation and coastal renewals, and storm damage
		External funding
		Sales proceeds

3 Year budget allocation for opex and capex for 21 LBs

		2024/2025 - 2026/2027 (\$m)						
		Current local board funding policy based funding	Central Proposal	Difference to Current Funding	Refreshed Central Proposal	Difference to Current Funding	No reallocation - JGWP Proposal	Difference to Current Funding
Albert-Eden	Opex	32.0	37.6	5.6	38.8	6.8	42.4	10.4
	Capex	11.3	16.7	5.5	16.0	4.8	17.6	6.4
Devonport-Takapuna	Opex	28.8	26.6	-2.2	26.6	-2.2	28.8	0.0
	Capex	17.3	13.5	-3.8	13.5	-3.8	17.3	0.0
Franklin	Opex	39.5	43.0	3.5	44.4	4.9	48.5	9.1
	Capex	17.9	19.2	1.2	18.3	0.4	20.2	2.3
Aotea/Great Barrier	Opex	5.0	7.6	2.6	7.6	2.6	8.2	3.2
	Capex	0.8	3.3	2.4	3.1	2.3	3.4	2.6
Henderson-Massey	Opex	62.2	57.3	-4.9	57.3	-4.9	62.2	0.0
	Capex	24.0	22.4	-1.6	22.4	-1.6	24.0	0.0
Hibiscus and Bays	Opex	43.5	43.4	-0.1	43.4	-0.1	46.9	3.4
	Capex	20.7	20.5	-0.2	20.5	-0.2	23.9	3.2
Howick	Opex	63.3	60.6	-2.8	60.6	-2.8	63.3	0.0
	Capex	23.5	24.7	1.2	23.7	0.1	26.0	2.5
Kaipātiki	Opex	33.0	34.5	1.5	35.6	2.6	38.9	5.9
	Capex	18.6	16.4	-2.2	16.4	-2.2	18.6	0.0
Māngere-Otāhuhu	Opex	48.1	44.4	-3.7	44.4	-3.7	48.1	0.0
	Capex	16.2	17.4	1.2	16.6	0.4	18.3	2.1
Manurewa	Opex	32.2	43.5	11.3	44.9	12.7	49.1	16.9
	Capex	19.7	19.4	-0.3	18.8	-0.8	20.4	0.7
Maungakiekie-Tāmaki	Opex	40.1	39.3	-0.7	39.3	-0.7	41.8	1.8
	Capex	14.7	16.5	1.9	15.8	1.2	17.4	2.7
Ōrākei	Opex	34.2	34.0	-0.1	34.0	-0.1	36.7	2.6
	Capex	11.3	14.5	3.2	13.9	2.6	15.3	4.0
Ōtara-Papatoetoe	Opex	47.7	44.7	-3.0	44.7	-3.0	47.7	0.0
	Capex	16.7	17.8	1.1	17.1	0.4	18.8	2.1
Papakura	Opex	37.7	34.6	-3.1	34.6	-3.1	37.7	0.0
	Capex	12.8	13.5	0.7	12.9	0.1	14.2	1.4
Puketāpapa	Opex	23.9	27.2	3.3	28.1	4.1	30.7	6.8
	Capex	6.0	12.1	6.1	11.6	5.6	12.8	6.7
Rodney	Opex	31.0	47.9	17.0	49.5	18.5	54.1	23.2
	Capex	17.1	21.4	4.2	20.5	3.3	22.5	5.4
Upper Harbour	Opex	36.1	32.4	-3.7	32.4	-3.7	36.1	0.0
	Capex	10.1	12.3	2.2	11.8	1.7	12.9	2.8
Waiheke	Opex	13.8	15.2	1.4	15.2	1.4	16.5	2.7
	Capex	2.2	6.5	4.3	6.2	4.1	6.8	4.7
Waitākere Ranges	Opex	26.2	25.5	-0.6	25.5	-0.6	27.0	0.8
	Capex	9.0	10.7	1.7	10.2	1.2	11.2	2.3
Waitematā	Opex	50.2	44.2	-6.0	44.2	-6.0	50.2	0.0
	Capex	18.9	17.1	-1.9	17.1	-1.9	18.9	0.0
Whau	Opex	30.7	36.0	5.3	37.1	6.4	40.6	9.9
	Capex	8.0	16.0	8.0	15.4	7.3	16.9	8.8

10 Year budget allocation for opex and capex for 21 LBs

		2024/2025 - 2033/2034 (\$m)							
		Current local board funding policy based funding	Central Proposal	Difference to Current Funding	Refreshed Central Proposal	Difference to Current Funding	No reallocation - JGWP Proposal	Difference to Current Funding	
Albert-Eden	Opex	116.1	139.5	23.5	139.6	23.5	152.7	36.6	
	Capex	56.6	78.0	21.5	73.3	16.8	80.5	23.9	
Devonport-Takapuna	Opex	104.0	96.1	-7.9	96.1	-7.9	104.0	0.0	
	Capex	77.2	61.3	-16.0	61.3	-16.0	77.3	0.0	
Franklin	Opex	144.5	159.7	15.2	159.8	15.3	174.8	30.3	
	Capex	93.2	89.9	-3.4	88.7	-4.6	95.5	2.3	
Aotea/Great Barrier	Opex	17.9	27.5	9.5	27.5	9.5	29.7	11.7	
	Capex	5.4	15.2	9.8	14.3	8.9	15.6	10.3	
Henderson-Massey	Opex	224.3	206.9	-17.4	206.9	-17.4	224.3	0.0	
	Capex	119.6	108.4	-11.1	108.4	-11.2	119.6	0.0	
Hibiscus and Bays	Opex	156.5	156.4	-0.2	156.3	-0.2	168.8	12.3	
	Capex	100.3	90.3	-10.0	90.3	-10.0	100.4	0.0	
Howick	Opex	228.3	218.8	-9.5	218.8	-9.5	228.3	0.0	
	Capex	102.1	115.4	13.3	108.4	6.3	119.0	16.9	
Kaipātiki	Opex	119.2	128.0	8.8	128.1	8.9	140.1	20.9	
	Capex	81.6	74.1	-7.5	74.1	-7.5	81.6	0.0	
Māngere-Otāhuhu	Opex	174.6	160.8	-13.8	160.8	-13.8	174.6	0.0	
	Capex	81.8	81.5	-0.3	79.1	-2.7	85.6	3.8	
Manurewa	Opex	116.2	161.7	45.5	161.8	45.6	176.9	60.7	
	Capex	83.5	90.4	6.9	85.2	1.7	93.2	9.8	
Maungakiekie-Tāmaki	Opex	146.0	142.8	-3.2	142.8	-3.2	150.7	4.7	
	Capex	69.6	77.0	7.4	73.2	3.6	79.4	9.8	
Ōrākei	Opex	124.8	123.7	-1.1	123.7	-1.1	132.3	7.6	
	Capex	57.4	67.6	10.2	63.5	6.1	69.7	12.3	
Ōtara-Papatoetoe	Opex	171.5	161.1	-10.4	161.1	-10.4	171.5	0.0	
	Capex	74.1	83.1	9.0	78.2	4.1	85.7	11.6	
Papakura	Opex	134.9	124.5	-10.4	124.5	-10.4	134.9	0.0	
	Capex	64.9	64.1	-0.8	61.9	-3.0	68.0	3.2	
Puketāpapa	Opex	87.0	101.0	14.1	101.1	14.1	110.6	23.6	
	Capex	39.7	56.5	16.8	53.1	13.4	58.3	18.6	
Rodney	Opex	112.4	178.1	65.7	178.2	65.8	194.9	82.5	
	Capex	72.6	99.6	27.0	93.6	21.0	102.7	30.1	
Upper Harbour	Opex	130.6	117.2	-13.4	117.2	-13.4	130.6	0.0	
	Capex	47.1	57.2	10.1	53.8	6.7	59.0	11.9	
Waiheke	Opex	49.7	55.0	5.2	55.0	5.2	59.3	9.6	
	Capex	16.7	30.3	13.6	28.5	11.8	31.3	14.6	
Waitākere Ranges	Opex	95.0	92.6	-2.5	92.6	-2.5	97.2	2.1	
	Capex	40.8	49.7	8.9	46.7	5.9	51.2	10.4	
Waitematā	Opex	182.4	160.4	-22.1	160.4	-22.1	182.4	0.0	
	Capex	90.4	80.7	-9.7	80.7	-9.7	90.4	0.0	
Whau	Opex	111.8	133.7	21.8	133.8	21.9	146.3	34.5	
	Capex	35.3	74.8	39.4	70.2	34.9	77.1	41.8	

Appendix E: 2021 Governing Body Decisions

That the Governing Body:

Addressing inequities in local community services funding

- n) support in principle the proposal to establish an alternative service level equity and funding policy as outlined in the Equity of Service Levels and Funding report, which has the following scope and key elements:
 - i) funding scope of Long-term Plan funding for local community services, excluding slip remediation and coastal renewals funding, and which excludes:
 - A) Locally Driven Initiatives funding, which is already allocated to local boards
 - B) regional community service decisions and funding, which would remain the responsibility of the Governing Body.
 - ii) a transition seeking to achieve funding equity for most local boards within a 10 - year timeframe and all local boards within a 15-year timeframe by prioritising Long-term Plan outer year funding for growth and future renewals to local boards with the largest funding gaps, noting the Joint Governance Working Party's support for achieving funding equity for all local boards within 11 years
 - iii) a funding allocation approach based on the balanced scenario, 80% population, 15% deprivation and 5% land area
 - iv) a fixed funding amount or percentage for the Gulf Islands based on that used in Locally Driven Initiatives funding
 - v) a hybrid approach to multi-board service funding and further development of principles, criteria and firmer proposals on which services would be included.
- o) note the objective of this proposal that no local board would lose funding and further investigation is proposed to validate that no additional funding would be needed to bring all local boards to funding equity within a 15-year timeframe.
- p) note the proposed implementation under the Long-term Plan 2024-2034, subject to consultation and a resolution to proceed under that plan, and the strong preference of the Joint Governance Working Party for earlier implementation under Annual Plan 2022/23.
- q) note that staff will report back on proposals to address funding inequities to the Governing Body during its current term as resource and costs aspects are further investigated.

CARRIED

Attachment E: Port land proposal

Purpose

1. To provide context to and advice on Long-term Plan discussions related to options for the release of port land.

Recommendations

2. Detailed separately in the Mayoral Proposal.

Likely decisions

Long-term Plan decision to release port land

3. To progress with the release of Captain Cook and Marsden wharves and associated wharf breastworks (and make changes to Bledisloe North Wharf to enable this option), the final Long-term Plan would need to provide for the transfer of legal ownership of Captain Cook and Marsden wharves from the Port of Auckland Limited to Auckland Council. This decision would not initiate the transfer nor commit the council to this action, but it would enable the transfer at a future time when deemed necessary.
4. The transfer of port land ownership would be subject to any necessary legal and financial due diligence, the Port of Auckland obtaining the required resource consents to build the new Bledisloe North Wharf, and Auckland Council and the Port of Auckland agreeing a mechanism for transferring the port land. The Port of Auckland's current position is that the council would purchase the land.
5. To formalise next steps for moving port operations from Captain Cook and Marsden wharves, the final Long-term Plan could provide for the delegation of authority to the Chief Executive of Auckland Council to agree with the Port of Auckland a memorandum of understanding. Details in the memorandum would likely include key steps and triggers, the port land valuation method, a mechanism for transferring port land, expected timings, resource consenting, legal due diligence, and agreed responsibilities.

Long-term Plan decision on the central wharves

6. Key to this Long-term Plan is the opportunity to consider the central wharves, land and water space together as part of a masterplan process which will enable a more place-based way of working. Key benefits expected within five years include:
 - unlocking cruise operations from Princes and Queens Wharf
 - 50 per cent of cruise out of the ferry basin
 - creating space for passenger ferry circulation and the growth of electric ferries
 - enhanced role of Queens Wharf for the public
 - access to Admiralty Steps and significantly enhanced east-west access on the waters edge.
7. A high-level central wharves strategy has been articulated in the Port Precinct Future Development Framework Plan developed by Eke Panuku (appended to this document as Attachment A). It outlines the likely next steps for the central wharves if Captain Cook and

Marsden wharves are released to the council. The first step would be the commencement of a masterplan process.

8. To progress a masterplan for the central wharves, the final Long-term Plan would need to endorse the central wharves component of the Port Precinct Future Development Framework Plan and provide \$6 million of operational expenditure budget (best current estimate) over four years for a central wharves masterplan to be developed by Eke Panuku.

Future decisions for the regeneration of central wharves

9. If the development of a central wharves masterplan is supported through this Long-term Plan, then a future decision to approve the masterplan would be made by the appropriate committee of council (e.g. Planning, Environment and Parks Committee).
10. One of the key purposes of the masterplan is to scope and develop business cases for capital projects for the central wharves. There is no funding currently budgeted for any implementation projects and funding would be sought through future Long-term Plan funding decisions.

Context and new developments

Background

11. Tāmaki Makaurau / Auckland's waterfront has long been a focus for people and trade, both by indigenous communities and European settlers. Since the establishment of the earliest wharves in the mid-to-late 1800s the port has undergone significant expansion, transforming the waterfront and the city which has grown around it.
12. Redevelopment of the waterfront has been ongoing since the release of Viaduct Harbour in the 1990s. A key part of this transition has been the decades of work undertaken by both the public and private sectors partnering with mana whenua, in the Wynyard Quarter, Britomart Precinct, Commercial Bay and in the Viaduct. This has built on the rich character of the waterfront to create a liveable environment and world-class destination. This journey has yet to be completed and the City Centre Masterplan 2020¹ sets the strategic direction for ongoing redevelopment over time. A key focus has been on the future of the central wharves and water space (Queens, Captain Cook and Marsden wharves).
13. A productive Port of Auckland is critical to our regional and national economy. Balancing the need to support the port's functions with the aspirations of Aucklanders to access more of their waterfront for commercial, cultural, residential, and recreational purposes is an ongoing challenge.

Strategic context

14. The Waterfront Plan 2012² set out the council's vision for the city centre waterfront as a "World-class destination that excites the senses and celebrates our sea-loving Pacific culture and maritime history. It supports the commercially successful and innovative businesses and is an area rich in character and activities that link people to the city and the sea."

¹ <https://www.aucklandccmp.co.nz/>

² https://www.ekepanuku.co.nz/media/y2palch1/the_waterfront_plan_2012.pdf

15. As Auckland grows so does the demand for quality public places and spaces. Aucklanders also expect frequent and reliable public transport modes and connections. Auckland's appeal as a destination and competitiveness on a national and international stage means we need to find ways to build on and enhance our offering as a destination that is uniquely Tāmaki Makaurau. By providing for the above we have the ingredients for being a beautiful water edge city that Aucklanders and visitors can love.
16. When planning and designing for the growth of our city we also need to consider how we respond to the climate challenge and provide fit for purpose and resilient infrastructure that services.
17. Planning for the central wharves was refreshed in 2017 and considered by the Planning Committee (resolution [PLA/2017/126](#)). The recent refreshed thinking through the Port Precinct Framework Plan has provided an updated view on reducing the port footprint where possible while still ensuring efficient port operations.
18. The City Centre Masterplan 2020 sets the high-level vision of how a revitalised city centre can look and identifies the opportunity to reconnect the city with the Waitematā Harbour as being transformational for delivering the city we want Auckland to be. The City Centre Action Plan 2023³ sets out steps needed to achieve this reconnection, including the consolidation over time of the port activity and the release of land for integration into the waterfront and wider city fabric.
19. In March 2022, the Governing Body adopted six ownership objectives for the Port of Auckland:
 - Retain Council ownership of port land
 - Secure the Port of Auckland's development to secure growth
 - Deliver open, efficient and sustainable port services
 - Optimise waterfront land use
 - Enhance community control
 - Optimise financial returns to the shareholder
20. The “optimise waterfront land use” objective included: “release strategic waterfront land for alternate community purposes by optimising port land use and shrinking the port footprint.”

Long-term Plan Proposal

21. As part of the Long-term Plan consultation, we asked Aucklanders what they thought about our plan to make the most of our central waterfront area by transferring the port operations currently occurring on Captain Cook Wharf and Marsden Wharf (used for storing imported vehicles and mooring of work vessels) over to Bledisloe Terminal.
22. Captain Cook and Marsden wharves could then be freed-up for other purposes such as new public amenities, commercial development and destination functions (including cruise operations) - enabling Aucklanders to make the most of the Waitematā Harbour at the heart of the city centre.

³ <https://www.ekepanuku.co.nz/media/whnbntqs/the-city-centre-action-plan-dec-2023.pdf>

23. We also asked Aucklanders what they thought about transferring legal ownership of Bledisloe Terminal from the Port of Auckland Limited to Auckland Council. Bledisloe Terminal is a large wharf and multi-purpose terminal which handles roll-on roll-off vessels, bulk cargo like construction industry materials, bulk food and other freight.



Figure 1. Port of Auckland wharf area

24. The release of Bledisloe Terminal is not considered viable in the short-term but is an option we could look to implement within the next 15 years. It is envisaged that this option would be in addition to the earlier release of Captain Cook and Marsden wharves. Note that the central proposal does not include the scenario of releasing Bledisloe Terminal or the associated financial impacts of doing this.

25. These proposals would reduce the overall scale and footprint of port operations and could provide significant public benefit to Aucklanders and alternative revenue streams for Auckland Council. However, the release of Bledisloe Terminal would have significant negative impacts on the council's investment in the Port of Auckland, port profitability, and negative flow-on consequences for trade due to forcing cargo to arrive in Auckland via road rather than sea.

26. The central proposal is to free-up Captain Cook and Marsden wharves to improve public accessibility to the waterfront and maximise its benefits for Aucklanders. This is aligned with the strategic objectives and implementation actions outlined in the Waterfront Plan and City Centre Masterplan.

27. Also key to the central proposal is the opportunity to consider the central wharves, land and water space together as part of a masterplan process for the central wharves. A masterplan process will enable the council group and local boards, with mana whenua, key stakeholders and interest groups, and the general public to consider a range of issues together. It will be the tool which can enable informed decisions on uses and trade-offs based on thinking about the whole, rather than singular issues.

Strategic opportunities the Long-term Plan could enable.

28. Eke Panuku have led the development of a port precinct framework plan (as outlined in their Statement of Intent), with input from the council group, including the Port of Auckland. A copy of the Port Precinct Future Development Framework Plan (Framework

Plan) is attached to this document. It sets out a potential high-level vision for the future of the whole port precinct and lays out a joint council group approach around opportunities for the full site managed by the Port of Auckland, the major issues and challenges to think about, and the likely staging for development.

29. Release of the entire port precinct is not under consideration as part of this Long-term Plan. The parts of the Framework Plan that are most relevant to the decisions to be made as part of this Long-term Plan relate to the central wharves (including Captain Cook and Marsden) and Bledisloe Wharf. There is no funding provided in the Long-term Plan for any potential capital works. Funding would be sought through future Long-term Plan funding decisions.
30. Through the development of the Framework Plan, Eke Panuku (as lead agency working across the council group and the Port of Auckland) have identified options to significantly improve ferry and cruise services by removing cruise ships from the ferry basin and enabling new world-class cruise facilities on Bledisloe North Wharf.
31. Details of Stage One (Central Wharves) of the Framework Plan was the focus of the 30 April Budget Committee workshop discussion on port land release options. Stage One (Central Wharves) is based on the understanding that Captain Cook and Marsden Wharves could be released for public use within five years and a new berth at Bledisloe North Wharf is established to accommodate large cruise and RORO ships. A copy of the workshop presentation is appended as Attachment C.
32. Port of Auckland have also identified an additional option to enhance the waterfront through enabling public access to parts of Bledisloe Wharf that could be ‘shared’ by cruise and the public at different times within 10 years. This new strategic opportunity was not part of the Long-term Plan consultation, although it is consistent. It will be discussed further in the Options Analysis section of this document as Option Four.
33. If the Stage One (Central Wharves) component of the Framework Plan is endorsed by the council as part of the Long-term Plan decisions on port land release options, then next steps would be for Eke Panuku to progress the masterplan for stage one. The key stage and actions will be:
 - Masterplan preparation: developing a draft document for consultation and finalising through a governance process.
 - Regulatory process: using the masterplan outcomes to inform the resource consent process and to lodge consents with the council.
 - Preparing for the handover of assets: including understanding the assets and their operational requirements following their release from the Port of Auckland.
 - Planning for the first stage of projects: including scoping of capital projects, completing business cases and the procurement of services.
34. The cost to deliver this masterplan and supporting process outlined above is estimated to be \$6 million of operational expenditure over four years and would require approval for reallocation of Eke Panuku shared service savings⁴ in the final Long-term Plan. Note that

⁴ These funds are from delaying the recognition of savings from the corporate property consolidation which was set out in the Annual Plan 2023/2024. A one-off saving of \$1.5 million per year will need to be found in the meantime.

there is no funding currently budgeted for any implementation projects and funding would be sought through future Long-term Plan funding decisions.

Port of Auckland view on strategic and supply considerations.

35. Businesses require certainty to invest in infrastructure and jobs. The lack of clarity around Port of Auckland location, footprint and tenure over a number of years has noticeably held back willingness to invest in improved facilities at the port, its customers and other stakeholders. In a number of cases, this uncertainty has resulted in business going elsewhere, containers and cruise in particular.
36. There is a real opportunity via this Long-term Plan to create certainty of footprint and tenure that will give the Port of Auckland and customers the confidence to invest in Auckland region, whilst also starting a progressive evolution of ports footprint to meet the aspirations of the council and community stakeholders.

Key trades, competitive advantages and aspects to consider: Containers

37. The Port of Auckland is the largest import port for New Zealand, handling around 25 per cent of total container volume.
38. Proximity to market with 1.7 million population within easy reach. Importers can receive their container within approximately two days of a vessel arriving in Auckland. For example, this is five to seven days ahead of the Port of Tauranga.
39. Quickest, least carbon footprint, most reliable due to fewer supply chain links, shortest distance and lowest transport cost.
40. Road / rail / coastal shipping options – although road is almost always required for the “last mile”. The Port of Auckland is pushing trade to off-peak, using access charges pricing differential, to reduce CBD road congestion.

Bulk trades and Pacific Island bulk cargo/containers

41. Proximity to market for imported bulk products, which include building materials for the Auckland region. Cargo would otherwise need to arrive in region by road, at up to 1,000 trucks/day.
42. Quickest, least carbon footprint, most reliable, shortest distance and lowest transport cost.
43. Key links to Pacific Islands for local community – import and export products.

Roll-on Roll-off Trade (RORO)

44. Proximity to market with 1.7 million population – the Port of Auckland imports around 70 per cent of New Zealand’s light vehicles. Dwell time at port only two days.
45. Vehicle compliance and distribution industry predominantly based in South Auckland, with around 15,000 people employed there.

46. Quickest, least carbon footprint, most reliable, shortest distance and lowest transport cost. NZIER 2018 study identified that bringing light vehicles (only a proportion of the RORO trade) to Auckland by road from the Port of Tauranga or Northport would add 13-17,000 tonnes of additional carbon dioxide emissions annually, which is more than current Port of Auckland total scope 1 and 2 emissions of 11,300 tonnes (FY23).
47. RORO trade is forecast to continue growing, based on population and GDP growth. Ships are 200m to 265m long. In addition to light vehicles such as new and used cars, they also carry heavy vehicles and other machinery such as farm equipment, buses, railway rolling stock, mining trucks, boats, wind turbines etc.
48. Auckland needs two berths – currently Captain Cook and Bledisloe B3 (western side), plus yard space to unload and distribute. A RORO vessel can discharge up to 3,500 cars in one visit.

Cruise

49. Auckland could be a world-class cruise port.
50. Scale – international air connections, hotel and hospitality, bus / taxi / ride sharing capacity to deal with currently more than 300,000 passengers annually, and the potential to grow this significantly over the coming years through attracting more turn-around port business.
51. Gateway to New Zealand - we have seen previously that where Auckland cannot accommodate vessels, they may not come to New Zealand at all (such as the Queen Mary 2) which impacts other smaller regions of New Zealand.
52. Certainty of the Port of Auckland footprint and tenure around Bledisloe Terminal would allow creation of a world class cruise facility which can eventually go hand in hand with gradual opening up of public access to waterfront in off-season.
53. Note – new build vessels are at both ends of the size range – more smaller boutique ships (under 200m long) and more very large ships (over 300m long). Auckland doesn't have fit for purpose infrastructure for the >300m long ships. All other main ports (including regional ports) in New Zealand do.
54. Auckland needs 2 to 2.5 cruise ship berths, currently mostly Queens and Princes wharves, with occasional use of Ferguson North for very large cruise vessels, and Captain Cook or other wharves for small vessels.

Summary of Long-term Plan consultation feedback

55. Regarding the central proposal on the future use of Captain Cook Wharf and Marden Wharf, we asked Aucklanders:

Question 5a. What option do you prefer for Captain Cook and Marsden wharves?

- Proceed with the proposal to transfer Captain Cook and Marsden wharves from the port to Auckland Council so they can be used for something else that provides public benefit
- No change – leave Captain Cook and Marsden wharves to be managed as part of the port operations
- Other
- I don't know

56. Of the 14,666 individual responses:

- 53 per cent indicated 'Proceed'
- 31 per cent indicated 'No change'
- 3 per cent provided an 'Other' response
- 14 per cent indicated 'I don't know'

57. Four most common themes from individuals who provided comment:

Proceed	No change	Other / I don't know
<ul style="list-style-type: none">• Provides for better public benefit / use.• Generally support, without a clear reason.• Relocate the port.• Destination / tourism promotion.	<ul style="list-style-type: none">• Port of Auckland provides an essential service.• Will not provide public benefit / enough benefit.• Generally do not support, without a clear reason.• Concerned about cost of development.	<ul style="list-style-type: none">• Don't know / no opinion.• Depends on use – need to know more.• Needs to provide better public benefit.• Sell assets.

58. Of the 190 organisation responses:

- 45 per cent indicated 'Proceed'
- 22 per cent indicated 'No change'
- 7 per cent provided an 'Other' response
- 26 per cent indicated 'I don't know'

59. Regarding the central proposal on the future use of Bledisloe Terminal, we asked Aucklanders:

Question 5b. What option do you prefer for Bledisloe Terminal?

- Keep Bledisloe Terminal as a Port of Auckland operational area
- Transfer Bledisloe Terminal to council to be used for something else, that provides public benefit, within 15 years
- Other
- I don't know

60. Of the 14,519 individual responses:

- 45 per cent indicated 'Keep'
- 35 per cent indicated 'Transfer'
- 2 per cent provided an 'Other' response
- 18 per cent indicated 'I don't know'

61. Four most common themes from individuals who provided comment:

Keep	Transfer	Other / I don't know
<ul style="list-style-type: none">• Port of Auckland provides an essential service.• Will not provide public benefit.• Generally support, without a clear reason.• Concerned about public disruption from development.	<ul style="list-style-type: none">• Provides for better public benefit / use.• Relocate the port.• Generally support, without a clear reason.• Any alternative needs to generate income.	<ul style="list-style-type: none">• Don't know.• Depends on use / need more information.• Sell assets.• Port of Auckland provides an essential service.

62. Of the 186 organisation responses:

- 33 per cent indicated 'Keep'
- 33 per cent indicated 'Transfer'
- 6 per cent provided an 'Other' response
- 28 per cent indicated 'I don't know'

Submissions from mana whenua and mataawaka organisations

63. Decisions on the future uses of Captain Cook and Marsden wharves and Bledisloe Terminal will involve a significant decision in relation to land or a body of water, in particular the proposals to transfer these wharves to the council.

64. Given this, the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga will be a key relevant consideration that decision-makers will need to take into account at the final decision-making stage for those relevant proposals.

Future use of Captain Cook Wharf and Marsden Wharf

65. Five mana whenua addressed question 5a in their feedback. Two supported the option to proceed with the transfer of Captain Cook and Marsden wharves. Reasons for support included:

- potential for greater cultural, social and environmental enhancements for Māori
- opportunity to include mana whenua and Māori communities to ensure that the transferred sites reflect cultural values, priorities and community aspirations
- opportunity for new public spaces to enhance social connections and well-being
- potential for environmental preservation efforts, promotion of sustainable development, and alignment with Māori values of kaitiakitanga
- long-term thinking to produce economic benefits for the council and other stakeholders.

66. Three mana whenua responded "Other" to question 5a. Comments relating to this response include:

- consideration of co-governance or iwi ownership of the ports
- that ports should be a major discussion with Ngāti Whātua under Treaty redress.

67. Ngāti Whātua Ōrākei did not specifically respond to questions 5a and 5b, but provided information identifying that, as one of the key decision-makers, it must be involved in any future decisions that are to be made about the Port of Auckland and the land and seabed underlying its operations.

68. Four mataawaka organisations addressed question 5a in their feedback, all of which responded “Other”. Comments included the need to rename the wharves with te reo Māori names, and also to work actively with mana whenua and Māori in the management, restoration, and protection of water resources, and to deliver environmental management and community-led conservation initiatives.

Future use of Bledisloe Terminal

69. Four mana whenua addressed question 5b in their feedback. Two supported the option to proceed with the transfer of Bledisloe Terminal. Reasons for support included the opportunity to support community engagement and long-term sustainability to align with Māori values and aspirations.

70. Four mataawaka organisations addressed question 5b in their feedback. One supported the option to ‘Keep’ Bledisloe Terminal, citing that decisions about the port should be iwi-led. One supported the option to ‘Transfer’ stating that long-term thinking will produce benefits for the community. Two chose the ‘Other’ option and comments on this encouraged honouring Te Tiriti and exploring employment opportunities for rangatahi Māori and Māori with disabilities.

Submission from the Port of Auckland

71. As part of the consultation process, the Port of Auckland provided a submission to the council on the central proposal options for future use of Captain Cook Wharf, Marsden Wharf and Bledisloe Terminal (a copy is appended to this document as Attachment B).

72. In their submission the Port of Auckland highlight that:

- they operate on the smallest site possible
- over recent decades they have provided 125 hectares (around 60 per cent) of wharf and land space back to the council (including Viaduct Harbour, Wynyard, Princes and Queens wharves)
- port operations are carried out on 77 hectares which is only 40 per cent of the operational area of the Port of Tauranga and 75 per cent of the Lyttleton Port operational area
- they are New Zealand’s largest import port and play a strategic role in New Zealand and Auckland’s supply chains.

73. The Port of Auckland is supportive of the proposal to transfer Captain Cook and Marsden wharves to Auckland Council for public use. This support is provisional, based on the need for the Port of Auckland to obtain the relevant resource consents and build the Bledisloe North Wharf berth within the two-to-five-year timeframe. This will enable port operations to be transferred from Captain Cook and Marsden wharves over to Bledisloe Terminal.

74. The Port of Auckland strongly disagrees with the proposal to transfer Bledisloe Terminal to Auckland Council for public use within 15 years. This opposition is based on:

- reduced profitability for the Port of Auckland and negative impact on the council’s balance sheet

- cargo destined for Auckland would be forced to arrive by road rather than sea, resulting in more: carbon emissions, road injuries and deaths, traffic congestion, cost for cargo, time in supply chain due to extra distance, and more risk of product outage for industry or consumers
- reduced ability to bring key trades supporting the Auckland region in through the port.

75. The Port of Auckland has noted that it would likely be forced to oppose this proposal, as the Port Companies Act 1988 requires the port to act commercially.

76. Bledisloe North – proposed new wharf:

- construction of the Bledisloe North Wharf berth would allow the release of Captain Cook and Marsden wharves without reducing the Port of Auckland's profitability or significantly impacting operations
- construction of the Bledisloe North Wharf berth would complete the Bledisloe Terminal footprint.

77. Note that the proposed new wharf requires construction (reinforced concrete deck on piles) into the harbour that will utilise the existing sea wall extent, but no additional reclamation of the seabed is necessary.

Summary of local board input

78. Local boards are providing input on the Long-term Plan at their business meetings from 30 April to 2 May. A summary report will be provided to the Budget Committee for the Extraordinary Budget Committee Meeting on 16 May 2024.

Options analysis for release of Port land

Option one: Status quo – no change.

79. With this option there will be no changes to the ownership or the use of Captain Cook and Marsden wharves and Bledisloe Terminal.
80. **Strategic assessment:** This option does not align with the council's strategic vision and objectives for the city centre waterfront (articulated in the Waterfront Plan 2012 and the City Centre Masterplan 2020) as it does not provide any additional public benefit or alternative revenue streams for the council.
81. **Financial implications:** There would be no costs involved for the council and no change to the Port of Auckland's capital expenditure, debt levels or profitability. The roll-on roll-off trade would not be impacted.
82. **Implementation:** As the status quo option, no implementation is required. However, cruise operations would remain sub-optimal and current conflicts with ferry operations would remain unresolved. The issues include:
 - insufficient infrastructure in Auckland for cruise ships larger than 300m
 - clashes between cruise and ferry operations in the Princes/Queens basin
 - tight operational wind limits at Princes Wharf for the larger ships carries risk of last-minute cancellations
 - cruise terminals are sub-optimal particularly Princes Wharf.
83. **Māori impact:** Status quo would be a loss of opportunity to further involve Māori in any future decision-making alongside the council about alternative uses for port land.
84. **Climate impact:** There would be no changes to current carbon emissions with this option, as it does not require any construction works nor cause any displacement of port operations. There may be less opportunity to support blue-green initiatives that could enhance the marine and natural ecosystems as Captain Cook and Marsden wharves would not be available for alternative uses.

Option two: Release Captain Cook and Marsden wharves within 2-5 years (and make changes to Bledisloe North Wharf to enable this option).

85. This option would release Captain Cook and Marsden wharves for alternative uses in the near future. Current port operations would transfer to Bledisloe Terminal within two to five years.
86. The Port of Auckland's current position is that the council would purchase the port land, as the Port Companies Act 1988 requires the port to act commercially. The purchase price is currently estimated between \$70 - \$100 million depending on the valuation methodology. Further work on accountancy and tax treatments would be undertaken prior to agreeing the land transfer mechanism. The final decision on the mechanism for transferring port land can be made at a future date.

87. Auckland Council purchasing port land from the Port of Auckland would not have any material financial implications for the consolidated council group. For financial forecasting purposes, the council would assume that it would purchase the land for \$85 million (the mid-point of the range stated above) in 2026/2027. Any associated debt changes would offset within the group, leaving the overall debt for council group unchanged.

88. To transfer port operations from Captain Cook and Marsden wharves, the Port of Auckland will need to complete the Bledisloe North Wharf berth and construct an additional vehicle handing building on Bledisloe Terminal. Port of Auckland would fund this, with the current estimate for this construction work being \$110 million. This work is contingent on successfully obtaining resource consent. An additional \$20 million would be required for a cruise terminal in ground floor of existing Bledisloe vehicle handling building, also to be funded by Port of Auckland.

89. Option two would be subject to:

- any necessary legal and financial due diligence, and
- Port of Auckland obtaining the required resource consents to build the new Bledisloe North Wharf, and
- Auckland Council and the Port of Auckland agreeing a mechanism for land transfer.

90. If the required resource consents cannot be obtained, then the Port of Auckland would require continued ownership and use of Captain Cook and Marsden wharves in order to maintain current levels of RORO trade and profitability. Note that the Port of Auckland has applied to the Ministry for the Environment to have the proposed Bledisloe North Wharf construction project considered as part of the fast-track approvals process.

91. **Strategic assessment:** This option has the potential to provide significant public benefit, improve accessibility to the city centre waterfront and partially resolve existing conflicts with ferry and cruise operations (as about half of the existing cruise vessel visits to Princes Wharf could be moved to Bledisloe North Wharf berth once constructed). It also gives effect to the ownership objectives for the Port of Auckland, particularly 'optimise waterfront land use' objective.

92. **Financial implications – assuming no port lease occurs:** There would be no impact on profitability of port operations in the short-term and the Port of Auckland can fund capital expenditure within existing debt facilities. This option also supports Port of Auckland's path of increasing profitability as they would charge infrastructure levies (as part of its cruise and roll-on roll-off trade) to obtain a fair return on the Bledisloe Terminal capital improvements. The Port of Auckland's current position is that council would purchase the wharves to meet its commercial imperative under the Port Companies Act 1988.

93. The \$110 million of construction work at the Bledisloe Terminal to free-up Captain Cook and Marsden wharves for alternative use would be required within the first five years of this Long-term Plan. This cost includes the construction of a new Bledisloe North Wharf and a second vehicle handling building. This expenditure would be funded by Port of Auckland but increase debt for the council group. It would not have a material impact on the operating performance of the port as the revenue generating activities would be relocated rather than stopped. The debt impact, including the impact on the group debt-to revenue ratio, is included in the central proposal financials throughout the consultation document.

94. **Financial implications – if port lease occurs:** As port operations under this option are not materially impacted, there would be no impact on the value of the port's commercial value under a lease. The port operator would be responsible to fund the Bledisloe North wharf and vehicle handling investment and bear all risk in delivery of the construction project (including cost over-runs and delays). Flagstaff estimate the value of a port lease may reduce by approximately \$0.1 billion.

95. **Implementation:** The release of Captain Cook and Marsden wharves would free-up 3.16 hectares of waterfront land for different uses (see Figure 2 below, area shown in yellow).

Figure 2. Captain Cook Wharf and Marsden Wharf area



96. The Port of Auckland would fund and construct:

- new Bledisloe North Wharf
 - reinforced concrete deck on piles
 - no additional reclamation of the seabed required
 - estimated cost of \$70 million
 - constructed within two years of obtaining resource consent
- second vehicle handling building
 - may be needed in medium term
 - estimated cost of \$40 million
- cruise terminal in ground floor of existing Bledisloe vehicle handling building
 - traffic access off Tinley Street and foot access off Quay Street
 - working estimated cost of \$20 million

97. The new Bledisloe North Wharf would:

- operate as a mixed-use berth for roll-on roll-off trade and large cruise ships
- accommodate cruise ships longer than 300 metres

- take 50 per cent of the cruise ships off Princes Wharf
 - reducing conflicts between cruise and ferry operations
 - reducing operational wind limits therefore less risk of cancellation
- take traffic away from Princes Wharf
- accommodate roll-on roll-off ships displaced from Captain Cook Wharf.

Figure 3. Port of Auckland operational footprint without Captain Cook and Marsden wharves (image provided by the Port of Auckland).

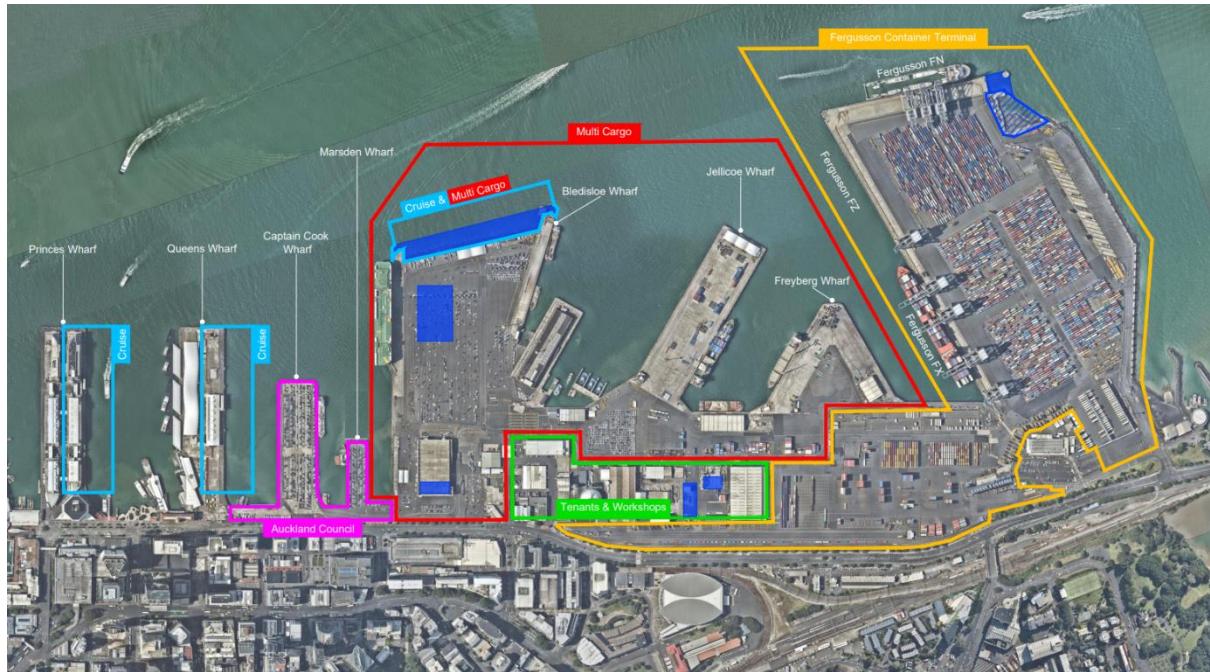
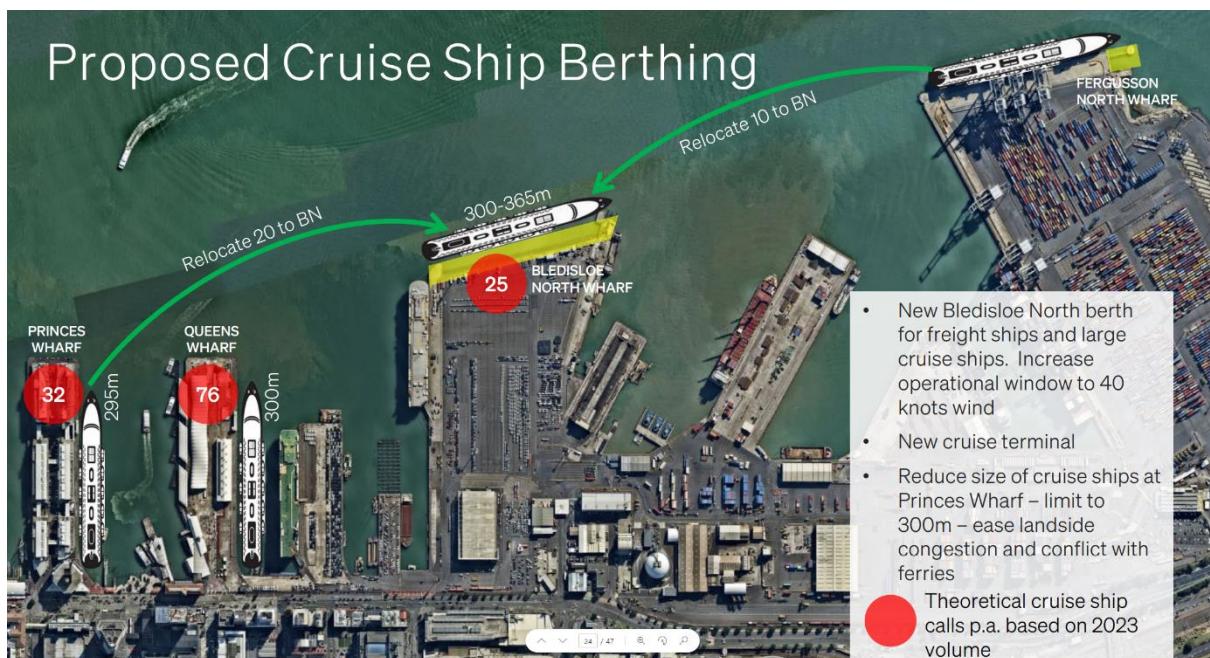


Figure 4. Bledisloe North Wharf construction enables a staged exit of cruise operations from the ferry basin (image provided by the Port of Auckland).



98. The timing of transfer of Captain Cook and Marsden wharves to the council is dependent on how long it takes for the Port of Auckland to obtain a resource consent for the Bledisloe North Wharf construction works.

99. To progress this option, the final Long-term Plan would need to provide for the transfer of legal ownership of Captain Cook and Marsden wharves from the Port of Auckland Limited to Auckland Council. Next steps would include agreeing a memorandum of understanding so the Port of Auckland can begin necessary work to move port operations from Captain Cook and Marsden wharves.

100. **Māori impact:** If Captain Cook and Marsden wharves are transferred into council ownership, this would enable greater opportunity for Māori to be involved in any future decision-making alongside the council about alternative uses for port land.

101. **Climate impact:** This option supports decarbonisation through providing more space for electric ferries, which require 4,000 to 5,000 square metres of land area, plus berths. It also keeps roll-on roll-off trade at Bledisloe Terminal, which avoids the additional carbon emissions associated with bringing vehicle trade or bulk cargo to Auckland by road.

Option three: Release Bledisloe Terminal within 15 years (in addition to releasing Captain Cook and Marsden wharves).

102. This option would release Bledisloe Terminal for alternative uses within 15 years. It is envisioned that this would be in addition to the earlier release of Captain Cook and Marsden wharves. This would free-up an additional 12.73 hectares (see Figure 5 below, area in green). The current estimate for the council to purchase Bledisloe Terminal from the Port of Auckland is upwards of \$200 million.

Figure 5. Image of the Bledisloe Terminal area.



103. **Strategic assessment:** Releasing Bledisloe Terminal aligns with the council's strategic vision and objectives for the city centre waterfront. This option provides an opportunity to significantly improve public access to the waterfront area and to maximise benefits for

Aucklanders. It also significantly reduces the footprint of port operations on the Waitematā Harbour.

104. Releasing Bledisloe Terminal within 15 years does not align with several of the council's ownership objectives for the Port of Auckland as it would force trade to be displaced to other ports and then arrive via road to the Auckland region.
105. **Financial implications – assuming no port lease occurs:** There would likely be an impact on the value of port operations due to the operational response and required investment to separate the port. Profitability would likely be negatively impacted by an estimated \$25 million earnings before interest, taxes, depreciation, and amortisation per annum as trades would be displaced. This will reduce the Port of Auckland's ability to pay dividends and may require the council to recognise a non-cash write down in its investment in the Port of Auckland offset by the value of the released land to council
106. The Port Companies Act 1988 requires that the principal objective of every port company shall be to operate a successful business. Due to the negative impact of this option on the Port of Auckland's profitability, the Port of Auckland Board would likely oppose the release of Bledisloe Terminal.
107. This option also reduces the Port of Auckland's ability to fund ongoing capital reinvestment that would be required for other trades, such as containers. To offset this an option might be to ratchet container prices higher and faster. This may then mitigate the reduction in profit or council's investment in the Port of Auckland.
108. Port of Auckland estimate that the council would need to pay upwards of \$200 million in land value, noting however this payment is neutral to the council group. In addition, the Port of Auckland would need to invest \$70 million to separate port operations, relocate Customs and construct new boundary fences as well as invest \$80 million to construct vehicle handling facilities to replace lost capacity. This would be funded by the Port of Auckland as reinvestment from the sale of Bledisloe Terminal to the council and would increase Council group debt.
109. Key trades, like bulk cargo, would then be forced to arrive in Auckland by road, leading to increased: cost for consumers, road congestion, time, carbon footprint, potential for road injuries/deaths, and lower resilience due to additional stages in the supply chain.
110. **Financial implications – if port lease does occur:** The release of Bledisloe Terminal would likely require an operational response from the port operator involving the displacement of bulk cargo trades and investment to separate port operations. The port operator would fund the investment required to separate port operations and bear all delivery risk. However, depending on the timetable for release of Bledisloe Terminal, the impact on port commercial cashflows and timing of the required investment may not occur for many years. Flagstaff estimate the value of a port lease may reduce by approximately \$0.1 billion if Bledisloe Terminal is released within 15 years.
111. **Implementation:** Releasing Bledisloe Terminal will shrink the Port of Auckland's business from 11 berths down to eight berths (a 30 per cent reduction) and shrinks the land area from 77 hectares down to 62 hectares (a 20 per cent reduction). It would also create sensitivity issues for the released land as it is located directly alongside the remaining port facilities which operate 24 hours seven days a week. Sensitivity effects include noise,

lighting, air quality, and traffic congestion (Tinley Street). This option would be subject to any necessary legal due diligence.

112. **Climate impacts:** Forcing key trades to arrive in Auckland by road from other ports, such as the Port of Tauranga or Northport, could add 13,000 – 17,000 tonnes of additional carbon dioxide emissions annually just for light cars (let alone machinery and bulk trades). This is more than the Port of Auckland's current carbon dioxide emissions which totalled 11,300 tonnes in FY23.

New - Option four: (Enhanced Option two) Release Captain Cook and Marsden wharves (within 2-5 years) with some public access to Bledisloe Terminal (and make changes to Bledisloe North Wharf to enable this option).

113. Port of Auckland have identified a fourth option to enhance the waterfront. This option would involve the release of Captain Cook and Marsden wharves (as per Option two) as well as further enhancement of the waterfront through incremental public access to parts of Bledisloe Wharf that could be 'shared' by cruise and the public at different times. Initial thinking is that this could be achieved in two stages.
114. Stage one would effectively be the delivery of Option two (as previously outlined). The release of Captain Cook and Marsden wharves and the construction of Bledisloe North Wharf would enable the transfer of approximately 50 per cent of cruise vessels from Princes Wharf to Bledisloe North Wharf. The first stage of public access would be limited to the Quay Street end of Bledisloe Terminal.
115. Stage two has not yet been scoped but could involve the expansion of public access into other parts of Bledisloe Terminal in 10 years. Public access would need to be achieved in a way that does not compromise public safety or the profitability of port operations. The Port of Auckland are committed to exploring this fourth option with the council and Eke Panuku.
116. **Strategic assessment:** As an enhancement of Option two, this option would provide an opportunity to further increase public accessibility to the city centre waterfront.
117. **Financial implications:** Similarly to Option two, there would be no impact on profitability of port operations in the short-term. The cost of changing Bledisloe Terminal (Bledisloe North Wharf, vehicle handling facilities and cruise terminal as per stage one of this option) would be the same as for Option two. For stage two, further work is needed to determine the feasibility and cost of safely increasing public access to Bledisloe Terminal without impacting port profitability.
118. **Māori impact:** Similarly to Option two, this would enable greater opportunity for Māori to be involved in any future decision-making alongside the council about alternative uses for port land on not only Captain Cook and Marsden wharves, but also on parts of Bledisloe Terminal.
119. **Climate impact:** As per Option two, this option supports decarbonisation through providing more space for electric ferries, which require 4,000 to 5,000 square metres of land area, plus berths.

Next steps

120. The next steps for the Budget Committee include:

- Long-term Plan decision on what wharves are to be released.
- Council decides whether to endorse the Framework Plan and enable master planning of the central wharves to progress with the Port of Auckland and Eke Panuku.
- Masterplan will be subject to public consultation before the council will fund work and trigger release of wharves to the council.
- Port of Auckland will progress capital work on Bledisloe North Wharf.

Appendices

No.	Title
A	Port Precinct Future Development Framework Plan
B	Port of Auckland Limited Submission on the LTP 2024-2034 consultation
C	Eke Panuku Presentation on Port Precinct Central Wharves Strategy – 30 April Budget Committee Workshop

Options table one: Summary against key issues/objectives

Option	Public access	Cruise provision	Efficient port operations	Reduced port footprint	Climate impacts
Option one: Status quo - no change.	No improvement.	No change, still have conflicts with cruise and ferry operations	No improvement.	No improvement.	No change.
Option two: Release Captain Cook and Marsden wharves within 2-5 years (and make changes to Bledisloe North Wharf to enable this option)	Additional 3.6ha for public use. Costs to the council to make Captain Cook and Marsden wharves available for public access. Needs to work with cruise provision.	Requires extension to Bledisloe North Wharf. Bledisloe North Wharf to take some cruise vessel berths from Princes and Queens wharves. Deals with most ferry and cruise conflicts. POAL to fund cruise facilities in existing vehicle handling building. Requires further funding to develop cruise facilities on Captain Cook Wharf (see Framework Plan for detail).	Some port operations move to Bledisloe North Wharf. Requires completion of Bledisloe Terminal at the northern end (i.e. Bledisloe North Wharf).	Total reduction will be less than the 3.6ha from Captain Cook and Marsden wharves, due to the extra space supplied by Bledisloe North Wharf.	Supports decarbonisation through providing more space for accommodating more electric ferries. Avoids additional carbon emissions that would be a consequence of displacing trade to other regions and bringing to Auckland via road.
Option three: Release Bledisloe Terminal within 15 years (in addition to releasing Captain Cook and Marsden wharves).	Additional 16.33ha (3.6+12.73) for public use. Costs to the council to make Bledisloe available for public access.	Bledisloe North Wharf used mainly for cruise operations.	Some port trades displaced. Significant impact on port operations and profitability.	Total reduction of 16.33ha.	Significant impact. Increased carbon emissions due to key trades arriving to Auckland via road.
New - Option four: (Enhanced Option)	As per Option two, but with potential for	As per Option two.	As per Option two, but with the	As per Option two, but with the potential of	Supports decarbonisation

Option	Public access	Cruise provision	Efficient port operations	Reduced port footprint	Climate impacts
two) Release Captain Cook and Marsden wharves (within 2-5 years) with some public access to Bledisloe Terminal (and make changes to Bledisloe North Wharf to enable this option).	<p>more public access pending feasibility of releasing parts of Bledisloe Terminal without compromising public safety and port profitability.</p> <ul style="list-style-type: none"> • Stage one - same as Option two. • Stage two - expanded access to Bledisloe (subject to feasibility). 		opportunity for further efficiencies of port operations on Bledisloe Terminal.	further incremental footprint reductions on Bledisloe Terminal.	<p>through providing more space for electric ferries. Avoids additional carbon emissions that would be a consequence of displacing trade to other regions and bringing to Auckland via road.</p>

Options table two: Summary of options analysis

Option	Detail	Strategic assessment	Financial implications	Implementation considerations
Option one: Status quo – no change.	No changes to the ownership or the use of Captain Cook and Marsden wharves and Bledisloe Terminal.	Does not align with the council's strategic vision and objectives for the city centre waterfront. Lost opportunity to derive public benefit for Aucklanders. Lost opportunity to resolve current conflicts between cruise and ferry operations.	No costs for the council and no impact on the value of port operations. Lost opportunity to derive alternative revenue streams for the council through unlocking commercial opportunities (e.g. to support cruise activity and the Britomart precinct).	Risk that wharves could be tied to port operations for an extended period of time, especially if capital investment is made for port operations on these wharves. Risk that future growth in ferry and cruise operations may be restricted.
Option two: Release Captain Cook and Marsden wharves within 2-5 years (and make changes to Bledisloe North Wharf to enable this option)	Release Captain Cook and Marsden wharves for alternative uses in the near future. Transfer current port operations from Captain Cook and Marsden wharves to Bledisloe Terminal within two to five years. Transfer legal ownership of Captain Cook and Marsden wharves from the Port of Auckland Limited to Auckland Council.	Aligns with the council's strategic vision and progresses key objectives for the city centre waterfront. Opportunity to provide significant public benefit and improve public accessibility to the waterfront. Opportunity to partially resolve current conflicts between cruise and ferry operations.	Would not have material impact on the value of port operations as revenue generating activity would be relocated rather than stopped. If port lease occurs, there would be a minor reduction in the lease prepayment made to the council. Potential to compete (for funding) with other projects on the city centre waterfront (such as Te Ara Tukutuku/Wynyard Point) and take away momentum that has been gathered. Would require future capital investment by Auckland	Would not have significant impact on port operations. Would require construction work at the Bledisloe Terminal to enable port operations to be transferred there from Captain Cook and Marsden wharves. This work is contingent upon successfully obtaining resource consent for extending the Bledisloe North Wharf berth and constructing an additional vehicle handling building on Bledisloe Terminal. Bledisloe North Wharf would require construction into the harbour, but as this will

Option	Detail	Strategic assessment	Financial implications	Implementation considerations
Option three: Release Bledisloe Terminal within 15 years (in addition to releasing Captain Cook and Marsden wharves).	Release Bledisloe Terminal for alternative uses within 15 years, in addition to the earlier release of Captain Cook and Marsden wharves.	Aligns with the council's strategic vision and significantly progresses key objectives for the city centre waterfront.	Council to enable public use on these wharves.	utilise the existing sea wall extent there is no additional reclamation of the seabed.

Option	Detail	Strategic assessment	Financial implications	Implementation considerations
	would not be built on Bledisloe Terminal.	financial return to shareholder. Port of Auckland would likely be forced to oppose this option as per the Port Companies Act 1988, due to it not being in commercial best interests of the port.		
New - Option four: (Enhanced Option two) Release Captain Cook and Marsden wharves (within 2-5 years) with some public access to Bledisloe Terminal (and make changes to Bledisloe North Wharf to enable this option). <ul style="list-style-type: none"> Stage one - same as Option two. Stage two - expanded access to Bledisloe (subject to feasibility). 	Release Captain Cook and Marsden wharves for alternative uses in two to five years. Transfer current port operations from Captain Cook and Marsden wharves to Bledisloe Terminal within two to five years. Transfer legal ownership of Captain Cook and Marsden wharves from the Port of Auckland Limited to Auckland Council. In a second stage, expansion of public access into other parts of Bledisloe Terminal in 10 years. Provisional on public access not compromising public	Aligns with the council's strategic vision and progresses key objectives for the city centre waterfront. Opportunity to provide significant public benefit and improve public accessibility to the waterfront. Opportunity to partially resolve current conflicts between cruise and ferry operations. Includes supporting decarbonisation through providing more space for electric ferries, which require 4,000 to 5,000 square metres of land area, plus berths.	Like Option two, no material impact on the value of port operations as revenue generating activity would be relocated rather than stopped. If port lease occurs, there would be a minor reduction in the lease prepayment made to the council. Potential to compete (for funding) with other projects on the city centre waterfront (such as Te Ara Tukutuku/Wynyard Point) and take away momentum that has been gathered. Would require future capital investment by Auckland Council to enable public use on these wharves. Would require capital investment by the Port of	Like Option two, stage one would not have significant impact on port operations but would require construction work at the Bledisloe Terminal to enable port operations to be transferred there. Further work is required to determine the feasibility of stage two.

Option	Detail	Strategic assessment	Financial implications	Implementation considerations
	safety or the profitability of port operations.		Auckland at Bledisloe Terminal of around \$110 -130 million. This expenditure would increase debt for the council group and impact the group debt-to revenue ratio.	

Appendix A



Framework Plan

April 2024 | Revision C

EXECUTIVE Summary

The **Port Precinct Framework Plan** provides:

- + A **high-level proposition** around **long-term** possibilities for the **full site** - 85 hectares of land, wharf and waterspace from Hobson Wharf Extension in the west to Fergusson Wharf in the east.
- + **Indicative thinking** about where a **mix of uses** may best fit over the **long term**, from predominantly residential, to commercial and destination functions.
- + **More detail** around the potential opportunity for the **first stage** of development which is the **Central Wharves** – Queens, Captain Cook and Marsden wharves, the Hobson Wharf Extension and the Admiralty Steps Boulevard.

The proposal for Stage 1 is based on the expectation that Captain Cook and Marsden Wharves may be released for public use within 5 years.

The scope includes other central wharves released from port use over previous years, to enable development options for all to be considered together.



The potential redevelopment of the port precinct represents a huge opportunity to further *enhance Tāmaki Makaurau*, to seamlessly connect the city centre to its waterfront and to create a new *destination*.

One that attracts Aucklanders and visitors, further *opens the waterfront to the public*, and supports a growing central city population.

The Framework Plan is a short document setting out a potential high-level vision for the future of the whole site, with greater detail around the probable first stage of development.

It provides an indicative direction for the site, to guide subsequent planning and engagement.

This Framework Plan lays out a joint council group approach including:

- + a proposition around opportunities for the full site managed by Port of Auckland Ltd (POAL)
- + the major issues and challenges to think about including responding to climate change, increasing public access and complimenting the wider city centre experience, the future of cruise and supporting infrastructure
- + likely staging including the opportunities for a first stage, and the future of the central wharves including Queens Wharf.

The Framework Plan is one tool to help Auckland Council consider what might be possible if port activities were relocated or operating on a reduced footprint.

As Auckland Council's urban regeneration agency, **Eke Panuku** has led this work, drawing from experience across several locations in the Auckland waterfront such as Wynyard Quarter, Viaduct Harbour and the Central Wharves.

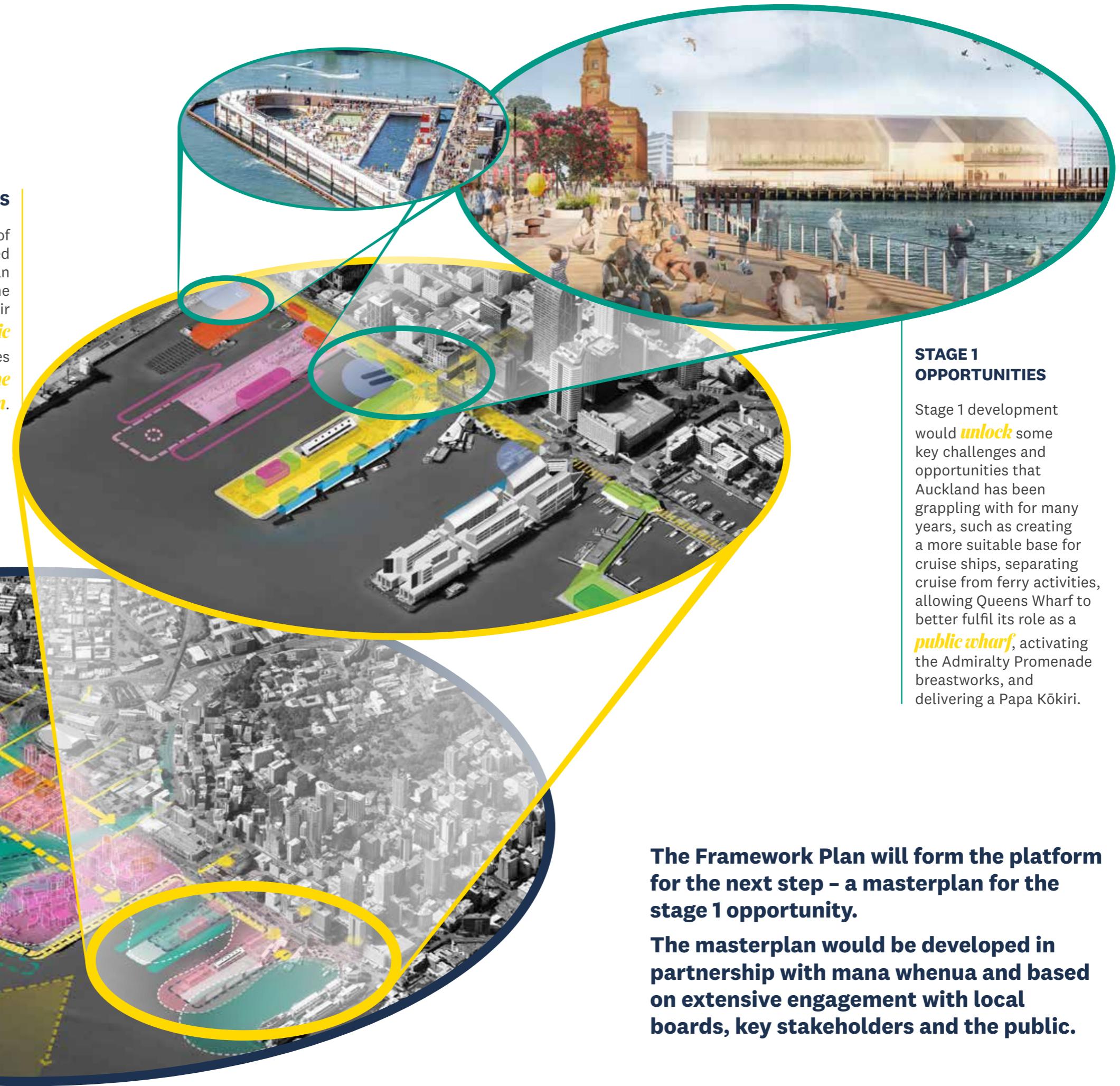
FRAMEWORK PLAN

As discussed throughout the document and shown on **page 34**, the Framework Plan describes an opportunity to create a stunning location for people to enjoy and love.

A **regenerative** development that improves the mauri of **Te Waitematā**, strengthens our identity, and makes Aucklanders proud.

CENTRAL WHARVES

The likely first stage of development, outlined on **page 40**, provides an opportunity to open up the central wharves and their water space to **public access**, including places for people to **touch the water** and **swim**.



STAGE 1 OPPORTUNITIES

Stage 1 development would **unlock** some key challenges and opportunities that Auckland has been grappling with for many years, such as creating a more suitable base for cruise ships, separating cruise from ferry activities, allowing Queens Wharf to better fulfil its role as a **public wharf**, activating the Admiralty Promenade breastworks, and delivering a Papa Kōkiri.

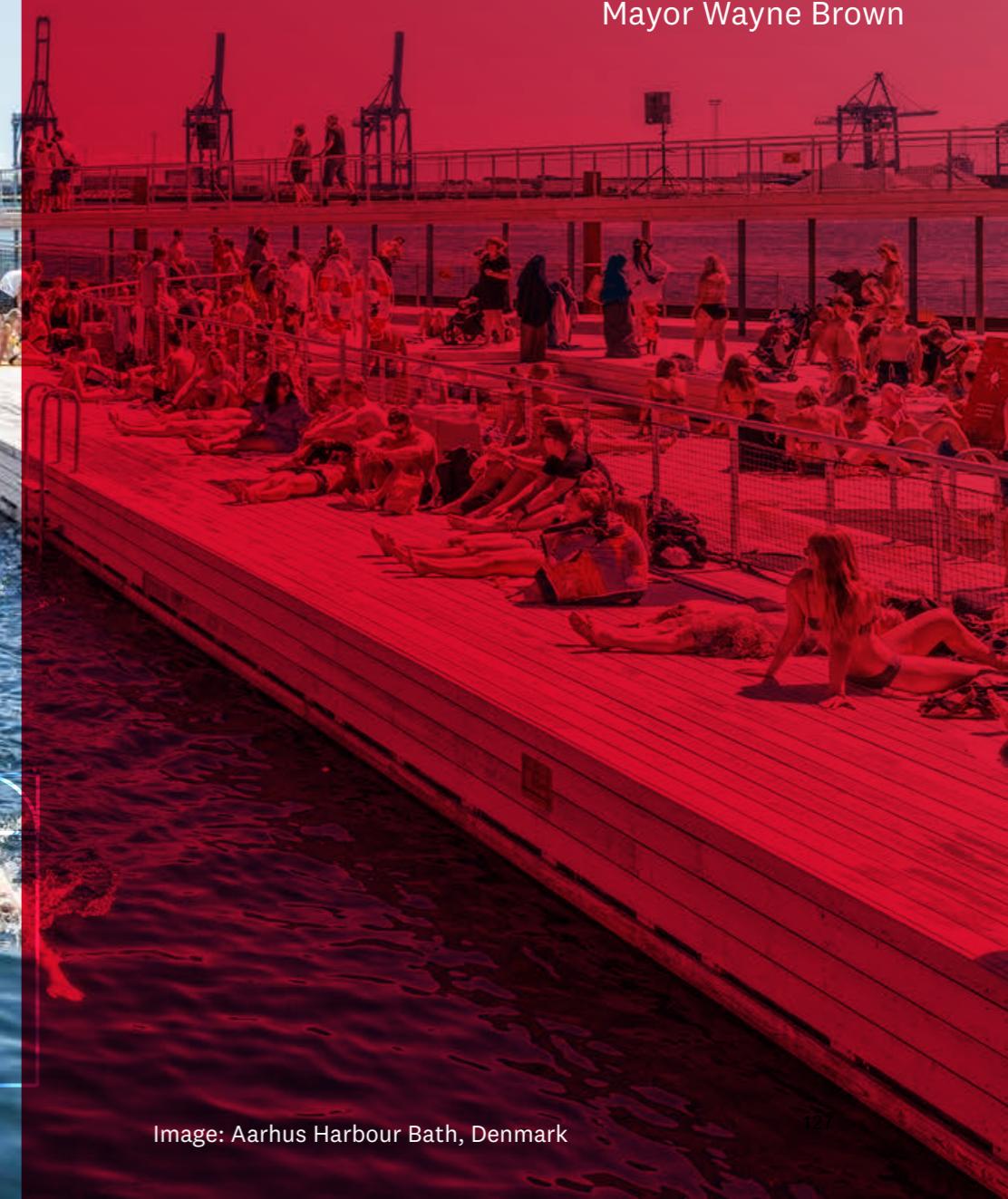
The Framework Plan will form the platform for the next step – a masterplan for the stage 1 opportunity.

The masterplan would be developed in partnership with mana whenua and based on extensive engagement with local boards, key stakeholders and the public.



“I want us to deliver to **Auckland** by 2039 the **most beautiful** and **loved** publicly owned waterfront of any **harbour city** in the **world**, and ***this is a first step.***”

Mayor Wayne Brown





Contents

Our Approach

SCOPE.....	9
EKE PANUKU ROLE	9
WATERFRONT VISION	10
WATERFRONT GOALS	10
PRINCIPLES AND OBJECTIVES	11

Our Place

THINKING INTERGENERATIONALLY	12
THE CITY OPPORTUNITY	14
REGENERATION UNDERWAY	16
GEOGRAPHICAL SCOPE	18

Considerations

SPATIAL CONSIDERATIONS	21
PROVIDING THE MIX	21
A CHALLENGING SITE	22
A REGENERATIVE RESPONSE TO CLIMATE CHANGE AND TE TAIAO.	24
CREATING A NEW CULTURAL DESTINATION.....	26
ACCESS REQUIREMENTS	27
BULK INFRASTRUCTURE	28
CONTAMINATION AND GEOTECHNICAL ISSUES....	29
WHARF CONDITION AND LEASE TENURE	29
COMPETITION FOR WATER SPACE.....	29
UNLOCKING CRUISE.....	30
DESIGN KEY MOVES	32
FRAMEWORK PLAN.....	34
STAGING.....	36
STAGE 1 OPPORTUNITIES.....	37
AN IDENTITY FOR EACH WHARF	38
CENTRAL WHARVES OPPORTUNITIES	38

Next Steps

PROCESS SUMMARY	45
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REVISION	DATE	DESCRIPTION
C	2024-04-22	GOVERNING BODY
B	2023-12-01	MAYORS OFFICE
A	2023-11-22	EKE PANUKU BOARD

THINKING INTERGENERATIONALLY:

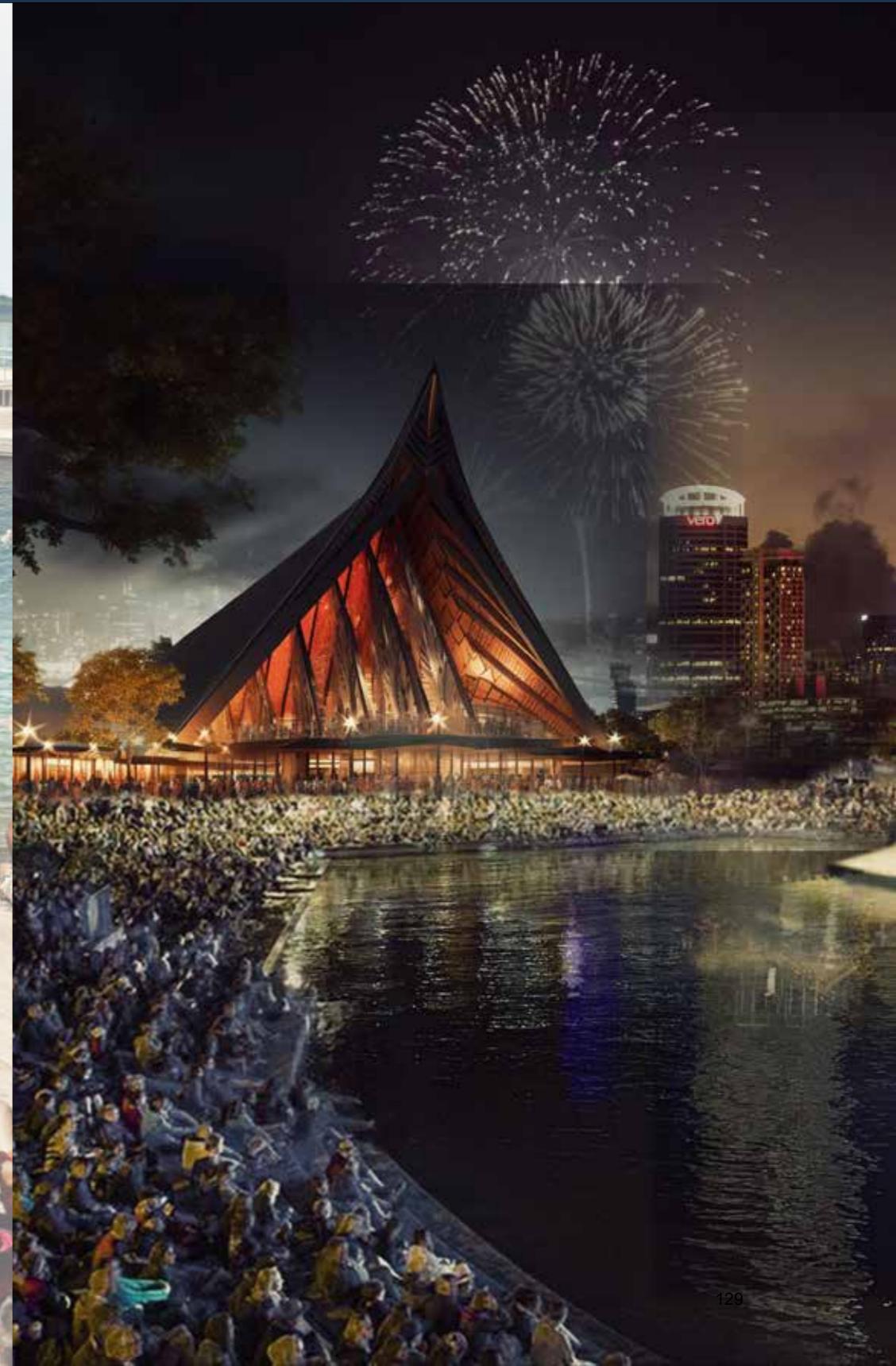
Imagine...

...a place for **people** and **nature**

A stunning location for people from all walks of life to enjoy and love

A place that creates space for water - within its open spaces, parks and wetlands on the harbour's edge

A maritime development with a focus on improving water quality and the mauri of Te Waitematā

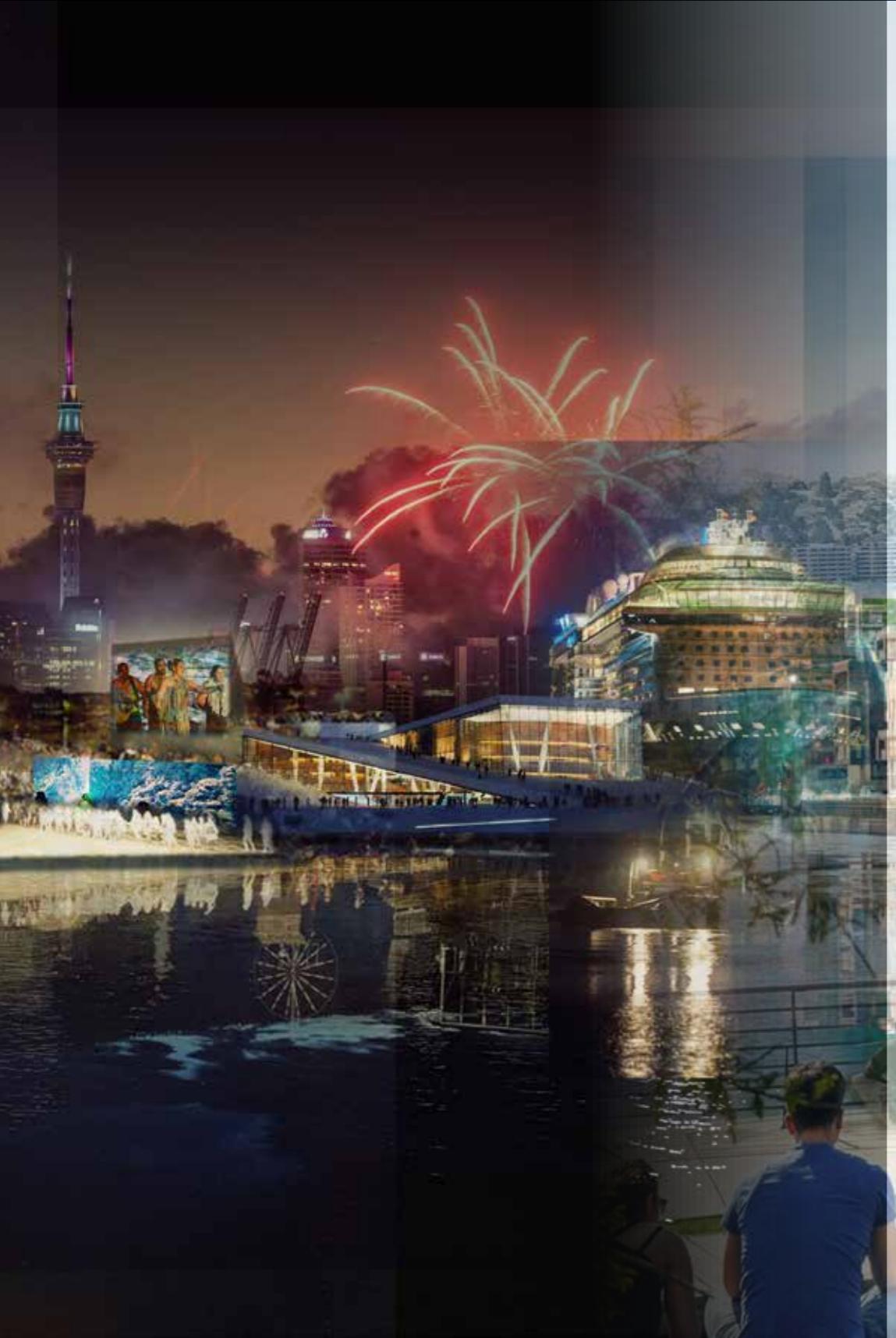


...a **destination** precinct like no other

A range of cultural, environmental and entertainment experiences

A place that strengthens our identity, makes Aucklanders proud, and visitors wowed

A destination that provides for high profile event and entertainment spaces and incorporates a world class cruise facility



...a new **community** on the city centre **waterfront**

A well-connected inner-city community with all the facilities to support a range of ages and stages

A place with high quality residential and commercial development, that's vibrant during the day and night

A development built to an appropriate scale, connecting seamlessly to the city and Parnell



Our Approach



SCOPE

WHAT IS A FRAMEWORK PLAN?

The potential redevelopment of the port precinct represents a huge opportunity to further enhance Tāmaki Makaurau and its waterfront.

We are in the early stages of a journey to imagine a future for this prominent site. This Framework Plan lays out a joint council group approach including:

- + a proposition around opportunities for the full site managed by Port of Auckland Ltd (POAL)
- + the major issues and challenges to think about including responding to climate change, increasing public access and complimenting the wider city centre experience, the future of cruise and supporting infrastructure
- + likely staging including the opportunities for a first stage.

The Framework Plan is one tool to help Auckland Council consider what might be possible if port activities were relocated or operating on a reduced footprint.

Out of scope of this work:

- + Assessment of any future locations for the port, feasibility of port relocation, or the port operating model.
- + Assessment of the feasibility of reducing the port's operational footprint through withdrawal of their activities.

Both of these are being investigated separately.

A Framework Plan is a short document setting out the vision, key outcomes, principles, mix of uses and development staging to guide subsequent planning and engagement. It includes a high-level schematic showing a potential framework or skeleton of the key elements:

- + the location of precincts and uses
- + key axes or spines
- + taking the form of high-level, indicative diagrams rather than detailed line-work.

The Framework Plan does not show a detailed roading plan, or development parcels, or individual buildings and associated heights or functions.

The Framework Plan lays out a potential high-level vision for the future of the whole site, with greater detail around the probable first stage of development. It provides an indicative direction for the site, rather than a definitive plan.

Stage 1: Eke Panuku understands that the likely first stage of port withdrawal could see Captain Cook Wharf and Marsden Wharf released for public use within the next five years (approx).

The Stage 1 opportunity is to focus on the central wharves (Hobson, Queens, Captain Cook and Marsden wharves) and form an updated view of their role and function.

The council group is also considering the potential release and use of Bledisloe Wharf within the next 15 years (approx).

WHAT COMES AFTER A FRAMEWORK PLAN?

The Framework Plan forms a high level 'proposition' for the potential future development and use of the port precinct.

It will be the basis for developing a more detailed masterplan. Based on this staged approach, the masterplan will be specifically focussed on the central wharves (Stage 1).

Whilst the Framework Plan has been developed largely within the council group, the masterplan process will be set up to provide for full engagement, with our mana whenua partners, local boards, key stakeholders and the public.

EKE PANUKU ROLE

LEADING A COUNCIL GROUP APPROACH

Eke Panuku, Auckland Council's urban regeneration agency, plays a vital role in developing and translating council's vision of urban regeneration in several locations including the Auckland waterfront. Within the waterfront, Eke Panuku has led regeneration in Wynyard Quarter, Viaduct Harbour and the Central Wharves.

Eke Panuku Levers

Using our four 'levers' we implement our mahi in regeneration areas across Tāmaki Makaurau:

+ lead agency lever: creating the vision and preparing the integrated masterplan for each location, coordinating stakeholder and community input and driving implementation.

+ public good investment lever: improving the amenity of places to attract new residents, visitors, businesses, investors and developers.

+ commercial lever: achieving urban regeneration outcomes, unlocking opportunities for others and providing revenue.

+ place-making lever: involving communities in the urban regeneration of their neighbourhoods.

Working alongside Auckland Council, Tātaki Auckland Unlimited, Auckland Transport, and Port of Auckland Ltd (POAL), this Framework Plan has drawn from the collective expertise we have in shaping our city - in both process and practice.

Through this mahi, Eke Panuku will draw on lessons learnt from our priority locations.

Eke Panuku will draw from work underway on the next stage of transformation of Wynyard Quarter. In particular, Te Ara Tukutuku Plan has been written and co-designed with Iwi Mana Whenua o Tāmaki Makaurau.

This intergenerational mahi is guiding transformation of the former tank farm at Wynyard Point into a place where people experience the value of manaakitanga, cherish the moana, watch fleets of waka and boats, feel the grass under their feet and enjoy the spaces and mara hupara (playground) with whānau. Extending this approach and practice to the opportunity of the port precinct is an exciting proposition for Auckland's waterfront.



WATERFRONT VISION

“A world-class destination that excites the senses and celebrates our sea-loving Pacific culture and maritime history. It supports commercially successful and innovative businesses and is a place for all people, an area rich in character and activities that link people to the city and the sea.”

The strategic framework for city building and regeneration in Tāmaki is guided by a number of key Auckland Council documents. These include the Auckland Plan, the City Centre Masterplan and the Waterfront Plan, which were developed in 2012 and updated in 2022.

These have been based on a huge amount of mahi and kōrero with Aucklanders. The underlying aim of all of these strategic documents is to create an integrated well-functioning city centre.

Collectively these documents set out the vision, goals, directions and projects that Aucklanders want to see delivered across their city centre waterfront. Through extensive consultation, Aucklanders have articulated a number of desired outcomes for the city centre waterfront, such as:

- + The need for public access to and along the waterfront
- + Protection of the working waterfront character, including the existing marine and fishing industries
- + Improved accessibility and safety
- + More open spaces and activities

This Framework Plan draws on the vision and goals for waterfront development to date.

The subsequent masterplan process will develop a shared vision for the site in partnership with mana whenua, stakeholders and the public.



WATERFRONT GOALS

The waterfront goals were created through the Waterfront Plan 2012.

Ki Tātahi

**Blue-Green
WATERFRONT**



A resilient place where integrated systems and innovative approaches are taken to enhance the marine and natural ecosystems, conserve natural resources, minimise environmental impacts, reduce waste, build sustainably and respond to climate change.

Tuāhōanga ahu mahi

**Smart Working
WATERFRONT**



Attracts high-value, innovative, creative and green businesses and investment to achieve a significant lift in productivity, a place for authentic and gritty waterfront activities: the marine and fishing industries, water transport and port activities.

Tauranga tāngata

**Public
WATERFRONT**



A place for all Aucklanders and visitors to Auckland, a destination that is recognised for its outstanding design and architecture, natural environmental quality, public spaces, recreational opportunities, facilities and events: a place where we protect and express our cultural heritage and history, and celebrate our great achievements as a city and nation.

In 2015 there was further work with mana whenua to enrich and update the waterfront goals from a Te Ao Māori perspective:

Te Mauri o Te Waitematā is restored and enhanced.

Mana whenua share their matauranga of sustainable waterways, mātaita (kaimoana harvesting areas), navigation, waka craft, hauora and the strong connection to Te Waitematā.

The high quality and value of water is crucial to the maintenance and enhancement of mauri. The body of Te Waitematā is a series of complex systems (natural and imposed), agreements, rights and interests relating to its use and care.

The Mauri of the land is restored and enhanced.

Habitat regeneration occurs through the effective use of ‘Take Mauri, Take Hono’ framework that supports thriving waterfront ecosystems with native flora and fauna. Mana whenua will reconnect with the Waitematā in this space with their kaitiaki monitoring the environment to measure improvements as they occur.

Sustainability standards will be prevalent within waterfront developments including water and energy efficiencies, as well as sound, sustainable building practice and design.

The physical expression of kaitiakitanga - e.g. tikanga protocols, having waka berths available to their fleets of waka and waka festivals to celebrate their culture - allows mana whenua to share their matauranga and to be involved.

The reference to Ki Tātahi provides a strong, overarching and connected theme across the waterfront footprint.

Through mana whenua participation in the waterfront economy, the waterfront is the centre of excellence where the best of Māori innovation can be nurtured.

This must be a waterfront that is attractive to Māori enterprise and businesses with opportunities to invest in commercial projects. Joint venture opportunities for capacity and capability building including employment, internship and training is encouraged.

Mana whenua involvement in the detailed design of development projects ensures authenticity and opportunities for the Māori design sector, i.e. the creative industries and cultural tourism to co-create, to enhance appreciation of the life and vitality of the waterfront. Potential business activities should be assessed in relation to social, cultural and economic benefits to Māori and who strive for high sustainability standard and outcomes.

A waterfront whose mauri is greatly enhanced will attract visitors and encourage more people to live and work in this place. A place where manaakitanga is expressed and mana whenua are hosts. Mana whenua have a visible presence through their integration of cultural design into all built form and public spaces and provide a strong cultural context to placemaking, imbuing a sense of place through the integration of matauranga Māori.

Consideration of matauranga design values are provided for within developments including open space, provision of public facilities and events. The cultural, social and economic benefits to Māori are evident. Effective mana whenua engagement provides for strong, well-intended and well supported relationships. Acknowledgment of and access to the waters of Te Waitematā is embraced including provision for tauranga waka and fully supported waka activities.

Hononga tāngata

**Connected
WATERFRONT**



*Kia tau te mauri mō te ira
tangata ki te ao tūroa*

**Liveable
WATERFRONT**



A place that is highly accessible, easy to get to and to move around in, where people feel connected to the wider city and beyond by improved pedestrian and cycling linkages, fast, frequent and low-impact passenger transport, state-of-the-art telecommunications and through supportive community and business networks.

The inter-generational relationships that mana whenua have with Te Waitematā and foreshore are recognised, celebrated, strengthened and developed over time.

Māori feel and are connected to their cultural heritage, sacred and significant sites, such as (but not restricted to) traditional tauranga waka, navigation markers, view shafts, and coastal occupation areas with cultural design integrated into all built form and public spaces using mana whenua artists and Māori architects and designers.

The waterfront is publicly accessible with various transport modes available within the area, connecting easily to inland parts of the city.

Physical connections to the water's edge are encouraged. Recreational uses including fishing swimming and waka access; commercial accessibility which includes ferries and charters all bring vibrancy to the waterfront.

Activities and events are relevant and attractive to all Tāmaki Makaurau residents, and are easily accessed.

The location of leading sustainable urban transformation and renewal in Auckland; the most liveable New Zealand central city urban community; a vibrant mix of residents, workers, visitors and activities. A welcoming and resilient neighbourhood that is safe, diverse and attractive, with plentiful open space and access to local services and facilities.

PRINCIPLES AND OBJECTIVES

We are at the start of a long process to realise the future of this site.

We need to establish baseline principles to guide future thinking and planning.

Some emerging principles have been developed, based on learnings and experience from Wynyard Quarter and other local or international locations.

The next step will be to test and set these principles through a masterplan process.

FOUNDATION APPROACH: PARTNERSHIPS AND COLLABORATION

- + Co-design in partnership with mana whenua. Collaborate with key stakeholders and the community.
- + Honour Te Tiriti at every step

DRAFT PRINCIPLES FOR PORT LAND REGENERATION

1. Cultural response and identity

- + A place where we express and celebrate our unique cultural heritage and history.

2. Regeneration and climate resilience

- + Regenerate and restore the health and functionality of the surrounding environment.
- + Enhance the mauri of Te Waitematā, improve climate resilience and increase biodiversity.
- + Respond and adapt to sea level rise and inundation.

4. Connectivity

- + A highly connected extension of the city centre, with attractive multi-modal travel options providing access for residents and visitors.

5. Mixed-use precincts

- + Mixed-use neighbourhoods with their own identity, catering for a wide cross-section of the community.
- + Economically viable development driving commercial and community vitality.

6. Working harbour

- + Improve Auckland's working harbour, with efficient facilities for maritime services such as ferries and cruise ships.

3. Destination precinct

- + A waterfront precinct that makes Aucklanders proud and leaves visitors in awe.
- + A destination that helps Auckland deliver world-class arts, culture, and entertainment.

7. Built form and open space

- + Outstanding architecture and urban design.
- + Attractive interconnected urban places.
- + High quality, multifunctional open spaces.

Our Place

THINKING INTERGENERATIONALLY

Tāmaki Makaurau, a land desired by many, has been much-loved by Māori for over a thousand years. When Māori settled here, they discovered a fertile land at the nexus between the Kaipara, Waitematā, and Manukau harbours.

The volcanic soils and plentiful seafood made Te Waitematā a large trade centre amongst Māori and with Pākehā settlers. As trade flourished, the foreshore became known as Tāmaki Herenga Waka, the place that binds many waka.

There are several culturally significant sites around the port precinct, many of which were destroyed during land reclamation to create the current port location. From our kōrero to date on the waterfront and through Te Ara Tukutuku with our mana whenua partners any change in the use from port land would be an opportunity to acknowledge, restore, and promote their cultural association with the area. Several mana whenua have told us that our work in Te Ara Tukutuku is in the realm of Tangaroa (god of the sea) and as such it is crucial our mahi across the waterfront considers the need for restoration and enhancement of the mauri of Te Waitematā.

Given the scale of the site and the opportunity that exists for all Aucklanders, it is important for us to think about change over time. We have a responsibility to think not just in decades, but in generations.

RIGHT: *Nga one maru o huatau* - Mana whenua map of 1840's shoreline Tāmaki Makaurau from the *Te Ara Tukutuku Plan*.



THAI



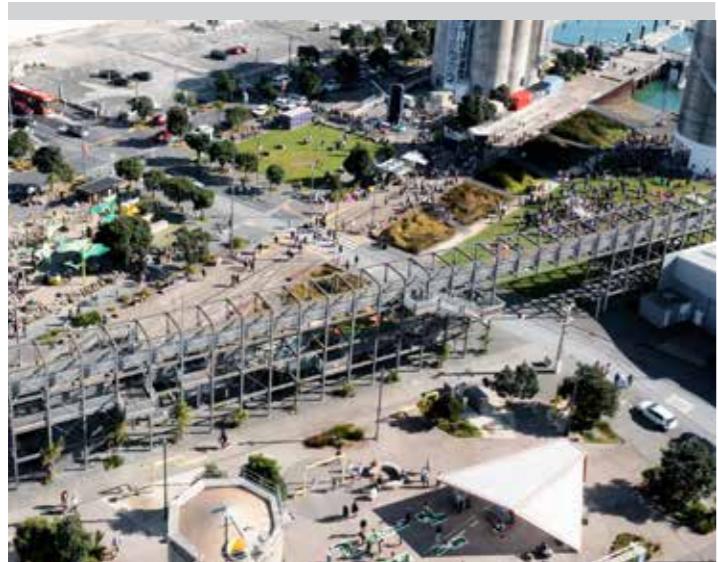


Regeneration on this scale is never simple.

Our developing waterfront brings many opportunities and challenges. We aspire to creating vibrant public spaces within a mixed-use neighbourhood, catering for locals, residents, workers and visitors.

As we continue to develop a strategy for the future development of the port precinct, our highest priorities will be to create a place that celebrates our Māori history, marine environment including our harbour, recognises our public spaces, enables business to flourish and grows our communities.

A future masterplan process would partner with mana whenua, aiming to utilise mātauranga Māori (traditional knowledge) and embed the Māori values of tiakitanga o te Taiao (caring for our environment), and manaakitanga (caring for our visitors and communities).



THE CITY OPPORTUNITY

The regeneration of the port precinct will be a significant step in the evolution of Tāmaki Makaurau.

The city centre is on a journey to being celebrated not just as a business district but as a vibrant mixed-use neighbourhood in its own right. A key part of this transition has been the decades of work undertaken, by both the public and private sectors, in the Wynyard Quarter, Britomart precinct, Commercial Bay and in the Viaduct. This has built on the rich character of the waterfront to create a liveable environment and world-class destination.

Auckland is New Zealand's only global city. As such it plays a significant role in supporting the national economy. The city centre itself is the fifth largest economy in the country, producing 7% of national GDP. Global case studies demonstrate the significant benefits that can be brought to cities who invest in developing mixed use areas, anchored by a significant asset, that support the local city economy in the long term.

With a site area of 85Ha and an estimated developable area of 45.5Ha the port land is a significant publicly owned brownfield site spanning the city centre to the west and the city fringe adjacent to Parnell in the east.

Auckland's relationship with the Waitematā Harbour sets it apart. The port precinct presents a unique opportunity, not only to seamlessly connect the city centre to its waterfront but also to create a new destination. One that attracts Aucklanders and visitors and supports a growing central city population.

This is a once-in-a-lifetime development opportunity for Auckland. An opportunity to create new neighbourhoods, improve public access, develop civic spaces and assets, build new green infrastructure and help realise the city's ambitions.

Critical to the success of this development will be the way in which new activities in the port precinct link back into nearby parts of the city, to complement rather than compete with existing uses and spaces across Tāmaki.

The City Centre Masterplan (CCMP) that was refreshed in 2020 is the key city centre guiding document for the Auckland Council whānau, setting the strategic direction for the next 20 years. It applies The Auckland Plan to the city centre through ten outcomes, to be delivered through eight transformational moves and Access for Everyone (A4E).

The CCMP recognises that each of the different precincts in the city centre have their unique characteristics and a role to play regarding the built form, public spaces connected to public transport and accessible streets. It recognises the important contributions and activities of both the public and private sector and land holdings.

The City Centre Action Plan completed in 2023 highlights the significant contribution to date of projects that have been delivered and the future projects to come.

The opening up of the port land has been envisaged in these plans over time, along with the importance of stitching the city together as it grows.



The scope of the framework stitches into the wider city centre context and the overarching vision of the City Centre Master Plan

REGENERATION UNDERWAY

WHAT'S HAPPENED, HAPPENING AND COMING UP, ACROSS THE CITY CENTRE AND WATERFRONT

Redevelopment of the waterfront has been ongoing since the release of Viaduct Harbour in the 1990s. In recent years this has progressed through projects such as the Quay St upgrade and Te Wānanga, and will continue through Te Ara Tukutuku regeneration.

Across the city centre a huge quantity of both public open space and development blocks has been and will be opened up as a result of a range of initiatives.

The progressive release of wharves and breastwork from POAL control will add to this total land and waterside supply. Future land uses will need to complement, not compete, with existing uses to support the city centre.

Public space allocation...

Recent and upcoming public space projects amount to approximately 9.1Ha

For context, a minimal approach* to public space allocation across the port precinct would create approximately 16Ha of public open space.

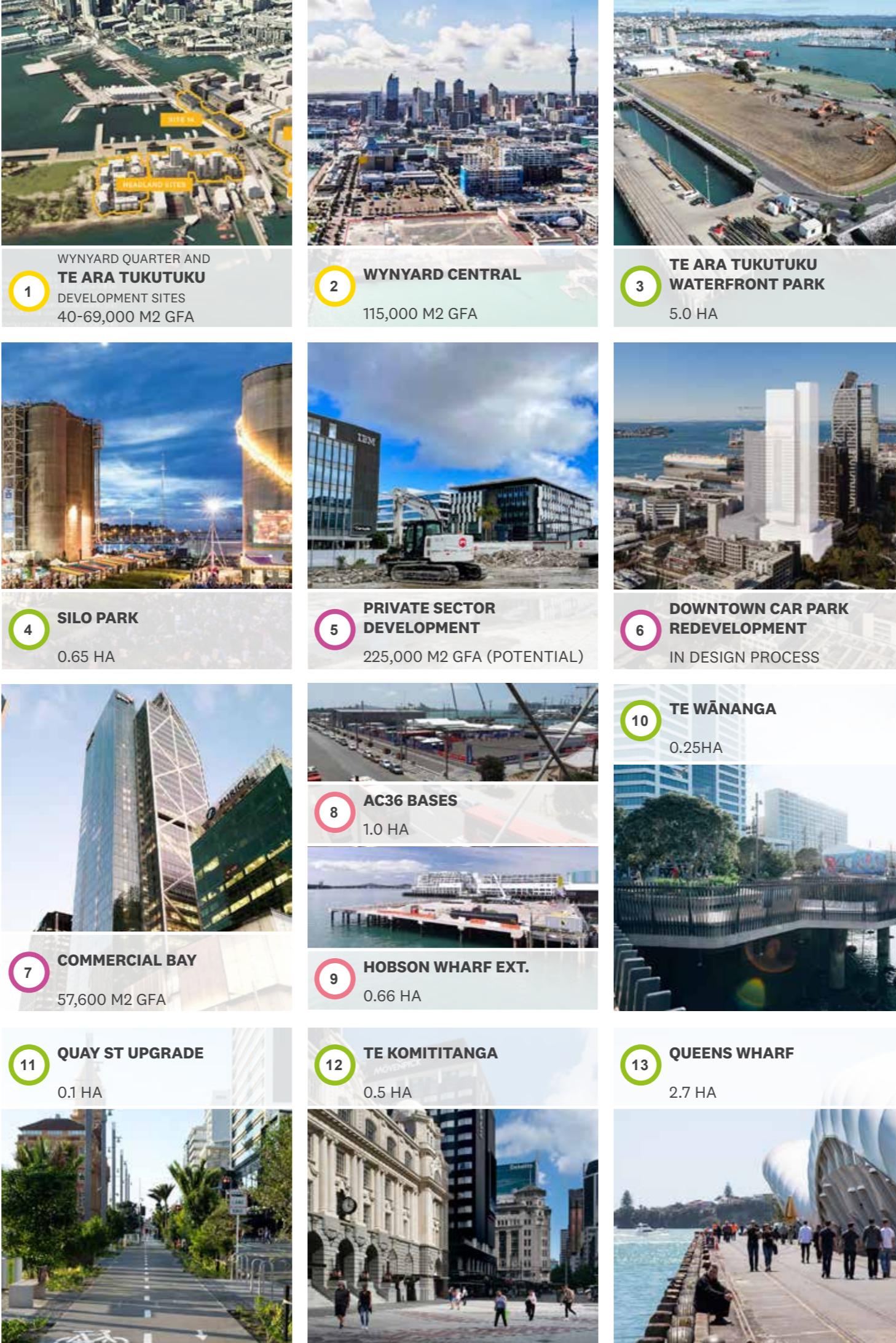
*assumes approx. 20% public open space allocation typical of international case studies

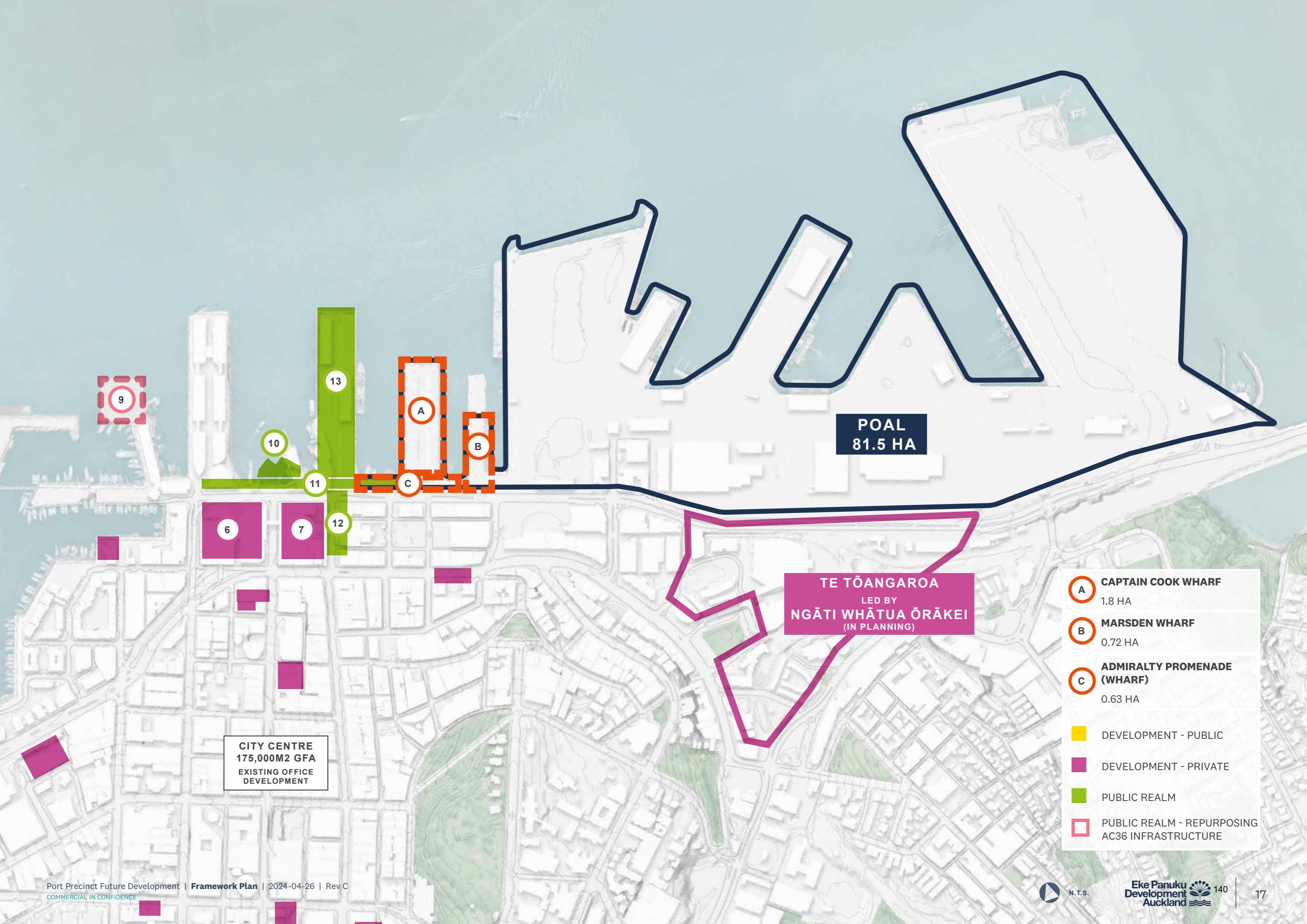
Development pipeline...

Planned development expected in the downtown area over the next 5-10 years amounts to an estimated gross floor area of 640,000m²*

For context Auckland city centre's entire existing office stock represents a gross floor area of approx. 1.5Mm²

*High level indicative estimate subject to ongoing investigation - excludes Quay Park precinct in planning.





GEOGRAPHICAL SCOPE

Auckland's city centre waterfront stretches from Curran Street to Teal Park.

The physical scope of this work covers Hobson Wharf in the west to Teal Park in the east.

The scope is broader than just the Port of Auckland land - because these wharves and adjoining water spaces all have a role to play in the waterfront. Considering these collectively will help us work through complementary uses, and the phasing of development.

All of the area in scope is either reclaimed land or wharves.

- COUNCIL LAND
- P.O.A.L. LAND
- SCOPE AREA ~85HA



SCALE AND TIME

It is important to realise the **scale** of this site. With a total area of 85Ha, stretching over 2km from west to east, the port site is **twice the size of Wynyard Quarter**, and as long as the entirety of Queen Street. This scale gives us a huge opportunity to do something very special for Tāmaki Makaurau – a transformation that reflects our unique culture and makes best use of this central location on the coastal edge.

Scale also translates into time however – it will take decades to fully realise the vision for this site. To put it in context, the vision for Wynyard Quarter was established in 2005. The Waterfront Goals were established in 2011. Today we are only halfway through delivering this mixed-use development of both land and water space.

The port site redevelopment will continue well into the future, and will be a legacy we can hand to our grandchildren.

Fortunately, in regenerating a space of this scale, we can draw on experience and lessons learnt from local and international case studies.

Like all major projects, a **staged approach** to development will help gather momentum and deliver early results.

This development will open up more of the waterfront to Aucklanders and visitors, part of a long-term process which started with the release of the viaduct in the 1990s, providing an opportunity to **cater for Auckland's population growth**.

