

Staff Advice to support the Mayoral Proposal



Part 3

10 May 2024

Attachment F: Major Investment

Purpose

1. The advice in this report addresses the four options consulted on in the Long-term Plan 2024-2034 for an Auckland Future Fund.

Proposal

2. Council consulted on options for the establishment of a regional wealth fund, entitled the Auckland Future Fund (AFF) for the draft Long-term Plan 2024-2034. The proposal included three options for the creation of a Fund along with potential uses of the Fund.
 - Option 1. Establish an Auckland Future Fund with the transfer of AIAL shares and the proceeds of a lease of the port operations.
 - Option 3. Establish an Auckland Future Fund with the transfer of AIAL shares only.
 - Option 4. Establish an Auckland Future Fund with the transfer of AIAL shares and the POAL annual dividend.
3. Council also consulted on an option for Enhanced Status Quo (option 2) that no Fund be established.
4. These changes were consulted on in February and March of 2024 as part of 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.

Executive Summary

Establish an Auckland Future Fund

5. The purpose of this fund is to improve Council's long-term financial position through financial and geographical diversification, assistance with self-insurance, providing a sustainable annual cash dividend, and providing for investment requirements to meet financial and physical risks arising from climate change and other major environmental challenges. In order to establish a Fund, council needs to decide on the sources of capital to be used for its establishment.
6. Having agreed that the Fund can be established and how it will be seeded, there are then further decisions to be made regarding what the Fund may be used for, and how to structure and protect the Fund to ensure that fund uses are only those agreed upon and cannot be changed without appropriate consideration and decision-making process.

7. The uses of the Fund will depend on the decisions made about capital inputs because these determine the Fund's size.
8. In the following sections, this report will provide new information, including feedback from consultation, updated financial assumptions and new developments since the consultation process.
9. Each option is then covered in a separate section. For each of the proposed options for the establishment of an Auckland Future Fund:
 - How each option achieves the strategic objectives of the proposal.
 - The financial details of the option
 - Implementation considerations for the option
10. Common considerations for all options, such as the structure and Control settings required to ensure the Fund is protected and used only for achieving intended outcomes, and subsequent decisions, are then provided.
11. Considerations around available uses of the Fund are provided, along with the impact of the chosen option on these uses.
12. Lastly, the report provides conclusions and next steps.

Background:

13. The stated objectives of the Auckland Future Fund are:
 - To protect the value of the council's intergenerational assets by maintaining the real asset value of the Fund investments over the long term.
 - To provide improved cash returns to fund council operations above the council's long-term cost of capital over the long run.
 - To diversify risk by spreading investments over a broader range of assets, both in terms of where they are as well as what they are.
 - To provide council with the flexibility to respond to changing community needs and investment objectives by rebalancing investments.
 - To support council's ability to better respond to climate change, to contribute to costs associated with a natural event and to provide liquidity in the event of a major financial disruption.
 - To continue to deliver on council's strategic objectives for the airport and port.
14. The establishment of the Fund will depend on the decisions made about the transfer of AIAL shares and/or a port lease, as without at least one of these, a fund will not be able to achieve the identified objectives of the fund.

AIAL Shares

15. Council currently owns just over 11% of AIAL shares, which would contribute \$1.3b to the Fund based on current share price.
16. There is public perception that Auckland Council has the ability to control and/or influence the strategic direction of AIAL. At current shareholding levels, council does not have the ability to do this.
17. Potential rationales for owning shares in AIAL can be met more appropriately through other avenues (e.g., key regional asset, monopoly powers not abused, negative externalities addressed, and New Zealand ownership).
18. The purpose of transferring the shares as opposed to selling and transferring the proceeds, is to allow the Fund Manager to determine whether and when to hold or sell the shares to provide the best outcomes for the Fund.
19. The transfer of AIAL shares to an Auckland Future Fund is almost certain to mean that most, if not all, of the AIAL shares will be sold to diversify risk.
20. Council is required under legislation to recognise any level of shareholding in an airport as a 'strategic asset' for decision making purposes. As a result, any transfer of ownership or control of council's shareholding in LTP must be explicitly provided for in the long-term plan before the council can make such a decision. The council has consulted on proposed amendments to its Auckland Airport Shareholding Policy that, if adopted, would enable the sale of shares in AIAL once transferred into the Fund.

Port Lease

21. Council owns 100% of the Port of Auckland Ltd (POAL), which is the company administering Auckland's commercial freight and cruise ship harbour facilities.
22. POAL both owns the port land and operates the port facilities.
23. Under option one, the port operations would be leased for an approximate 35-year period and the proceeds paid to the Fund at an estimated \$2.1b (being \$2.2b lease value less \$100m for the release of Captain Cook and Marsden wharves).¹
24. Another option considered as part of the consultation process was to lease the port operations with net prepaid lease proceeds invested in the Fund after repaying POAL debt. The option has not been further analysed due to costs to break long-term debt facilities and the expectation of a higher return from investing all the lease proceeds.

¹ Flagstaff Investments: <POAL April Forecasts Revision.pdf>

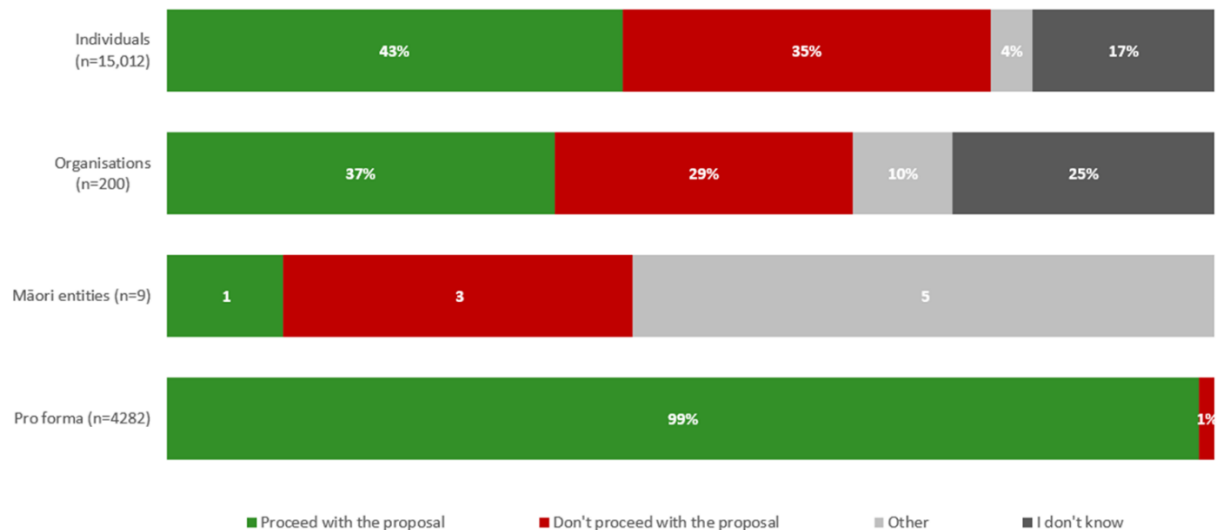
25. If a decision is made to lease the port operations, council would also need to establish a 'Port of Auckland Policy' that authorises an operating lease to be granted, perhaps subject to a certain reserve price, key conditions and a specific approach to procurement.
26. The central proposal (option 1 in the Consultation Document for the Long-term Plan 2024-2034) is to transfer the AIAL shares and the proceeds of a port lease into the Fund, creating an initial \$3-4b wealth fund able to meet all of the above objectives.
27. Alternatively, transferring only the AIAL shares (option 3) has the most favourable financial return and meets all the other objectives, albeit at a slightly reduced level.
28. Transferring the AIAL shares and adding POAL dividends (option 4) to the Fund provides the ability to meet some of the above objectives, albeit on a reduced scale.
29. An option for Enhanced Status Quo (option 2) in which there is no Auckland Future Fund was also considered.

Feedback from Consultation

30. As part of the Long-term Plan consultation, Aucklanders were asked the following questions related to the Auckland Future Fund with the responses shown beneath each:

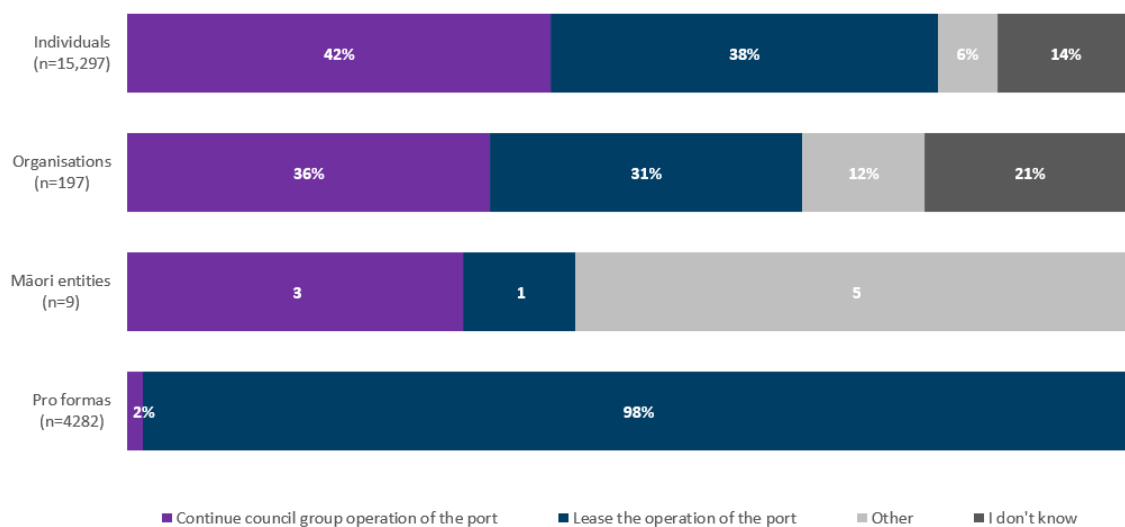
Question 4a. What is your preference on the proposal to establish and Auckland Future Fund and transfer Auckland Council's shareholding in Auckland International Airport Limited (AIAL) into this fund, enabling the shares to be sold?

- ☐ Proceed with the proposal
- ☐ Don't proceed with establishing an Auckland Future Fund and transferring AIAL shareholding
- ☐ Other
- ☐ Don't know



Question 4b. What option do you prefer for the Port of Auckland?

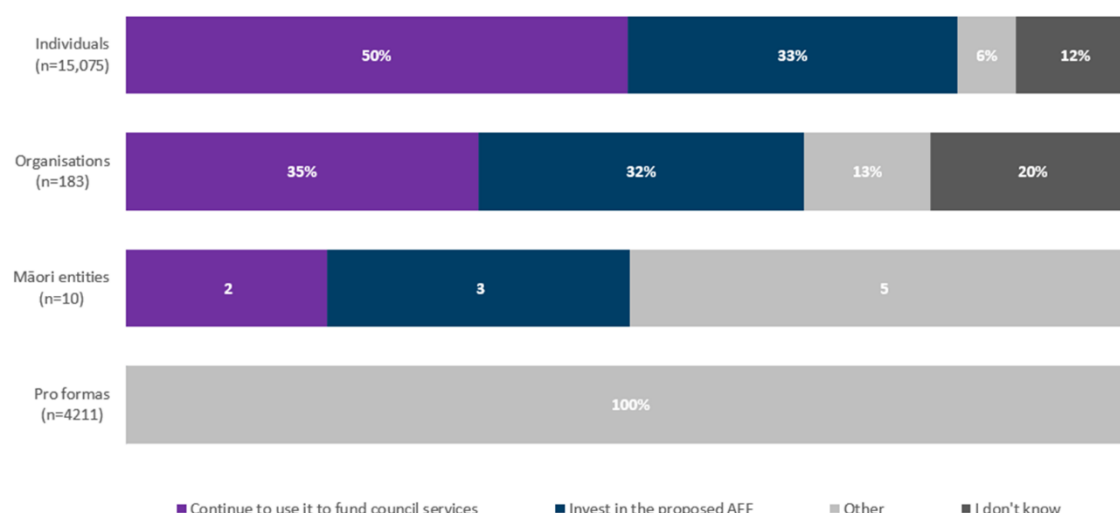
- ☐ Retain underlying council ownership of port land and wharves and **continue council group operation of the port** (through Port of Auckland Limited), and implement the plan to delivery profitability and more dividends to council
- ☐ Retain underlying council ownership of port land and wharves, and **lease the operation of the port** for a period of about 35 years and use the upfront payment to invest in the proposed Auckland Future Fund
- ☐ Other
- ☐ Don't know



☐

Question 4c. “If the council group continues to operate the Port of Auckland, how would you prefer the profits and dividends to be used?”

- ☐ **Continue** to use it to fund council services
- ☐ **Invest** in the proposed Auckland Future Fund
- ☐ Other
- ☐ I don’t know



Question 4d. Do you have any feedback on any other part of the proposal? Including the proposal for self-insurance and implementation options for the Future Fund and possible changes to the council’s shareholding in Port of Auckland Limited and to the ownership of the Port Land.

Common feedback on this question was as follows:

- Don’t sell assets.
- Generally do not support without a clear reason.
- General financial feedback (e.g., no rates increase, lower rates increase, implement a capital gains tax)
- Have clear rules, restrictions.
- General dissatisfaction with Council
- Find other savings / improve efficiency.
- Support self-insurance.
- Generally support, without a clear reason

It should be noted that only 10% of individual submitters commented on this question.

Submission from the Port of Auckland

31. As part of the consultation process, the Port of Auckland provided a submission to the council). In their submission the Port of Auckland highlights that:

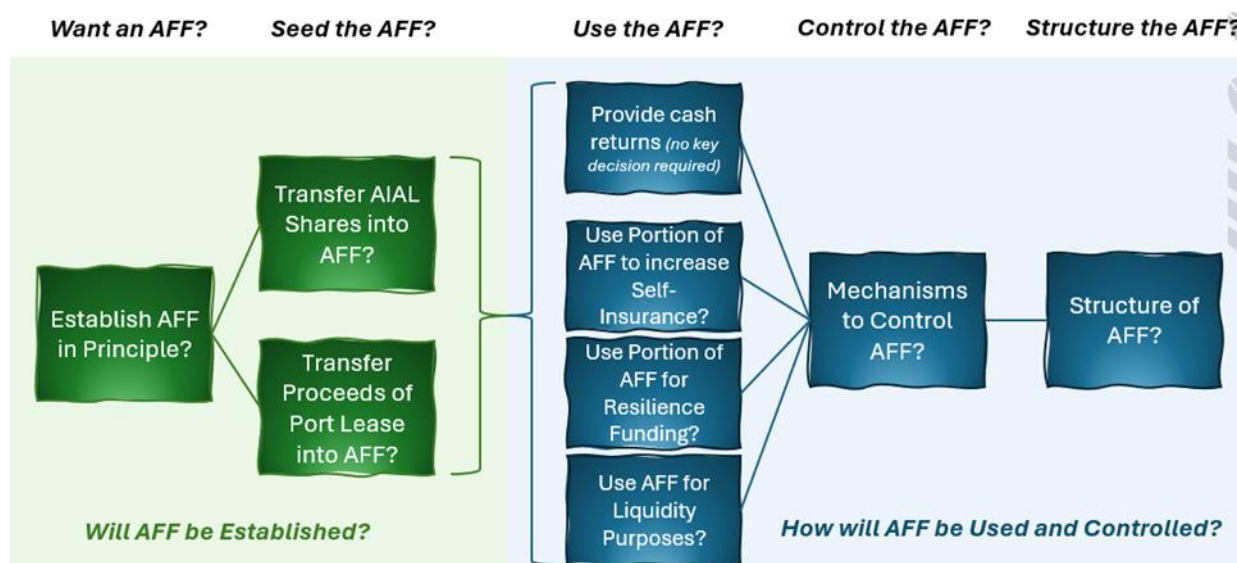
- They consider lease or status quo to be a shareholder decision for the Governing Body to make.
- If the council agrees to continue port operations, POAL commits to paying our council shareholders the dividends agreed to annually in our Statement of Corporate Intent, however it is a shareholder decision as to how to use those funds.
- They agree with the proposal to transfer Captain Cook and Marsden wharves from the Port to Auckland Council so that they can be used for something else that provides public benefit (subject to resource consent approval).
- They state that Bledisloe Terminal should be kept as a Port of Auckland operational area.

Summary of local board input

32. Local boards provided 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. Any local board input relevant to the AFF will be referenced in the final decision-making report.

Context

33. The diagram below shows the main decisions to be made regarding the establishment, seeding and use of an Auckland Future Fund.



33. The success of the Fund itself comes down to meeting stated objectives by leveraging its major investments for greater cash returns, reduced risk, and better long-term financial sustainability. Some proposed uses of the Fund, other than the main purpose of providing cash returns, that may meet these objectives include increased self-insurance, a resilience fund and establishing a liquidity facility to meet Auckland Council's future needs in a more affordable way. These calls on the funds are, however, difficult to estimate with the biggest unknowns being requirements for resilience and self-insurance events.

New Developments

34. On May 7 2024, the Mayor of Auckland along with the Ports of Auckland Limited (POAL) and the Maritime Union of NZ (MUNZ) announced that Auckland Council has entered into a tripartite relationship agreement with POAL and MUNZ under which Auckland's port land, assets and operations will be retained under council ownership.
35. It should be noted that **this is subject to council decision-making for the LTP and POAL Statement of Intent process.**
36. Port of Auckland Ltd has agreed to deliver much improved profits to council, estimated at \$1.1b over the next ten years.

Financial updates

37. The following financial assumptions have been revised from those used in the Long-term Plan 2024-2034 Consultation Document:
- The net fund return has been reduced from 7.5% to 7.24% based on updated independent advice² on expected long-run average returns and expected operating costs. This is the average gross return of 7.64%, net of fees of 0.40%
 - It should be noted that while returns will not be a consistent 7.24% every year (as markets and economies fluctuate) history supports this average over time.
 - The proposal calls for a 2% retention of those investment earnings in the Fund to maintain real capital value, therefore the expected annual distribution to Auckland Council has been revised to 5.24%.
 - The Fund will be invested in a mix of 80% growth/20% income funds.
 - The enhanced expected financial performance of the Port has been updated.

² Russell Investments. See appendix G for full detail

- The Port Lease value estimate has been increased based on the above improved performance of POAL, from \$2.1b to \$2.2b³.
- The value of the port lease has been reduced by \$100m due to the assumption of land release of Captain Cook and Marsden wharves in 2.5 years.
- To enable a like-for-like comparison with the updated Port financials, it is currently assumed for modelling purposes that Bledisloe Wharf will not be released. (Estimates if Bledisloe Wharf had been released are for a \$100m reduction in the value of the port lease, if released within 15 years or \$300m if released within 5 years).
- The Airport share price has reduced from \$8.58 (25 Jan 2024) to \$7.97 (22 Apr 2024). It should be noted that the AIAL share price fluctuates continuously as the chart below shows.



Source: Bloomberg

- The Airport dividend forecast has also reduced slightly based on broker consensus estimates published by Bloomberg.
- It is assumed that the AIAL shares will be transferred on 1 January 2025 and a port lease will be established and the proceeds available as at 1 July 2025.
- The operational savings have been updated to reflect reduced insurance premiums from \$12m to \$10m from FY26.
- Standby facility fee savings of \$2m, as a result of providing an internal liquidity fund, have been added starting at FY26.

³ Flagstaff Investments : 20240424 POAL – April forecasts revision.pdf

- Various implementation and operational costs for the establishment and operation of the Fund have been included or updated. Some of these are dependent on the option and structure selected.

Options Analysis

38. The below table shows a summary assessment of the options against key objectives the Fund, with further elaboration of each option in the following paragraphs.

	Option 1 Auckland Future Fund with AIAL and port lease	Option 2 Enhanced Status Quo	Option 3 Auckland Future Fund with AIAL	Option 4 Auckland Future fund with AIAL shares and POAL dividends
Protecting assets	✓+	✓	✓+	✓✓
Self-insurance / resilience	✓✓	✗	✓	✓
Enhanced cash returns	✓✓	✓	✓✓✓	✗
Diversification	✓✓✓	✗	✓✓	✓✓
Flexibility	✓✓✓	✓	✓✓	✓✓
Strategic outcomes	✓✓✓	✓✓	✓✓	✓✓
Projected financial contribution (10 years)	\$1.77 billion	\$1.42 billion	\$1.94 billion	\$1.06 billion

Option One: Establish the Auckland Future Fund with AIAL Shares and the proceeds of a port lease.

39. The Fund would be established by transferring the AIAL shares and the proceeds of a port lease of about 35 years. The estimated fund value at the outset would be in the order of \$3-4b.
40. Establishing an Auckland Future Fund with the AIAL shares and the proceeds of a Port lease enables an investment manager to diversify the risks (on a financial and geographical basis) and for investments to be made on a strategic basis. This provides council with the greatest opportunities for enhanced cash returns, diversified risk and long-term financial sustainability.
41. Under this option, the Fund also affords council the greatest ability to provide for one or more of the identified potential uses.
42. The estimated Fund value at the outset, of \$3-4b, is dependent upon changes to the valuation of AIAL shares and the POAL profit forecasts at the time of implementation.

43. Expected returns for this option are **\$1.773b** over the ten years of this Long-term plan, as shown below:

\$ million	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	Total
Projected gross AFF return	47	246	251	256	261	267	272	277	283	289	2,450
Less reinvestment into fund	(13)	(68)	(69)	(71)	(72)	(74)	(75)	(77)	(78)	(80)	(677)
Net fund proceeds	34	178	182	186	189	193	197	201	205	209	1,773
Plus: Reduction in insurance premiums	0	10	10	10	11	11	11	11	11	12	98
Plus: Other net savings	(1)	2	2	2	2	2	2	2	2	2	14
Plus: POAL projected profit	70										70
Plus: Projected AIAL dividends	11										11
Less: Interest costs on retained port debt	0	(20)	(20)	(20)	(21)	(22)	(22)	(22)	(23)	(23)	(192)
Projected financial contribution	114	170	174	177	181	184	188	191	195	199	1,773

44. This option includes annual savings of \$12m in operating costs, comprised of \$10m per annum on insurance premiums (based on assumption that the Fund will be used to support an increased deductible for greater self-insurance), and a provision for liquidity for council, which supports a decreased external standby facility reducing costs by in excess of \$2m a year.

45. If it is decided that the Fund should not be used for self-insurance or liquidity purposes, the above savings of \$12m per annum are not available and therefore impact on rates requirements.

46. While the transfer of AIAL shares can happen relatively quickly, a Port lease is expected to take a substantial amount of time to implement (at least twelve months) to allow for a thorough procurement process to occur.

47. As a lease of the port operations would be a complex undertaking, implementation costs are estimated at around 1% of lease value (approximately \$20m).

Option two: Enhanced Status Quo

48. There would not be an Auckland Future Fund.

49. AIAL shareholdings would continue to be held by Auckland Council, retaining the risks attached to having a non-diversified investment.

50. POAL would continue to operate the port, and would continue to work with council to improve its financial performance and enhance returns to the council as the 100 per cent shareholder.

51. Council continues to be exposed to any financial shocks that result from unexpected climate, environmental or economic challenges under this option.

52. Self-insurance premiums continue at current settings (limits, deductibles and cost of insurance) for the Group.

53. Council continues to require current levels of standby facilities to ensure liquidity and resilience funding is available in the event of a major disaster, insurance event or economic shock.

54. AIAL dividends and POAL profits and dividends, at a forecast value of \$1.422m, are expected to be returned to Auckland Council over the ten years of this Long-term plan.

55. No change in current organisation or operations are anticipated.

\$ million	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	Total
Projected AIAL dividends	23	26	28	30	30	31	32	32	33	33	299
POAL projected profit	70	93	110	114	117	119	121	124	126	129	1,123
Projected financial contribution	93	119	138	144	147	150	153	156	159	162	1,422

Option three: Establish a Fund with AIAL Shares Only

56. The Fund is established by transferring the council's shares in AIAL into the fund entity.

57. This option enables an investment manager to diversify investment risks on a financial and geographical basis.

58. This option also enables investments to be made on a strategic basis, rather than through historical circumstances.

59. It is almost inevitable that the shares would be sold, as this enables the diversification and strategic investments noted above.

60. POAL operations would continue unchanged with POAL dividends and profits continuing to be received by council.

61. While this option establishes the Fund with a smaller balance than option 1, it still enables council to achieve the fund objectives while also producing the highest financial contribution to council operations.

62. Under this option, the Fund at the outset is estimated at approximately \$1.3b based on current share prices.

63. Projected returns to council over the ten years covered by this Long-term plan are **\$1.936b** as shown in the below table. Due to the improved POAL dividend forecast and projected level of fund returns, this option would give the highest financial contribution.

\$ million	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	Total
Projected gross AFF return	47	94	96	98	100	102	104	106	108	111	967
Less reinvestment into fund	(13)	(26)	(27)	(27)	(28)	(28)	(29)	(29)	(30)	(31)	(267)
Net fund proceeds	34	68	70	71	72	74	75	77	78	80	700
Plus: Reduction in insurance premiums	0	10	10	10	11	11	11	11	11	12	98
Plus: Other net savings	(1)	1	1	1	1	1	1	1	1	1	5
Plus: Projected AIAL dividends	11										11
Plus: POAL projected profit	70	93	110	114	117	119	121	124	126	129	1,123
Projected financial contribution	114	172	190	196	201	204	208	213	217	221	1,936

65. It is assumed that a limited liquidity facility would still be provided by the Fund under this option, reducing the operational savings to \$11m per annum. The Fund would still be used for self-insurance purposes.

66. Should the Fund not be used for self-insurance purposes, then the operational savings on premiums will not be achieved and there will be an impact on rates requirements as modelled.

67. Implementation considerations are the same as for option 1, but with less complexity, cost and time required for establishment due to the removal of the port lease from this option.

Option four: Establish a Fund with AIAL Shares and POAL Dividends

64. An Auckland Future Fund would be established with initial seed capital from the transfer of AIAL shares, and would then receive annual POAL dividends from 1 July 2025.

65. POAL forecasts have improved per the recent press release (and as noted in our financial /updates).

66. Compared to Option 1 involving AIAL shares and a Port lease, this would be a significantly less complex option.

67. This option has a higher debt profile than option 1 due to POAL capital investment but with a lower debt-to-revenue ratio due to inclusion of POAL revenue.

68. Expected returns over the ten years of this Long-term plan are **\$1.057b** (as shown in the table below) vs. combined dividends of \$901m (AIAL (\$275m) and POAL (\$626m)) under option 2 (without a Fund).

\$ million	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	Total
Projected gross AFF return	47	99	108	118	129	140	151	163	175	188	1,319
Less reinvestment into fund	(13)	(27)	(30)	(33)	(36)	(39)	(42)	(45)	(48)	(52)	(364)
Net fund proceeds	34	72	78	86	93	101	110	118	127	136	955
Plus: Reduction in insurance premiums	0	10	10	10	11	11	11	11	11	12	98
Plus: Other net savings	(1)	1	1	1	1	1	1	1	1	1	5
Projected financial contribution	33	83	89	97	104	113	121	130	139	148	1,057

69. This option has a lower financial contribution to council than option three as rather than the full POAL profits going to council, the dividends are being placed in the Fund and the council's financial contribution is only the return of 5.24% on the dividend amounts.

70. It is assumed that a limited liquidity facility than considered in option 1 would be provided by the Fund under this option. The Fund would still be used for self-insurance purposes. This has resulted in reduced operational savings of \$11m per annum, comprising \$10m savings on insurance premiums, and \$1m savings on standby facility fees.

71. Should the Fund not be used for self-insurance purposes, then the operational savings on premiums would not be achieved and there would be an impact on rates requirements as modelled.

72. This option is quicker, and less complex than option 1 due to removal of the port lease component.

73. Structure and control considerations also apply under this option. See the dedicated section on these considerations further down in this report.

Common Considerations for All Fund Options

74. Under all but one of the structures considered for the Auckland Future Fund (the Council Restricted Fund option) the establishment of the Fund results in the creation of a substantive Council Controlled Organisation.

75. As such, a CCO Accountability Policy change would be required, explaining the purpose of the new CCO and how it contributes to Auckland Plan outcomes, as part of the LTP adoption.

76. If it is decided to establish an Auckland Future Fund, council would also need to establish an 'Auckland Future Fund Policy' which:

- sets out key rules and restrictions for the Fund,
- outlines any processes that will be required in relation to decisions to make changes to the structure or rules of the Fund, or the circumstances in which funds may be used. For example, the council could require the use of the Special Consultative Procedure for these types of decisions.

77. A decision to establish the Fund and transfer Auckland Council's shareholding in AIAL into the Fund and enable the shares to be sold would be subject to the adoption of the final Long-term Plan 2024-2034 explicitly providing for the transfer and sale of airport shares (through the Auckland Airport Shareholding Policy).

78. Key risks in these assumptions are that the future profitability of AIAL and/or POAL (which also determines the port lease proceeds), or the earning levels of the Fund differ from those projected.

79. It is assumed that a fund structure will be in place by 1 January 2025 to receive the transfer of AIAL shares.

Implementation

80. A selection process for the governors of the Fund will be required.

81. Procurement of an investment manager for the AFF will be required if the decision is made to establish an Auckland Future Fund. A two-stage procurement process should take place, consisting of an open market Expression of Interest (EOI), followed by a closed Request for Proposal (RFP).

82. The Fund manager procurement process is estimated at 8-10 weeks total for the two stages.

83. It is assumed that these Fund manager procurement decisions would be made by the board/trustees of the Fund.
84. The drafting and adoption of the guiding policies and strategies for the Fund (dependent on structure) should include:
- Statement of Intent
 - Distribution Policy
 - Statement of Investment and Policy Objectives (SIPO)
 - Terms of Reference
 - Access rules for potential uses of the Fund
85. If implementing a lease for the Port, a robust procurement process would be required including the engagement of appropriate specialist resources. Further detail on a procurement process for a port lease are covered in Appendix B.
86. The complexity of the procurement process would extend the timeframe required to implement a port lease. While this is estimated to be a year, it may be longer.
87. Additional considerations if a port lease were to be implemented, are covered in appendices C and D.
88. Note that structure choice will also impact the time required for implementation as some structures require a longer establishment period.

Uses of the Fund

Self-insurance

89. **The Issue:** Auckland Council has a modest self-insurance fund of around \$59 million which covers physical damage/loss and liability risks, as well as insurance policies with global insurers⁴. As insurance is expected to become more difficult and costly to obtain due to the impacts of climate change and increasing value of infrastructure, there is a need to consider alternatives, including increasing the amount of risk that is self-insured.

90. **The Proposal:** With a large balance sheet, council is well-placed to have more self-insurance and meet the costs of both smaller, more frequent claims, and larger less-frequent claims, such as those that occurred as a result of last year's storm events. Up to \$1 billion of the AFF could be allocated for insurance purposes, expanding the existing self-insurance scheme, with the deductibles for above and below ground property cover with external insurers to increase from \$10m to \$500m. This is estimated to save around \$10 million per annum in insurance premium costs.

Note that the usual annual insurance process would continue to be followed, with the Audit and Risk Committee overseeing the insurance approach and the Revenue, Expenditure & Value Committee approving the insurance placement. Council staff actively monitor insurance market conditions and recommend an appropriate mix of self-insurance and external insurance to best manage risk.

91. **The Risk:** Any insurance claim payments over the current \$10m deductible would reduce the balance of the self-insurance fund and therefore the AFF. This would reduce future returns from the AFF. In an extreme case, the balance of the AFF could be seriously impacted by a single catastrophic insurance claim. However, over the life of the council there has only been one property-related insurance event (2023 Anniversary Weekend event) that has exceeded the current deductible level (estimated claim value of \$110m).

92. **The Benefit:** Transferring the existing self-insurance scheme to the AFF and expanding it from the current deductible of \$10m to \$500m would save on annual insurance premiums of around \$10m. It also future-proofs against sudden changes in the external insurance market.

⁴ Details of current insurance cover are provided in Appendix A

Resilience

93. **The Issue:** The costs of large unexpected natural events and the impacts of climate change can place real pressures on Council's finances. The costs of these shocks compete on debt headroom and revenues with regular programmes of work and other unexpected costs. The 2023 storms and subsequent flooding resulted in a \$2b cost-sharing deal with the government to support flood recovery and resilience efforts and provide funding for the "Making Space for Water" programme.
94. **The Proposal:** That Council could make the AFF available to fund **unexpected** costs of a **major** project deemed to have arisen due to a **natural event** or the impact of **climate change**. This would not oblige council to do so, but would provide another option in the case of such an event. As the costs of such an event are likely to be significant and would have a material effect on the size of the fund, it is proposed that council be required to make a proposal and consult with the public (applying the special consultation procedure requirements) to make any decisions to access the Fund for resilience purposes,.
95. **The Risk:** Any payments for resilience type events would reduce the balance of the AFF, reducing future returns and options for the use of the AFF.
96. **The Benefit:** It would provide an available funding source for the costs of extreme unexpected natural events.

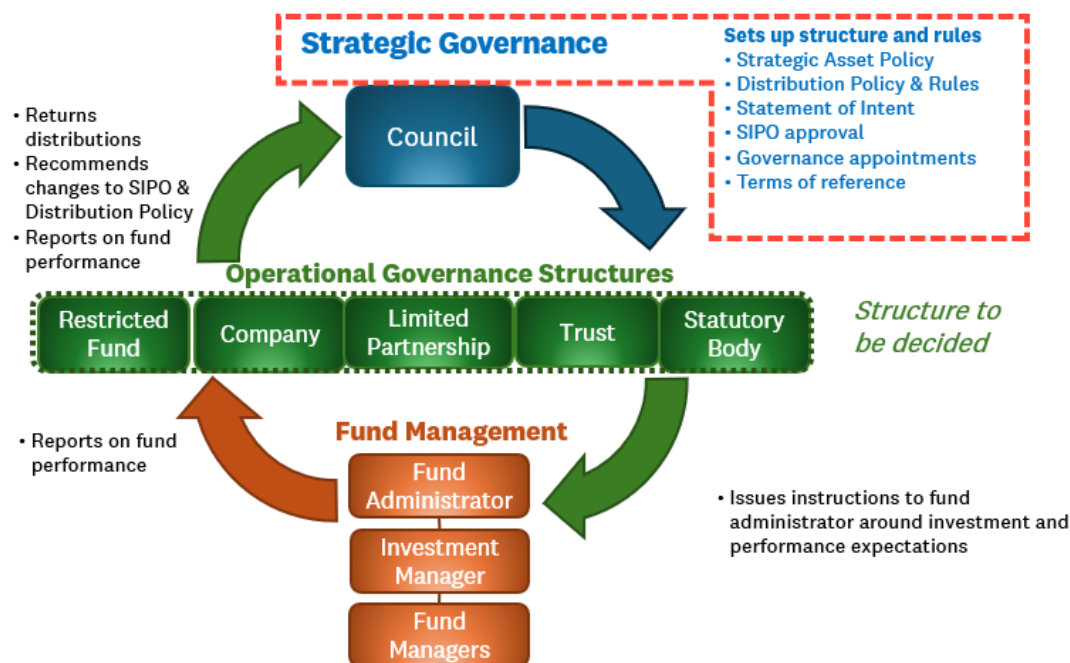
Liquidity

97. **The Issue:** For Local Government Funding Agency covenant purposes and to keep its high credit ratings council needs to hold certain levels of liquidity (ability to access cash when needed). Liquidity can be in the form of standby facilities (effectively a promise by a bank to lend money on pre-agreed terms, in exchange for the payment of a fee) or liquid assets (such as cash, bonds and stocks). Currently council spends over \$3 million per annum on standby facilities.
98. **The Proposal:** That council use the AFF to meet some of its liquidity needs. This means that should an event occur which effectively closed the financial markets, council could draw down on the AFF to meet its financial obligations. This would be on a temporary basis and would be required to be repaid with interest when financial market conditions returned to normal. There would be strict rules, procedures and reporting obligations around this, including:
- Any drawdown must be approved by the Chief Executive Officer on the recommendation of the Group Chief Financial Officer.
 - A report must be provided to the Governing Body as soon as practicable after a drawdown on the justification for accessing the fund.
99. **The Risk:** Council has never had to draw on standby facilities since inception. It would also not have had to during the global financial crisis or Covid-19 pandemic. Given council's strong credit rating the chances of it having to liquidate part of the AFF to meet our liquidity needs is extremely remote (estimated at less than a 1 in 100 year event). Even in the highly unlikely event of a drawdown, the amount would be repaid and so would not reduce the balance of the Fund.
100. **The Benefit:** It would save between \$1m and \$2m per annum in standby fees (assuming the fund is seeded with AIAL shares proceeds). It would also assist in council's credit rating liquidity assessment especially from Moody's (who prefer liquid assets to standby facilities).

Control/Protection Mechanisms and Structures

Control Mechanisms

101. A range of control mechanisms are available, and they are relatively consistent across all structural options, albeit with different names. Using the right mechanisms ensures that the intentions for the Fund are embedded and followed.
102. Key requirements of the control mechanisms and structures are to provide:
- Enduring protection for the Fund
 - Clear operating parameters / settings (e.g. investment, use of proceeds)
 - Clear roles and accountabilities.



103. The above diagram summarises the roles and responsibilities for governance and control of the Fund.
104. Council's role of Strategic Governance is where the strategies and policies are set and will generally be the same regardless of the operational structure selected.
105. Operational governance oversees the fund operations within the rules set by Strategic governance.
106. The management of the Fund, through an administrator, investment manager and fund managers, will be fundamentally the same for all operational structures.
107. The control mechanisms that would be required to protect the Fund and ensure that intended objectives are met, are as follows:
- An Auckland Future Fund policy to lock in the framework and rules.

- Fund access rules and settings (embedded on day 1). This includes:
 - A Distribution Policy
 - Resilience Funding Policy
 - Liquidity support agreement
 - An updated Self Insurance Policy
- Framework including:
 - Governing Body – Terms Of Reference / committee delegations
 - Constitution / Trust Deed / Terms Of Reference for fund purposes and scope
 - Appointment Policy
 - Management Agreements (administration, investment)
 - Reporting and accountability processes
- Living documents would include a Statement of Investment Policy and Objectives (SIPO) and Statement of Intent (or equivalent)

108. An example of how the above control mechanisms work under a Trust scenario is provided in Appendix F.

Structural Options

109. The consultation document outlined some possibilities regarding the structure of the Fund, including the establishment of a new CCO (e.g., Trust, Company, or Limited Partnership)
110. The below table provides an evaluation of the five structure options against criteria that reflect the overall objectives and other relevant factors:

With the right protections in place, desired outcomes can be achieved under any of the structures considered, with some nuances across specific criteria.

	Option 1 Council restricted fund	Option 2 Trust (CCO)	Option 3 Limited company (CCO)	Option 4 Limited Partnership (CCO)	Option 5 Statutory body
Ability to achieve objectives					
Self-insurance and resilience	✓	✓	✓	✓	✓
Adaptability / flexibility	✓	✓	✓	✓	✓
Providing for liquidity	✓	✓	✓	✓	✓
Long-term potential	✓	✓	✓	✓	✓
Value protection*	Lower Higher	Lower Higher	Lower Higher	Lower Higher	Lower Higher
Wider structural considerations					
Independence**	Lower Higher	Lower Higher	Lower Higher	Lower Higher	Lower Higher
Tax comparability	Unfavourable Favourable	Unfavourable Favourable	Unfavourable Favourable	Unfavourable Favourable	Unfavourable Favourable
Ease of Implementation	Lower Higher	Lower Higher	Lower Higher	Lower Higher	Lower Higher
Cost efficiency***	~\$250k pa	~\$400k pa	~\$400k pa	~\$400k pa	~\$400k pa
Overall evaluation	Favourable from an implementation and tax comparability perspective. Robust internal mechanisms and protections needed to manage operational independence.	Well understood structure that provides independence and stakeholder confidence.	Provides an effective and well understood operational structure, but likely higher tax costs than the status quo and Option 2.	Effective fund structure which is increasingly being used in NZ. Not widely understood or as easy to implement. Other than tax, no apparent upside vs Option 3.	Provides strong legislative protections, but complex, costly and time consuming to implement, with uncertain tax outcomes.

*Value protection can likely be achieved under any structure in varying degrees. The additional structural element associated with an 'incorporated' body does provide slightly more protection given additional steps required to change constitutional documentation and independence/skills/duties of operational governance.

**Independence can be achieved in varying degrees under any structure. A legal construct underpinned by governing legislation, duties and formalised mechanisms for expectation setting provides a stronger foundation to achieve this.

***Based on high level governance and compliance cost assumptions. Does not include day-to-day operational costs. Actual costs will depend on the final design of the Fund, including scale of seed capital, governance, and resourcing arrangements.

Source: AFF Operational Structures 09052024.pdf

111. If AIAL shares are transferred to the Fund, for some structures, any potential gain on sale may be taxed if the share price increases between transfer and sale. This could be mitigated through the timing of transfer or retaining under council's name.
112. From this initial analysis the Limited Company and Limited Partnership structures have no inherent advantages over a Trust. There may be a slight advantage for tax comparability with the Limited Partnership, but this can be relatively easily managed.

Conclusion

113. Options are firstly around the size and seeding of the Fund:

- Both AIAL Shares and Port Lease (option 1)
- Enhanced Status Quo – no Future Fund (option 2)
- Just AIAL Shares (option 3)

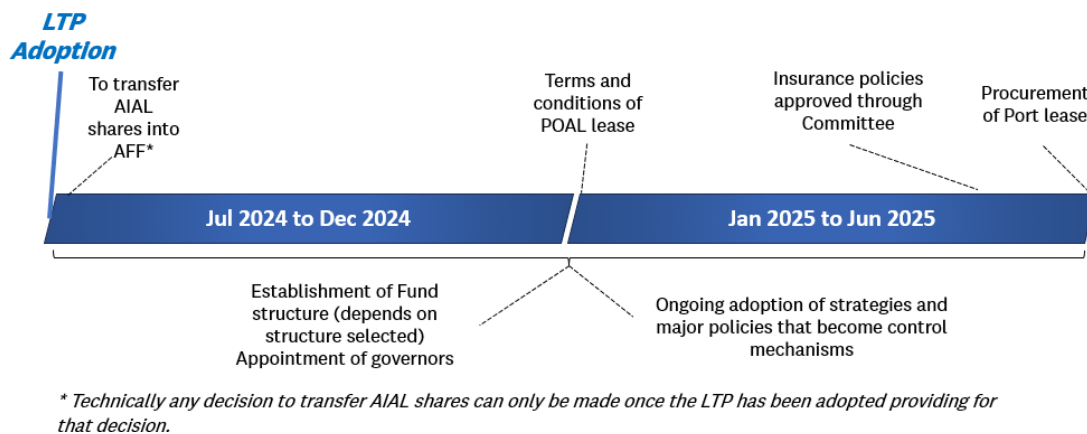
- AIAL Shares and POAL dividends (option 4)
114. If a Fund is created under options 1, 3 or 4, then there are options around any additional uses of the Fund on top of greater cash returns, reduced risk and better long-term financial sustainability. These include:
- Expanding council's current self-insurance to generate additional annual savings.
 - Providing a resilience funding facility
 - Providing a repayable liquidity facility to generate additional annual savings and better position council for future financial shocks.
115. Risk associated with the decision to establish a Fund include that the actual value of the inputs will not be known until council approaches the market (for AIAL share sales and/or a port lease).
116. For the purposes of modelling returns on the Fund, it is assumed that there would be:
- no liquidity drawdowns, as there has been no such example in recent times, and any such drawdown would have to be repaid as soon as practicable.
 - no resilience payments, as there would be quite an onerous threshold for such extreme events which are not expected to occur often.
 - no additional insurance claims beyond current levels, as claims up to a \$10m deductible are already budgeted for, and events above this level have only occurred once in recent times.
117. Should either of the latter two occur this could materially impact on the Fund's balance.
118. While there is a focus on the rating impact over the next 10 years, should the proceeds of a Port lease be put into a Fund, at the end of 35 years control reverts to Council, and it still has the Fund balance to use.
119. Protecting the fund and capitalising it sufficiently are key to enabling the outcomes.
120. Governance of the Fund will operate at two distinct levels:
- Strategic governance will be provided by Council through the adoption of key strategies and policies to set expectations and instruct the Fund operation.
 - Operational governance will be provided by the selected Operational Structure, which can be Trustees, Directors, Council Steering Group, etc.
121. The division of governance responsibilities will be set by Council, in accordance with any relevant legislation (e.g. Trust Act, Companies Act, Local Government Act, etc)

122. The options have been assessed as shown in the table below:

	Option 1 Auckland Future Fund with AIAL and port lease	Option 2 Enhanced Status Quo	Option 3 Auckland Future Fund with AIAL	Option 4 Auckland Future fund with AIAL shares and POAL dividends
Protecting assets	✓+ Base case dividends set at level to maintain real asset growth.	✓ Limited levers to ensure value is protected.	✓+ Base case dividends set at level to maintain real asset growth.	✓✓ Reinvestment of dividends provides for growth exceeding inflation
Self-insurance / resilience	✓✓ Greater ability to absorb shocks, albeit changes to fund value or dividends may be needed.	✗ Low portfolio liquidity and ability to use asset value to self-insure	✓ Limited ability to self-insure against larger shocks without impacting fund value and future dividends	✓ Limited ability to self-insure against larger shocks without impacting fund value and future dividends
Enhanced cash returns	✓✓ Potential for improved returns	✓ AIAL / POAL dividends received	✓✓✓ Potential for greatest returns	✗ Lower cash returns than status quo due to reinvestment of POAL dividends
Diversification	✓✓✓ Full asset value / proceeds reinvested in diversified investment portfolio	✗ Concentrated investment exposure/ risk.	✓✓ Reinvestment of AIAL proceeds in a diversified investment portfolio	✓✓ Reinvestment of AIAL proceeds in a diversified investment portfolio
Flexibility	✓✓✓ Larger scale provides greater flexibility to balance financial objectives.	✓ Limited ability to rebalance assets to reflect changing community needs.	✓✓ Fund expected to enable timely response to changing community needs and market conditions.	✓✓ Fund expected to enable timely response to changing community needs and market conditions.
Strategic outcomes	✓✓✓ Strategic outcomes for airport maintained through other means Strategic outcomes for port improved	✓✓ Strategic outcomes continue to be delivered	✓✓ Strategic outcomes for airport maintained through other means Outcomes for port maintained	✓✓ Strategic outcomes for airport maintained through other means Outcomes for port maintained
Projected financial contribution (10 years)	\$1.77 billion	\$1.42 billion	\$1.94 billion	\$1.06 billion

Further detail on the financial components of these options can be found at **Appendix E**

123. While certain decisions could be made as part of the LTP process, there are several that can only be made subsequent to the LTP process, dependent on what is first decided. The below diagram shows the key subsequent decisions and an indication of possible timing:



In conclusion, the following are the key decision points:

1. Establish and seed the Fund

- If to be established, then the Fund will need to have at least the AIAL shares transferred in to give it any scale.

2. Determine Uses of the Fund

- The Fund would be used primarily to make distributions to council to fund operations. It could also be used for resilience, self-insurance and/or liquidity purposes.

3. Choose Controls and Structure of the Fund

- The Restricted Fund, Trust or Statutory Entity structures could all be used with the right control mechanisms implemented. A Limited Partnership and Limited Company have no real advantages over a Trust and so can be disregarded.

Council group impacts and views guidance

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

- Group Chief Financial Office
- Chief Planning Office
- CCO / External Partnerships
- Legal Projects and Transactions

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

Appendices

No	Titlte
A	Insurance
B	Procurement of a Port Operator for the Port Lease
C	Subsequent Decisions on Port Lease
D	Controls for the Port Lease
E	Financial Implications of Options for the Fund (detailed components)
F	Example of control mechanisms under a Trust Structure
G	Distribution of Nominal Returns

Appendix A: Current Insurance Cover

- Council has a broad range of insurance policies covering physical damage/loss and liability risks:
 - Physical damage/loss: e.g., above ground general property; below ground general property; fine arts, electric trains, motor vehicles, travel, contract works.
 - Liability: e.g., general liability, professional indemnity, employer's/directors'/officers' liability.
- There are a wide variety of deductibles and limits (depending on the risk).
- The current Self-Insurance Fund (SIF) has assets of \$59m, covering some policies.
 - Policies not covered by the SIF includes motor vehicles, travel, directors' and officers' liability, and contract works.
 - For those other policies that are included, full coverage is up to a maximum of \$10m.

Any proposed material changes to insurance cover are presented to the Audit & Risk Committee, and the Revenue, Expenditure and Value Committee approves the placement of annual policies.

Insurance Claim History

- A total of 2700 claims were made over 13 years for all types of material damage including weather events, criminal activity and accidents. Half of all claims occurred in the past 5 years.
- Of those, 75% occurred in 2023 and 65% relate to either January 27th or Cyclone Gabrielle events.
- To date*, only two claims have exceeded our current deductible:

Should the Fund be used for wider self-insurance purposes, Council will need to confirm whether it needs to be registered as an insurer or not. This will depend on the nature of the fund including whether premiums are charged, and claim payouts are discretionary. If deemed to be an insurer this will place additional administration and regulatory responsibilities onto Council.

Appendix B: Procurement of a Port Operator under a Lease

- The procurement of a Port operator by way of a lease will require decisions to be made on approach, choosing from the following options:
 - Direct source – entering into negotiation with a single supplier for the provision of services.
 - Closed request for proposal – requesting response from a limited number of respondents who would be selected by Auckland Council. Note that this process may follow an Expression of Interest phase where council first identifies interested parties and assesses their suitability.
 - Open request for proposal – where a Request for Proposal is published online, with no limitations on who can respond.
- As with any procurement process, council will first need to clearly determine and articulate what is important in this procurement event and from this set criteria and relevant weightings against which proposals will be assessed.

Appendix C: Subsequent Decisions dependent on Port Lease being approved

- Depending on the decision around whether to lease out the port operation, there may be two subsequent decisions to make, which were included in the Consultation

Document:

- POAL Land ownership
 - POAL Shareholding
- Three options were provided around whether land ownership should change:
 - POAL continues to own the land.
 - Land ownership transfers to Eke Panuku or a new entity within the council group.
 - Land ownership transfers to council.
- **Three similar** options were provided around whether shareholding in POAL should change:
 - No change to PAL shareholding.
 - Shareholding transfers to Eke Panuku or a new entity within the council group.
 - Disestablish POAL and cancel the shares.

Appendix D: Controls for the port lease

- These controls will address “what” happens at the port if a Lessee is operating the port. The controls can be shareholder levers under current POAL operations scenario but would need to be contractual in the event of a lease.
- Shareholder controls
 - Not as precise, subject to PCA, but fairly flexible
 - Remedies are corporate – Board removals.
- Contractual controls (in the lease)
 - Can be precise, any topic, but need to think ahead.
 - Remedies are contractual – Step-in, damages, specific performance.

Either way, controls should be balanced and appropriate (affects returns)

- The lease should have escalation procedures, major approval gateways, integration plans and end of lease conditions.
- Lease agreement terms are equally important, and should address:
 - Land ownership – this should remain with council group.
 - Operating terms that cover:
 - **Quality:** Workforce, H&S, environment, performance standards
 - **Scope:** Ceasing “dirty, dusty” trades, regulation of port prices and access, no reclamation
 - **Investment:** efficient operations on a smaller footprint, better road / rail outcomes, business growth / jobs

Appendix E: Financial Implications of Options

Option 1: Auckland Future Fund with AIAL and port lease

\$ million	FY25	FY26	FY27	FY 28	FY 29	FY 30	FY31	FY32	FY33	FY34	Total
Projected gross AFF return	47	246	251	256	261	267	272	277	283	289	2,450
Less: reinvestment into fund	(13)	(68)	(69)	(71)	(72)	(74)	(75)	(77)	(78)	(80)	(677)
Net fund proceeds	34	178	182	186	189	193	197	201	205	209	1,773
Plus: Reduction in insurance premiums	0	10	10	10	11	11	11	11	11	12	98
Plus: Other net savings	(1)	2	2	2	2	2	2	2	2	2	14
Plus: POAL projected profit	70										70
Plus: Projected AIAL dividends	11										11
Less: Interest costs on retained port debt	0	(20)	(20)	(20)	(21)	(22)	(22)	(22)	(23)	(23)	(192)
Projected financial contribution	114	170	174	177	181	184	188	191	195	199	1,773

Option 2. Enhanced Status Quo

\$ million	FY25	FY26	FY27	FY 28	FY 29	FY 30	FY31	FY32	FY33	FY34	Total
Projected AIAL dividends	23	26	28	30	30	31	32	32	33	33	299
POAL projected profit	70	93	110	114	117	119	121	124	126	129	1,123
Projected financial contribution	93	119	138	144	147	150	153	156	159	162	1,422

Option 3. Auckland Future Fund with AIAL Shares

\$ million	FY25	FY26	FY27	FY 28	FY 29	FY 30	FY31	FY32	FY33	FY34	Total
Projected gross AFF return	47	94	96	98	100	102	104	106	108	111	967
Less: reinvestment into fund	(13)	(26)	(27)	(27)	(28)	(28)	(29)	(29)	(30)	(31)	(267)
Net fund proceeds	34	68	70	71	72	74	75	77	78	80	700
Plus: Reduction in insurance premiums	0	10	10	10	11	11	11	11	11	12	98
Plus: Other net savings	(1)	1	1	1	1	1	1	1	1	1	5
Plus: Projected AIAL dividends	11										11
Plus: POAL projected profit	70	93	110	114	117	119	121	124	126	129	1,123
Projected financial contribution	114	172	190	196	201	204	208	213	217	221	1,936

Option 4. Auckland Future Fund with AIAL Shares and POAL Dividends

\$ million	FY25	FY26	FY27	FY 28	FY 29	FY 30	FY31	FY32	FY33	FY34	Total
Projected gross AFF return	47	99	108	118	129	140	151	163	175	188	1,319
Less: reinvestment into fund	(13)	(27)	(30)	(33)	(36)	(39)	(42)	(45)	(48)	(52)	(364)
Net fund proceeds	34	72	78	86	93	101	110	118	127	136	955
Plus: Reduction in insurance premiums	0	10	10	10	11	11	11	11	11	12	98
Plus: Other net savings	(1)	1	1	1	1	1	1	1	1	1	5
Projected financial contribution	33	83	89	97	104	113	121	130	139	148	1,057

Appendix F:. Protecting the Future Fund - Trust Model

The protection for a non-statutory trust model for the Auckland Future Fund rests on three pillars:

1. Strategic Asset: AFF Policy in the LTP protecting the fund as strategic asset:
 - Any transactions **outside** the permitted fund rules would always trigger LTP amendment process.
 - Permitted transactions under the rules would be “within” the LTP already and not trigger LTP amendment process.
2. Fund Rules: Clear rules for the investment and use of fund assets:
 - Investment objectives under the Trust Deed, and SIPO (which can be amended from time to time in response to the SOI).
 - Rules and processes for **permitted** distributions, resilience support, liquidity and self-insurance (as applicable).
 - Discretions for trustees, escalation where GB approval required, and scope for variation of operational practice.
3. Trust Deed: Separate legal status for the trust (as substantive CCO with corporate trustee) ensuring:
 - Independent trustee / directors (not elected members).
 - Duties under the Trusts Act 2019 to support the prudent stewardship of trust assets.
 - Compliance with the Fund Rules.
 - A separate identity and “Auckland” voice for the Fund.
4. Taken together, the Fund would be established under clear “Day 1” rules and principles, with sufficient built-in flexibility so that LTP variation would only be triggered if GB sought to disestablish the trust. The strong institutional framework for the fund (including its Rules and the Trust Deed) would mean that any attempt to disestablish it or take funds other than as permitted would have to be approached very carefully and with strong public support. The trust structure also means the trustees might seek High Court orders before acquiescing in any attempted disestablishment of the trust.

5. The Fund Rules could have the following features under either the trust or restricted fund model (with necessary adjustment):

- Distributions:
 - 3-year rolling forecasts by trustees for budgeting purposes (in the LTP cycle).
 - Annual distributions paid from income (to ensure taxation at council beneficiary level).
 - Maintain capital value of the fund over time (may require benchmarking).
- Resilience: Three step process to validate and approve resilience payments from the fund's capital:
 - GB making resilience funding request on “resilience event” occurring (as defined in Trust Deed).
 - Trustees assessing the request and testing that other funding options exhausted.
 - Trustees referring back to GB for a specified consultation process (set out in the Trust Deed and Fund Policy).
- Liquidity: Facility agreement entered into on Day 1:
 - Standby facility provided without annual charge in consideration of council vesting the funds in trust.
 - Drawdowns (including interest and security) on arms-length terms.
- Self-Insurance:
 - Defined “insured” events, excesses and caps (annual or aggregate).
 - Optional premiums paid into the fund.
 - Implemented as a “contract” between council and the trust on Day 1, OR have the fund owned within council but managed by the trust.

Appendix G: Distribution of nominal returns to be expected in any one year.

	Expected Return	Summary
10 th	-6.44%	90% of the time you could expect returns above -6.44%
20 th	-1.37%	80% of the time you could expect returns above -1.37%
25 th	0.44%	75% of the time you could expect returns above 0.44%
33 rd	2.98%	66% of the time you could expect returns above 2.98%
50 th	7.64%	50% of the time you could expect returns above 7.64%
66 th	11.83%	33% of the time you could expect returns above 11.83%
75 th	14.46%	25% of the time you could expect returns above 14.46%
80 th	16.15%	20% of the time you could expect returns above 16.15%
90 th	20.66%	10% of the time you could expect returns above 20.66%

Source: Russell Investments strategic planning assumptions as of December 2023. This material has been compiled from sources considered to be reliable but is not guaranteed. Returns assume no alpha and no tax. Opinions and estimates offered constitute Russell Investments' judgment and are subject to change without notice. Please note forecasted return, risk, and correlation is based on assumptions. Expected returns employ proprietary projections of the returns of each asset class. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve. Asset classes are broad general categories which may or may not correspond well to specific products.

Attachment G: North Harbour Stadium Precinct

Purpose

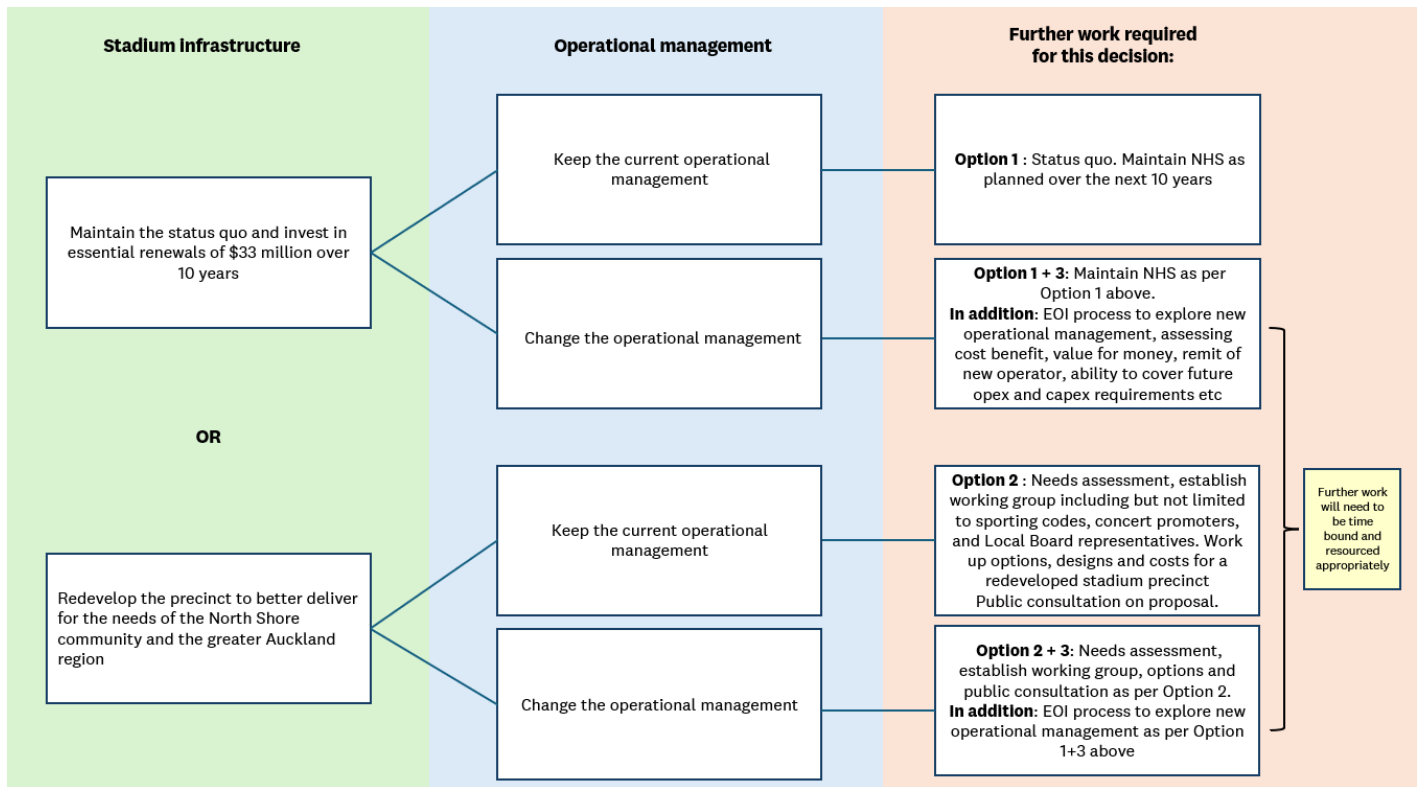
- 1. To provide context to, and advice, on Long-Term Plan discussions related to North Harbour Stadium Precinct (NHS)

Recommendations

Not requested

Likely decision

Nearly all options (with the exception of option 1 status quo) will require **further work**, needs analysis, engagement and advice before a full assessment against critical success factors (such as strategic alignment, community needs, value for money, affordability and achievability) can be completed. Only at that point can final decisions be made. This further work will need to be **time-bound** and **resourced** appropriately.



Consultation material

Information relating to the North Harbour Stadium precinct proposal can be found on page 104 of the Consultation Document. Further detail is included from page 652 onwards in the Supporting Information.

The following question was included in the consultation material relating to the North Harbour Stadium precinct:

North Harbour stadium

► Further information on each option can be found on page 104 of the consultation document.

In response to future investment needs of North Harbour Stadium, we are considering options for the future of the stadium precinct.

We could keep the stadium precinct as it is now, and maintain it at a cost of \$33 million over 10 years. Or, we could redevelop the stadium precinct to better deliver for the needs of the North Shore community, funded through reallocation of this \$33 million, the sale of some stadium precinct land while retaining the existing community playing fields and any other external funding available.

Another option is to change the operational management of the stadium to ensure greater use by the community. Changes to operational management can be considered in addition to either Option 1 or Option 2.

3. Which options do you support for the North Harbour Stadium?

(Please select one or more options)

☐ Keep the stadium precinct as it is

☐ Consider redeveloping the stadium precinct

☐ Change the operational management

☐ Other

☐ I don't know

Tell us why:

Context and new developments

Tātaki Auckland Unlimited (TAU) owns and operates the North Harbour Stadium precinct (all land, and a majority of the buildings), including maintenance and management of the community fields known as the domain fields. A portion of the site is leased to Auckland Council at \$1 per annum on demand for the Albany Stadium Pool. The pool facility is owned and operated by Auckland Council. For a detailed precinct map, refer to **Appendix 1**.

For a timeline of the NHS precinct from 1997 to present day, including governance, financial history, and notable events and attendances refer to **Appendix 2**.

As evidenced in Appendix 2, annual attendance at sports matches and concerts was steadily declining at NHS prior to the transfer of NHS to RFA. Attendance at events in the year after the stadium opened in 1997 was more than 230,000, but by 2014, when the facility was transferred to RFA, this had declined to less than 90,000 each year.

Auckland Stadiums, a division of TAU, manages its finances and meets its statutory reporting requirements on an aggregate basis – so profit and loss (P&L) accounts are produced at a business unit level, and detailed financial statements are not produced for the individual stadiums managed by TAU. However, to assist council's Long-Term Plan process this year, TAU prepared one-off P&L statements for each stadium for the 2022/23 financial year. For a comparison table of TAU stadiums P&L information for the 2022/23 financial year refer to **Appendix 3**.

Strategic case for consultation

North Harbour Stadium is the **least utilised facility** in Auckland's outdoor stadium network (see LTP supporting information [pg 656](#)). In its current state the facility **does not meet the needs** of its hirers, commercial event promoters or its community (supporting information [pg 655](#)).

For these reasons, of the three stadiums owned and operated by TAU, NHS requires the **highest level of public subsidy** to operate (\$35.68 per person). In the financial year 2022/23, the precinct made an operating loss of \$2.65 million.

To maintain the status quo at NHS, capital investment of \$33 million is required over the next 10 years – in addition to the continued subsidy required to cover forecast ongoing operating losses.

Investment objectives

In considering options for final decision-making the following objectives should be met:

Provide a service which serves and meets the needs of the community
Improve utilisation of the stadium
Reduce the cost to serve and financial impact on ratepayers
North Harbour Stadium precinct is sustainable in the long-term

Alignment with council strategic direction

The independent panel convened to undertake the 2020 Review of Auckland Council's council-controlled organisations stated in its [report](#): "The harsh economic reality is Auckland neither needs nor can afford four stadiums" (pg 28)

Responding to the Mayor's [Letter of Expectation 2023-26](#), TAU in its [Statement of Intent 2023-26](#) commits to "undertaking a significant programme of work to address new and ongoing facility and infrastructural challenges, including improving Auckland's stadium network through better use of the facilities and spending limited capital more wisely". (pg 4). In the Letter of Expectation, TAU is also asked to lead the establishment of a single operator for Auckland's stadiums network on behalf of council. (pg. 3)

The NHS proposal for consultation in Auckland Council's draft 2024-34 Long-term Plan aligns to both TAU's commitment under the Statement of Intent as well as the following sections of the [Direction to Council Group from the Mayor and Councillors](#) Long-term Plan 2024-2034 guidance document from August 2023:

Take back control of Council organisations and Auckland's future (pg. 11)

- Sustainable funding for Sports & Recreation, Cultural & Arts, and Social Services. Mayor Brown: "I also want to consider our long-term stadium venue plan, given the current situation is unsustainable."

Maximise patronage and commercial return of regional facilities. (pg. 31)

- As well as providing entertainment and value as cultural institutions, regional facilities stimulate tourism and economic activity and generate commercial returns. The councillors and the Mayor want to maximize the patronage and commercial viability of these facilities to ensure their value and financial sustainability.

The [Mayoral Proposal for the Long-term Plan 2024-34](#) (pg. 50) released on 1 December 2023 provided further strategic direction:

"I am not convinced that an idea to demolish North Harbour Stadium and sell the land to invest in other stadium assets would have community support, so I do not think it should proceed any further.

But something has to be done. The current stadium has become a white elephant. Looking at the use and utilisation history of the North Harbour Stadium makes sobering reading. It requires \$33 million over the LTP to keep it in usable condition and will lose money each year we operate and manage it. Even the current users want something else.

I do not propose to make new regional funding available to upgrade the stadium to make it fit for purpose. That is not realistic in our current financial situation."

Previous advice

TAU continues to progress the proposed **single operator for Auckland's outdoor stadium network**. As per TAU's Quarter 2 report for FY2023/24, the timing of this work has been impacted by the process undertaken by the council political working group on stadiums, which is currently considering options for a 'main stadium' in Auckland. TAU will further progress discussions on a single operator for the region following the conclusion of the 'main stadium' expression of interest process.

New advice

See analysis of Options 1 - 3 below

Summary of feedback

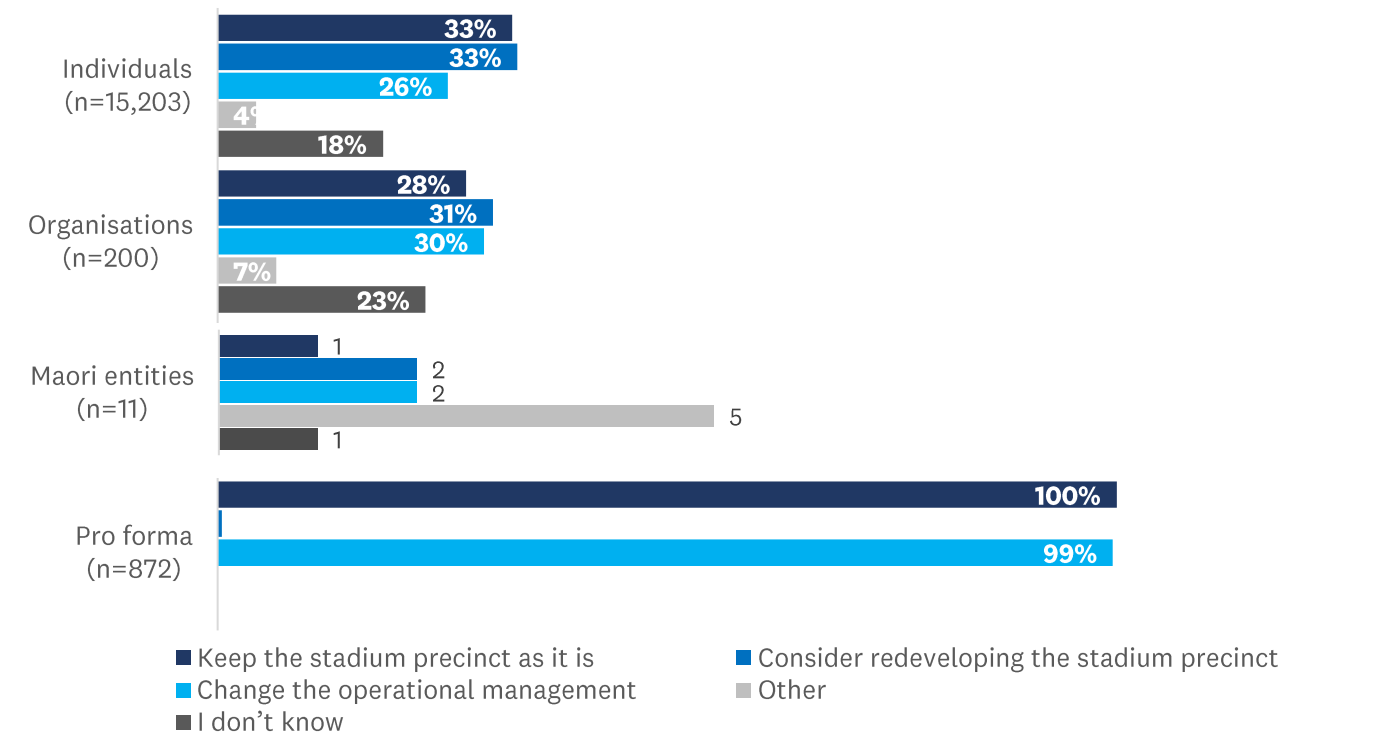
Note, the below has been extracted from the Summary of Feedback report on consultation results for the Long-term Plan 2024-2034 that is publicly available [here](#). A further request was made by some councillors to receive a view of the feedback results that reports what has been identified below as proforma response with individual responses. This has been provided separately and can be found on Nexus here.

Which options do you support for the North Harbour Stadium?

- ☐ **Keep the stadium precinct as it is**
- ☐ **Consider redeveloping the stadium precinct**
- ☐ **Change the operational management**
- ☐ **Other**
- ☐ **I don't know**

Note that for this question, submitters were able to select more than one option with the following exceptions: a) they could not select both 'keep the stadium precinct as it is' and 'consider redeveloping the stadium', and b) they could not select 'I don't know' and any other option.

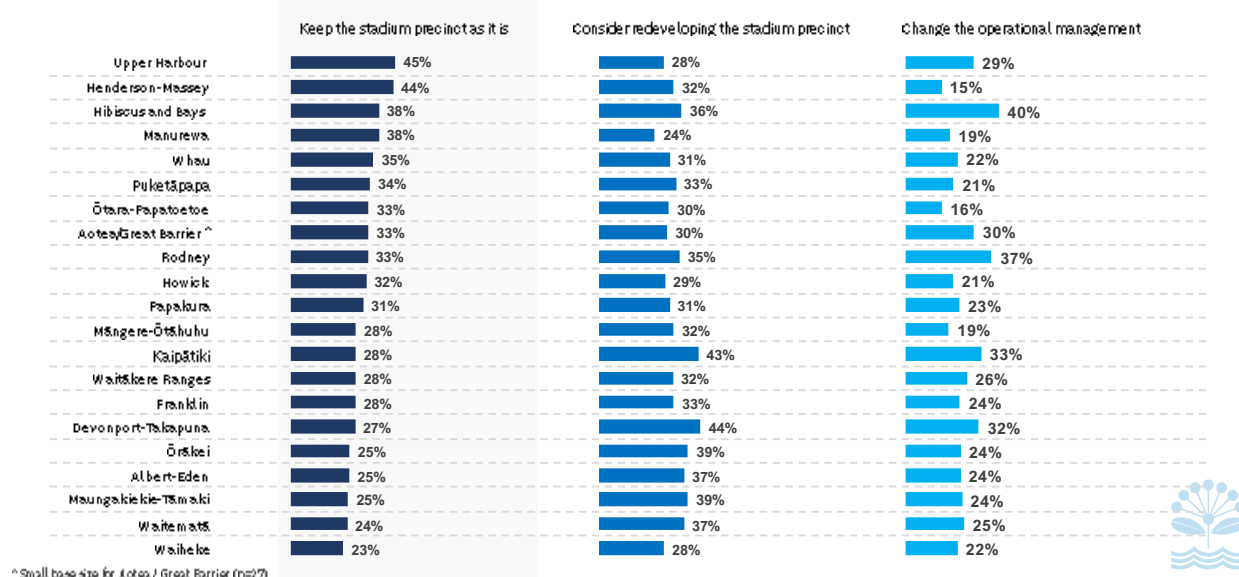
Therefore, percentages may add to more than 100 per cent. Percentages represent the number of times an option was selected, divided by the number of submitters on this topic.



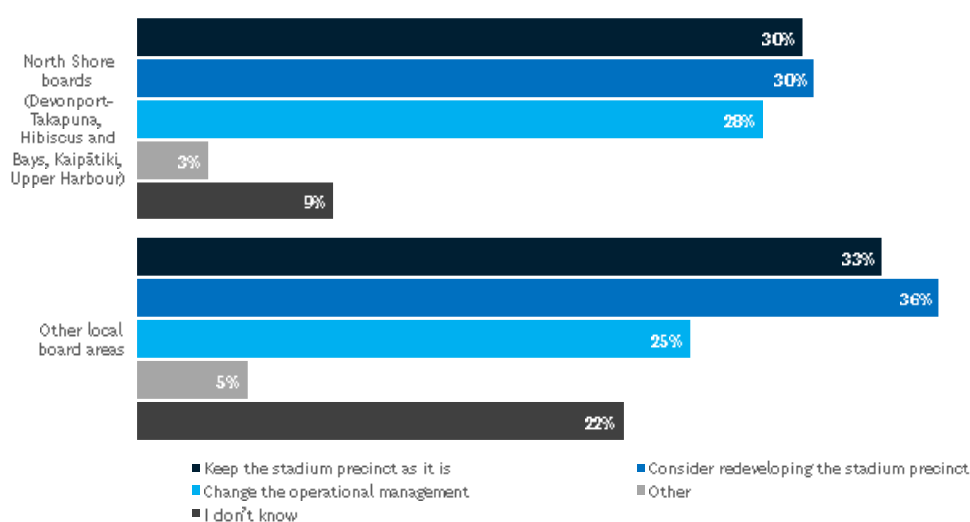
	Individuals	Organisations	Maori entities	Pro forma
Keep the stadium precinct as it is	4,958	55	1	868
Consider redeveloping the stadium precinct	5,042	61	2	4
Change the operational management	3,877	59	2	864
Other	649	13	5	0
I don't know	2,787	46	1	0
NOTE: CELLS CAN NOT BE ADDED TO OBTAIN THE TOTAL, AS SUBMITTERS COULD MAKE MORE THAN ONE SELECTION				

Total submitters	15,203	200	11	872
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Q3 North Harbour stadium by local board (individuals)



Q3 North Harbour stadium by North Shore local boards and all others (individuals)



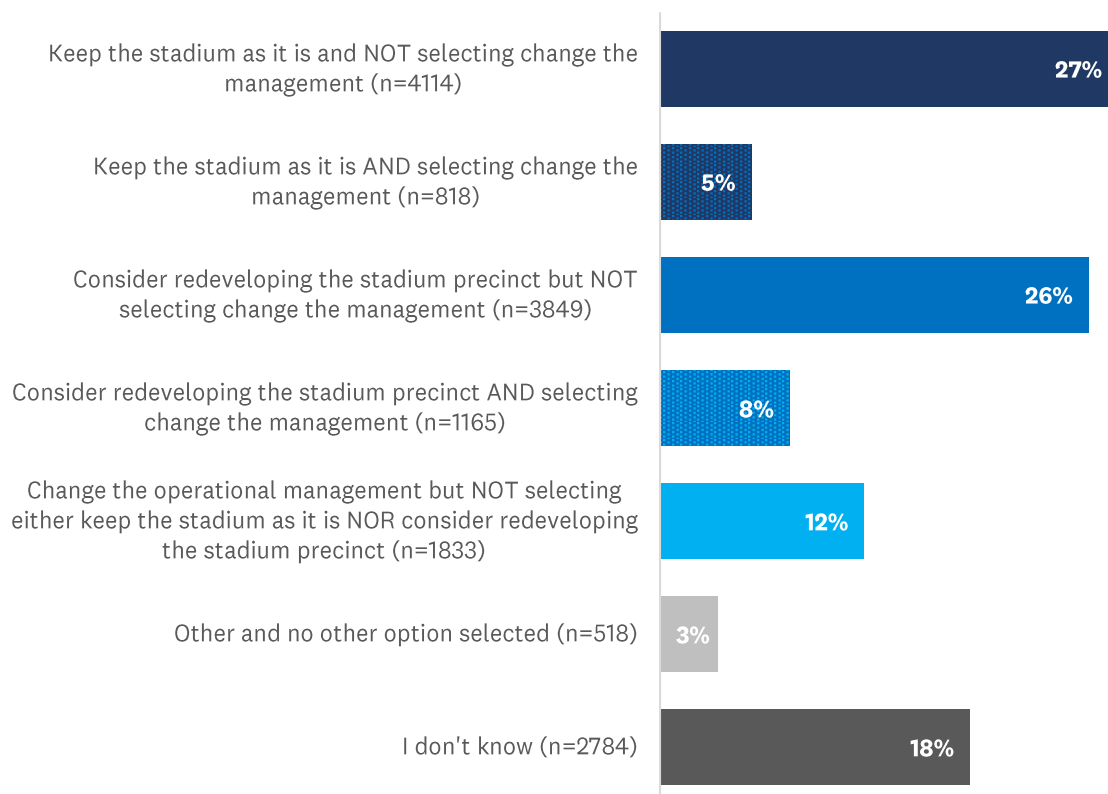
North Harbour Stadium response combinations

As submitters could choose more than one option for this question, we also show in the figure below common combinations of responses for individual submitters. This shows:

- The most common response to this proposal among individual submitters was selecting only 'Keep the stadium as it is' at 27 per cent
- The second most common response to this proposal was selecting only 'Consider redeveloping the stadium precinct' at 26 per cent
- The third most common response to this proposal was selecting 'I don't know' at 18 per cent (which could not be selected in combination with any other option)

- The most common combination of responses was selecting both ‘Consider redeveloping the stadium precinct’ and ‘Change the operational management’ at 8 per cent.

Common response selections for North Harbour Stadium proposal Long-term Plan 2024-2034 consultation feedback



Note: 1) The above shows six common option selections (including combinations) from a total of 12 possible. The five combinations not broken out separately in the above are combinations including ‘other’ which in total made up approximately one per cent of all submissions. 2) The above excludes 113 pieces of feedback from local events that were not on a feedback form as in this case the individual selections from one individual cannot be cross-referenced to identify combinations.

Organisations (not individuals) connected with the NHS precinct (as either main hirer or tenant) provided feedback as part of the Long-term Plan 2024-34 public consultation at Regional Organisations Have Your Say events or via written submissions. For a summary of this specific feedback (as requested through Elected Member Survey) refer to **Appendix 4**.

Subsequent to the Budget Committee workshop on 6 May, the Local Board resolutions on NHS have been collated and are added to this report at **Appendix 5**.

Options

A full description of each option is available in the Long-term Plan 2024-34 Supporting Information [pgs 659 - 662](#)

Under all options:

- **No demolition** of the stadium and sale of the entire precinct land
- There **will be** a stadium facility for the North Shore
- **Retention** of existing community playing fields capacity
- **No impact** on existing Albany Stadium Pool

Options for consideration are as follows:

Option 1

Keep the stadium precinct as it is with operational management retained by Tātaki Auckland Unlimited

Option 1 + 3

Keep the stadium precinct as it is and change the operational management

Option 2

Consider redeveloping the stadium precinct

Option 2 + 3

Consider redeveloping the stadium precinct and change the operational management

Options analysis

Options comparison table

	Option 1	Option 1 + 3	Option 2	Option 2+3
Details	<ul style="list-style-type: none"> No changes made to the precinct Stadium remains part of the regional network Stadium capacity unchanged at 14k (sports) and 25-30k (concerts) Existing conference facilities retained TAU continues to work with event promoters, sporting codes and community hirers to ascertain what can be done to enable further bookings, finding ways to make the precinct more attractive within current budgetary constraints without increasing costs for users 	<ul style="list-style-type: none"> No changes made to the precinct Stadium remains part of the regional network depending on operational model Stadium capacity unchanged at 14k (sports) and 25-30k (concerts) Existing conference facilities retained TAU Trust retains ownership of the site, however: Day-to-day operational management of the unchanged precinct would be managed differently Options for a different operator are a continuum from: <ul style="list-style-type: none"> Council operates the NHS precinct as a community facility A future single operator of Auckland's outdoor stadium network (SOSA) operates the precinct 	<ul style="list-style-type: none"> Requires consideration of a wide range of possibilities for a fit for purpose stadium. First step is conducting a needs assessment to validate requirements and how they might be realised. To arrive at the most suitable solution for the North Shore, a working group including the local community and stadium stakeholders should then be established to develop options, design and costs for a redeveloped NHS precinct This work should be time-bound and will require resources to undertake TAU continues to own and operate the stadium, booking events and undertaking essential maintenance of retained infrastructure (and maintenance and upgrades of the community fields) while the proposed design is being developed 	<ul style="list-style-type: none"> Requires consideration of a wide range of possibilities for a fit for purpose stadium, a needs assessment and establishment of a working group to develop options, design and costs as per Option 2 TAU continues to own and operate the stadium, booking events and undertaking essential maintenance as per Option 2 until the stadium is redeveloped Once the redeveloped stadium precinct is further progressed, day-to-day operational management of the redeveloped precinct would be managed differently. Options for a different operator are a continuum as per Option 1+3

	Option 1	Option 1 + 3	Option 2	Option 2+3
		<ul style="list-style-type: none"> Council operates the community sports fields while TAU operates the stadium facility Council operates the community sports fields while a third party (community trust or commercial entity) operates the stadium facility Management of the NHS precinct is outsourced entirely to a third party (community trust or commercial entity) 		
Strategic:				
Advantages	<ul style="list-style-type: none"> A stadium facility is retained for the North Shore 	<p>As per Option 1</p> <p>PLUS:</p> <ul style="list-style-type: none"> A different operator may be able to leverage new opportunities. 	<ul style="list-style-type: none"> The North Shore community will have a fit for purpose facility that meets the needs of those who use it Opportunity to incorporate other community service provision more broadly as part of an integrated plan, identified through Local Board plans and priorities for the North Shore 	<p>As per Option 2</p> <p>PLUS:</p> <ul style="list-style-type: none"> A different operator may be able to leverage new opportunities.

	Option 1	Option 1 + 3	Option 2	Option 2+3
Disadvantages	<ul style="list-style-type: none"> No substantial upgrades to the precinct, only ongoing maintenance to maintain current standards <p>RISKS:</p> <ul style="list-style-type: none"> Funding does not include provision for major improvements (e.g. seating or lighting) or to replace seating removed in 2019 	<ul style="list-style-type: none"> As per Option 1 <p>PLUS:</p> <p>RISKS:</p> <ul style="list-style-type: none"> A different operator is unable to attract sufficient commercial events to make NHS financially viable, with council facing the same problem again within a few years Council group required to continue funding maintenance of community fields, as it is likely this cost would be a barrier to a new operator becoming involved in NHS An different operator undermines council's strategic direction to establish a single operator for regional stadiums in Auckland. A different operator may not prioritise alignment across the stadium network 	<ul style="list-style-type: none"> Additional funding required will most likely need to be secured from an external source – either private funding or through the sale of land not required for the redeveloped precinct The process of undertaking further work will take time, and require resources. This work should be time-bound and be adequately resourced Construction works will lead to some interruption of service <p>RISKS:</p> <ul style="list-style-type: none"> Even with a fit for purpose stadium, NHS is not a preferred venue for event organisers and promoters in Auckland and continues to operate at a cost to the ratepayer. This risk must be mitigated at business case stage through physical design and operating model development. 	<ul style="list-style-type: none"> As per Option 2, <p>PLUS:</p> <p>RISKS:</p> <ul style="list-style-type: none"> Council group required to continue funding maintenance of community fields, as it is likely this cost would be a barrier to a new operator becoming involved in NHS

Financial	<ul style="list-style-type: none"> Capital costs of \$33m are funded through the Long-term Plan. <p>RISKS:</p> <ul style="list-style-type: none"> Risk that utilisation will continue to decrease whilst net operating losses continue / increase 	<ul style="list-style-type: none"> Capital costs of \$33m are funded through the Long-term Plan. It is expected that a third party operator would largely meet operational costs and some capital costs through the stadium's operational model, reducing reliance on the ratepayer to subsidise operational losses 	<ul style="list-style-type: none"> Capital costs of \$33m would fund: 1) essential maintenance of retained infrastructure, maintenance and upgrades of the community fields and 2) the community led redevelopment of the stadium precinct It is likely that the cost of a proposed new design would exceed the \$33m available and, subject to business case approval, additional solutions will be required This could come from a public-private partnership or the sale of some precinct land that is not required as per the redevelopment plans. <p>RISKS:</p> <ul style="list-style-type: none"> There is inherent risk in being able to secure third party funding 	<ul style="list-style-type: none"> As per Option 2 <p>PLUS:</p> <ul style="list-style-type: none"> It is expected that a third party operator would largely meet operational costs and some capital costs through the stadium's operating model, reducing reliance on the ratepayer to subsidise operational losses
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Implementation / Further work required	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Conduct benchmarking analysis to assess current operational performance before considering alternatives and issuing EOI • Ascertain the implications of the proposed single operator for Auckland's regional stadiums on the optimal operational management of NHS • Ascertain the new management model using council's Value for Money framework. Considerations include: <ul style="list-style-type: none"> • An expressions of interest process to attract interested operators • Assess operator capacity and capability • Assess cost benefit of a different operator • Establish the remit of a different operator • Establish ability of the operator to cover future Opex requirements for the site • Seek Governing Body endorsement / decisions as required 	<ul style="list-style-type: none"> • First step is needs assessment to validate requirements and how they might be realised. • Establish working group including but not limited to sporting codes, concert promoters, community representatives and local boards • Work up options, designs and costs for a redeveloped stadium precinct, building on work already in existence i.e. Local Board plans and priorities for the North Shore, and consulting widely to ensure that any proposed design is fit for purpose and cost effective to use and operate. • Present proposal for feedback in a public consultation process • Secure additional funding required (if necessary) • Seek Governing Body endorsement / decisions as required • Proceed with construction of the approved design 	<ul style="list-style-type: none"> • First step is as per Option 2 <p>THEN</p> <ul style="list-style-type: none"> • As per Option 1 + 3
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Options assessment table

Investment objectives	Option 1	Option 1 + 3	Option 2	Option 2+3
Provide a service which serves and meets the needs of the community	<p>Low</p> <p>The North Shore will continue not to have a stadium facility that is suitable to the needs of the sports organisations that use it, or promoters who could potentially use it</p>	<p>Low</p> <p>The North Shore will continue not to have a stadium facility that is suitable to the needs of the sports organisations that use it, or promoters who could potentially use it</p>	<p>High</p> <p>Embedding community engagement in the needs assessment and design process will ensure that the redeveloped facility can serve the needs of the community as well as commercial activity</p>	<p>High</p> <p>Embedding community engagement in the needs assessment and design process will ensure that the redeveloped facility can serve the needs of the community as well as commercial activity</p>
Improve utilisation of the stadium	<p>Low</p> <p>There is no indication that retaining the status quo will slow the trend of declining event utilisation of the stadium</p>	<p>Moderate</p> <p>There is no indication that retaining the status quo will slow the trend of declining event utilisation of the stadium, however a different operator may be able to leverage new opportunities. The EOI to explore different operators would include this factor in selection criteria</p>	<p>High</p> <p>A fit for purpose precinct can deliver on the requirements of those who use it, and those who could potentially use it</p> <p>Considering how NHS is part of an integrated community hub could further increase utilisation of the site by the community</p>	<p>High</p> <p>A fit for purpose precinct can deliver on the requirements of those who use it, and those who could potentially use it</p> <p>Considering how NHS is part of an integrated community hub could further increase utilisation of the site by the community</p> <p>A different operator may be able to leverage new opportunities. The EOI to explore different operators would include this factor in selection criteria</p>

<p>Reduce the cost to serve and financial impact on ratepayers</p>	<p>Low</p> <p>Ratepayers will continue to fund capital maintenance and subsidise operational losses</p>	<p>Moderate</p> <p>It is expected that a third party operator would largely meet operational costs and some capital costs through the stadium's operating model. The EOI to explore different operators would be designed to ensure sufficient Opex and Capex costs can be met by the operator</p> <p>Ratepayers may be required to continue to fund some operational costs and capital maintenance</p>	<p>Moderate</p> <p>NHS can be designed in a manner that reduces capital funding requirements for renewals, supports greater commercial utilisation and therefore leads to a reduction in the level of ratepayer subsidy required</p> <p>Ratepayers will continue to fund capital maintenance and any operational losses</p>	<p>High</p> <p>NHS can be designed in a manner that reduces capital funding requirements for renewals, supports greater commercial utilisation and therefore leads to a reduction in the level of ratepayer subsidy required</p> <p>It is expected that a third party operator would largely meet operational costs and some capital costs through the stadium's operation model. The EOI to explore different operators would be designed to ensure sufficient Opex and Capex costs can be met by the operator</p> <p>Ratepayers may be required to continue to fund some operational costs and capital maintenance</p>
<p>North Harbour Stadium precinct is sustainable in the long term</p>	<p>Low</p> <p>Maintaining the status quo does not introduce any changes which could lead to the improved long term sustainability of NHS</p>	<p>Moderate</p> <p>Securing new event activity for Auckland at NHS would contribute to the long term sustainability of the precinct. If this does not occur, council is likely to face the same problem again within a few years</p>	<p>High</p> <p>Further needs assessment and consultation is required under Option 2 to determine how the NHS precinct can best serve the needs of the community. Long term sustainability is a critical success factor for any future new operating model and designs</p>	<p>High</p> <p>Further needs assessment and consultation is required under Option 2 to determine how the NHS precinct can best serve the needs of the community. Long term sustainability is a critical success factor for any future new operating model and designs</p>

Appendices

No.	Title
A	NHS precinct site map
B	North Harbour Stadium precinct timeline and notable events
C	Tātaki Auckland Unlimited operated stadiums, FY2022/23 profit and loss comparison table
D	Feedback received from Regional Organisations (main hirer or tenants of NHS)
E	Local Board input on North Harbour Stadium

Appendix A: NHS precinct site map



Appendix B: North Harbour Stadium precinct timeline and notable events

	1997	2000	2006	2010	2014	2019	2020	2024	2025-2035
Local Government context	North Shore City Council (NSCC) Stadium opens		Spark Arena opens (March 2007)	Auckland Council established, CCOs include Regional Facilities Auckland (RFA)	NHS transferred to Regional Facilities Auckland (RFA)	Reconfiguration to accommodate baseball to increase venue utilisation is completed	CCOs RFA and ATEED merge to become Tātaki Auckland Unlimited (TAU)	LTP consultation	
Governance of NHS precinct	North Shore Domain and North Harbour Stadium Trust (NHS Trust)	NHS Trust	NHS Trust	NHS Trust	Directors of RFA Trust	Directors of RFA Trust	Directors of RFA Trust / Directors of TAU Trust	TAU Trust	
Financial	Construction funded by: • money raised by community • \$5m loan guarantee from NSCC • NSCC loan guarantee increased to \$7m in 1998	NSCC: • Pays most of the existing \$6m loan on behalf of NHS • guarantees a further \$12m loan in 2000 • approves interest free loans of \$6.7m in 2002	• NHS unable to repay loans • NSCC takes over all loans and forgives \$30m in debt. • NHS has operating profit of \$1.5m • After depreciation (EBIT) the result is a loss of \$63k	• Operating profit of \$277k After EBIT the result is a loss of \$960k • Auckland Council pays grants of approx. \$1m p.a. which helps bridge the net loss	• A reserve fund of \$4.9m for costs of asset management is transferred to RFA			• \$13.86m spent on capital maintenance since 2014- \$4.9m from the reserve fund plus a further \$8.95m from RFA/TAU	• \$33m in capital investment required for maintenance of the stadium precinct
Annual attendance*	233,702	112,332	54,600	144,253	90,000	77,735	64,577	75,675	
Population**	264,900	279,500	320,600	338,100	360,100	404,700	413,900	422,600	462,800 (est. 2033)

* Based on the best information available (unaudited), derived from NHS Trust archive and RFA archive event operation reports and ticketing reports, as well as TAU event management system records

**Combination of the population in Rodney, Upper Harbour, Devonport-Takapuna, Kaipātiki, and Hibiscus and Bays Local Board areas. Source: Stats NZ www.stats.govt.nz

Notable events

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Notable sporting fixtures 1997-2010	All Blacks v Fiji (24,500) Chiefs v Blues (25,000) All Whites v Australia (22,000)	Chiefs v Waratahs (18,000)	All Blacks v Samoa (24,000) Blues v Reds (17,000)	All Blacks v Tonga (19,500) Blues v Chiefs (12,050)	All Blacks v Samoa (19,500) Blues v Reds (13,225)	Blues v Waratahs (22,750)	Blues v Crusaders (22,750) Kiwis v Australia (19,000)	All Blacks v Pacific Islanders (20,000) Blues v Bulls (18,500) Kiwis v Australia (17,000)	All Blacks v Fiji (23,500)	Blues v Force (13,500)	Blues v Sharks (19,835)	FIFA U-17 Women's World Cup tournament (51,134 over 8 matches, average attendance 6,391)		Blues v Hurricanes (21,276)
Notable events 1997-2010	Cliff Richard (17,202) Classical Spectacular (17,000)	Carmen (9,910)			The Corrs (14,500)		Bryan Adams (4,800) Santana (6,000)	Cher (17,000)	Pavarotti (13,500)	Stevie Nicks / John Farnham (8,000)	Roger Waters (12,084)			The Who (18,000) Nitro Circus (23,500)
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Notable sporting fixtures 2011-2024	4 x Rugby World Cup games (average of 29,000 attended each) Warriors vs Manly (14,000)	Blues v Chiefs (20,367)	Blues v Stormers (15,322)	Blues v Sharks (14,500)	Blues v Chiefs (10,634) Blues v Lions (4,123) FIFA U-20 Men's World Cup Tournament (87,162 over 8 matches, average attendance 10,895)	Blues v Jaguars (9,322) All Whites v New Caledonia (7,179)	All Blacks v South Africa (27,581) Blues v Bulls (7,191) All Whites v Solomon Islands WC Qualifier (9,230) World Masters Games (7,000)	Wellington Phoenix v Newcastle Jets (3,816) Wellington Phoenix v Melbourne City (2,300)	Blues v Sunwolves (5,887)	Covid-19 impact: no major events	Covid-19 impact: no major events	Covid-19 impact: no major events	FIFA Women's World Cup playoff tournament (7,293)	
Notable events 2011-2024			Nitro Circus (21,500)		Nitro Circus (12,873)	The Colour Run NZ (10,000)	The Colour Run NZ (8,000)	The Colour Run NZ (5,700)		Weber Bros Circus (14,400)	Mahons Amusements (10,000)			Juicyfest (11,700)

Appendix C: Tātaki Auckland Unlimited operated stadiums, FY2022/23 profit and loss comparison table

Auckland Stadiums, a division of TAU, manages its finances and meets its statutory reporting requirements on an aggregate basis – so profit and loss (P&L) accounts are produced at a business unit level, and detailed financial statements are not produced for the individual stadiums managed by TAU. However, to assist council's Long-Term Plan process this year, TAU prepared one-off P&L statements for each stadium for the 2022/23 financial year.

	North Harbour Stadium	Western Springs Stadium ¹	Go Media Stadium Mt Smart
Operating revenue	\$2,328,891	\$1,685,000	\$8,116,000
Cost of sales	\$1,170,385	\$1,278,000	\$4,260,000
Operating expenditure ²	\$3,802,849	\$2,477,000	\$5,088,000
Net operating loss	\$2,644,342	\$2,070,000	\$1,232,000
Net subsidy by ratepayer per attendee	\$35.68	\$17.60	\$3.49
Financial valuation (carrying value) of asset – land and improvements ³	\$99m (\$16m land, \$83m improvements)	\$49m (\$27m land, \$22m improvements)	\$96m (\$96m improvements) ⁴
Proposed LTP capex funding FY2024-2034 ⁵	\$32,995,524	\$20,700,000	\$38,200,000

¹ Financial results at Western Springs Stadium in 2022/23 were negatively impacted as a result of the Auckland Anniversary floods in February 2023.

² Excludes depreciation and interest costs

³ Source: Beca authored “Auckland Unlimited Ltd – Land and Buildings Financial Reporting Valuation 2022” report as included in Tātaki Auckland Unlimited Trust annual report 2022

⁴ Mt Smart valuation includes improvements only – land is owned by the Tūpuna Taonga Trust

⁵ An additional \$19.6m LTP capex funding is proposed for other planned renewals across all three venues: i.e. equipment and machinery replacement, HVAC renewals, paving, planning and portable asset renewals etc.

Appendix D: Feedback received from Regional Organisations (main hirer or tenants of NHS)

Regional Organisations Have Your Say event feedback:

North Harbour Rugby Union and Northern Region Football Chief Executive Officers attended the Regional Organisations Have Your Say event on Tuesday 26 March 2024 to present their views to Elected Members as part of the public consultation process. Feedback at the session is summarised as follows:

- North Harbour Rugby Union is of the view that it is important to retain North Harbour Stadium for the North Shore and would like to see some tweaks or changes made to make the stadium fit for purpose. NHRU would welcome redevelopment of the precinct to make the stadium sustainable into the future.
- Northern Region Football supports Option 2, and would welcome the opportunity to work with TAU and the community to ascertain what the community wants to see changed in a redeveloped precinct.

Organisation feedback received via online submissions:

- *“AFL New Zealand is part of the sport and recreation sector in Auckland. We have been based at North Harbour Stadium for the past 18 years. We support the redevelopment of North Harbour Stadium towards a fit for purpose model.”* AFL New Zealand
- *“We support the keeping of North Harbour Stadium – Option 1, with an investigation of a new management structure, to then investigate all the options available, which may include redevelopment and finetuning the stadium to meet future needs.”* Harbour Sport
- *“NRF are strongly in support of Option 2 for Harbour Stadium precinct. We believe the \$33 million budgeted for the next ten years is best spent redeveloping the stadium into an appropriately sized, intimate venue to offer a better experience for sport and event fans, that’s cost effective for hirers.”*
Northern Region Football

The other organisations that are main hirers, or tenants at North Harbour Stadium did not make submissions or provide feedback on behalf of their organisations.

Appendix E: Local board input on North Harbour Stadium

Local Board	Keep stadium precinct as is	Redevelop the stadium precinct	Change the operational management	Local Board Feedback
Albert-Eden				
Aotea / Great Barrier	Support	Do not support	Support	Change of operational management is an absolute priority and should enable better access for local use.
Devonport-Takapuna				<p>Recommend a local stakeholder working group (not TAU) be formed to more fulsomely investigate options rather than settling on a preferred path forward through this LTP. This may include the retention of the stadium amongst other options.</p> <p>Note: Community expressed willingness to investigate a potential redevelopment with a change of management (37%). There was clear dissatisfaction with the current management model.</p>
Franklin	Do not support	Support	Support	<p>The majority of Franklin submitters signalled the need for change.</p> <p>Redevelopment - Supported by the majority of Franklin submitters. Note that this option provides the opportunity for relevant local boards to be involved in the future of the stadium facilities for local benefit.</p> <p>Change the operational management - Note that this option provides the opportunity for relevant local boards to be involved in the future of the stadium facilities for local benefit.</p>
Henderson-Massey				
Hibiscus and Bays	Support	Do not support	Support	<p>The local board support keeping the precinct as it is now and change the operational management of the stadium to ensure greater use by the community.</p> <p>Note:</p> <ul style="list-style-type: none"> the North Harbour Stadium was built on the foresight and years of hard fundraising work from North Harbour Rugby Union and North Shore City Council. the North Harbour Stadium is surrounded by Auckland's largest park and ride facility on the Northern Express and large and free parking facilities.

Local Board	Keep stadium precinct as is	Redevelop the stadium precinct	Change the operational management	Local Board Feedback
				<ul style="list-style-type: none"> • the North Harbour Stadium is opposite to what will be New Zealand's largest shopping mall when Westfield stage two is complete, incorporating a larger entertainment and dining precinct. • Under North Shore City Council, North Harbour Stadium was a competitive entertainment and sporting stadium hosting large international events that brought significant economic benefit to the area on the investment from North Shore City Council. • A significant section of seating was removed from the Stadium for a failed baseball venture in 2020, that was not consulted on, which has still not been reinstated and has led to sporting codes and event holders not wanting to use the facility. • The focus of Tataki Auckland Unlimited is on the wider network of stadia and greatest benefit, resulting in North Harbour Stadium not being a priority for the greatest economic benefit to the city as a whole, and has no longer been meeting the needs and sub-regional benefit of the north. • the significant growth yet to occur in the northern region that supports the high, long term need for a stadium to serve this community. • the options wording in the consultation on this topic was particularly ambiguous and difficult for residents and stakeholders to understand and engage with. • The wording in option two was particularly ambiguous, seemingly allowing for an option that would see the current stadium demolished and a smaller boutique one built instead, which our community have significant concerns over the ability for this to eventuate and the risks involved. • One of the three performance measures for Economic and Cultural Development relates to 'the number of programmes, initiatives and events contributing to the visibility and presence of Maori in Auckland' and the role that North Harbour Stadium has previously played and the potential it can play in meeting this outcome, particularly on a sub-regional level, is significant. • the community wishes to retain the stadium as it is, and put it into a new management model (such as a community trust) to work through the future needs of North Harbour Stadium and to bring it back to the vibrant and viable stadium it was. • North Harbour Stadium appears to have been a casualty of regional control following the establishment of Auckland Council. • option one and option two are delivered within existing funding envelopes
Howick				<p>I) defer consideration on this matter to the Upper Harbour Local Board, and any other Northern Local Boards that have an interest in this matter.</p>

Local Board	Keep stadium precinct as is	Redevelop the stadium precinct	Change the operational management	Local Board Feedback
				J) encourage Governing Body to involve the relevant Local Boards in the decision-making on the future of this asset.
Kaipātiki	Support	Do not support	Support	We support option 1 to retain North Harbour Stadium. We support the enhancement of the stadium and restoration of the seating, which was demolished in the western stand, to attract more sporting events and to ensure better attendance and spectator experience. We request appropriate investment in the maintenance and enhancement of the North Harbour Stadium and surrounding precinct and investigation into alternative funding streams. We request a political working group is established with at least two representatives from each of the northern local boards to progress discussions on enhancing and restoring the stadium to better serve and meet the needs of the North Auckland community. We do not support the sale or demolition of the stadium or any land in the North Harbour Stadium and Domain Precinct. We do not support any changes to the Unitary Plan to enable the sale, noting that North Harbour Stadium is appropriately within the Special Purpose - Major Recreational Facility Zone. We support option 3 to change the operational management of North harbour Stadium.
Māngere-Ōtāhuhu	Support		Support	Keeping the stadium precinct as is - We support this initiative in tandem with the third initiative of changing the operational management if the stadium Change the operational management - We support this initiative in tandem with the first initiative of keeping the precinct as it is now
Manurewa	Do not support	Support	Support	
Maungakiekie-Tāmaki	Do not support			All assets should be reviewed for performance, usage and revenue generation
Ōrākei		Support		bb) support retention of the stadium by developing the stadium precinct by the reallocation of \$33 million and the sale of some stadium precinct land, while retaining the existing community playing fields and any other external funding available, and changing the operational management of the stadium to ensure greater use by the community
Ōtara-Papatoetoe	Other			Will support the position of North Shore Local Boards.
Papakura	Do not support	Support	Support	The board believes the stadium needs to be opened up more for community use.

Local Board	Keep stadium precinct as is	Redevelop the stadium precinct	Change the operational management	Local Board Feedback
Puketāpapa			Support	i) Change the operational management of the stadium to ensure greater use by the community (noting this option can be considered in addition to either of the options above), noting that stadium space is limited therefore we need to retain the stadium and look for opportunities to increase use and income.
Rodney	Support	Do not support	Support	
Upper Harbour	Support		Support	<p>ix) support options 1 and 3 to retain the North Harbour Stadium and Domain Precinct and change the operational management, noting that a majority of the submitters supported these two options.</p> <p>x) do not support sale or demolition of the stadium or any land in the North Harbour Stadium and Domain Precinct or any changes to the Unitary Plan to enable the sale, noting that North Harbour Stadium is appropriately within the Special Purpose Major Recreational Facility Zone</p> <p>xi) support the enhancement of the stadium and reinstatement of the seating, which was demolished in the western stand, to attract more sporting events and to ensure better attendance and spectator experience</p> <p>xii) note that the North Harbour Stadium is within walking distance of the largest park and ride facility, the Albany Bus Station providing extensive free parking, ensuring stadium patrons have an easy access to affordable transport options</p> <p>xiii) note that the North Harbour Stadium is adjacent to the largest shopping mall in New Zealand which when complete will incorporate an expansive entertainment and dining precinct catering not only to locals and tourists but stadium attendees as well.</p> <p>xiv) note that when completed, the metropolitan area which is adjacent to the North Harbour Stadium and Domain Precinct will have approximately eight hundred apartments with residents who will need access to all the amenities this area offers</p> <p>xv) note that the identified site for the proposed new Albany Library facility is adjacent to the Albany Stadium Pool which is located within North Harbour Stadium and Domain Precinct, and aligns with the vision to turn this area into the heart of the Albany community, recognising that the iconic North Harbour Stadium is an integral part of the Albany community's brand identity</p>

Local Board	Keep stadium precinct as is	Redevelop the stadium precinct	Change the operational management	Local Board Feedback
				<p>xvi) request appropriate investment in the maintenance and enhancement of the North Harbour Stadium and surrounding precinct and investigation into alternative funding streams</p> <p>xvii) request a political working group is established with at least two representatives from each of the two local boards in the Albany Ward, noting the location of the North Harbour Stadium within the ward, to progress discussions on enhancing and restoring the stadium to better serve and meet the needs of the North Auckland community</p>
Waiheke	N/A	N/A	N/A	<p>Keeping the stadium precinct as is- Submitter feedback was evenly balanced (19%)</p> <p>Redeveloping the stadium precinct -Submitter feedback was evenly balanced with a slightly larger number supporting this option (22%)</p> <p>Support for change management was at 12 per cent</p>
Waitākere Ranges				xxx) provide no comment on the North Harbour Stadium as is outside of the local board's area.
Waitematā	Support	Do not support	Support	a. Significant stadiums need to ensure that opportunity benefits occur for local community utilisation.
Whau		Support		support Stadium Investment Plan options that consider how to improve or redevelop the North Harbour Stadium and its operations versus its disposal.

Attachment H: Housing and Growth Infrastructure

Long-term Plan 2024-2034

Budget Committee online briefing

3 May 2024

Introduction

- Context
 - Economic and planning environment
 - Need for growth infrastructure
 - Development contributions
- LTP consultation
 - Proposal
 - Feedback
- Final LTP
 - Updated projections
 - Implementation



Context



Context: Economic and planning environment

- Newly adopted Future Development Strategy
- Constrained investment capacity
- Rescoping of Development Contribution (DC) policy to take longer-term view
- Collaboration with Kāinga Ora (KO) in Auckland Housing Programme (AHP) areas
(briefing to Transport and Infrastructure Committee in April)
- Uncertainty around: location and pace of growth, private plan changes in greenfields, government law changes impacting zoning

So far we have delivered infrastructure to support more than 5,000 Auckland homes

This work has enabled growth for around 2,000 additional homes on third-party land.

- 98 hectares of land development has been completed, 34 hectares currently in progress
- 1,476 homes under construction, 3,244 homes completed
- 83% of construction waste diverted from landfill
- We've already seen flooding resilience benefits of this infrastructure.



Waikōwhai, February 2024

Our programme is about enabling suburb-scale infrastructure improvements

All civils work has now been completed in the Roskill South, Ōwairaka and Northcote development neighbourhoods. This equates to:



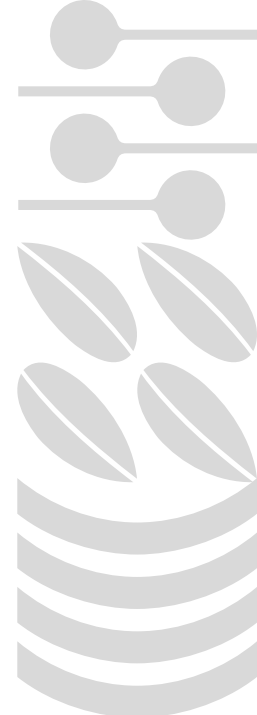
Context: The need for growth infrastructure

LTP 2021 focused investment in priority areas

Priority Area	30-year view
Auckland Housing Programme (Tamaki, Mt Roskill, Mangere)	\$2- \$3bn
Drury	\$2.4bn
Inner Northwest (Redhills, Whenuapai, Westgate)	\$2.0bn

Deferred or under investment in infrastructure to support housing and growth will result in:

- Less housing and business development
- Poorer urban environment outcomes
- Non-compliance with policy
- Higher future infrastructure costs
- Need to dig twice
- Risk of orphaned investment



Context: Development contributions

- Council has agreed that the DC Policy should recover the full costs of growth across the full period of growth
- Requires a longer-term view of the cumulative infrastructure required
- DC Policy to be gradually updated to recover the full costs taking a 30-year view.
- Policy updated for Drury in April 2023 following extensive analysis & consultation
- Staff working on other priority areas, with good progress made with the inner North-west and Auckland Housing Programme.



LTP consultation

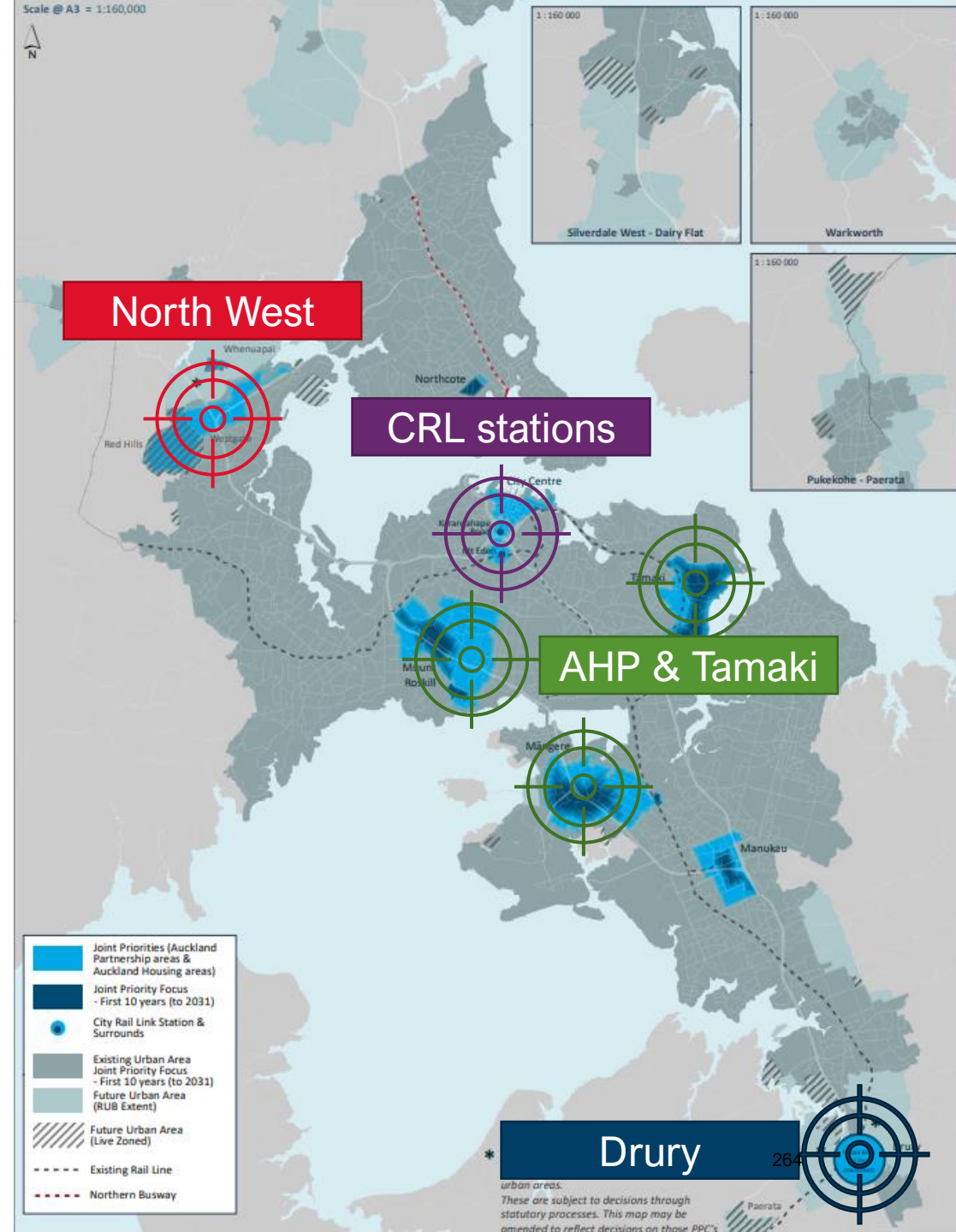
A focused approach

Infrastructure prioritised to support housing and growth in spatial priority areas in the Future Development Strategy

- Auckland Housing Programme with Central Government in Mangere, Mt Roskill and Tamaki
- Inner North West (Westgate, Whenuapai, Red Hills)
- Drury
- CRL Stations (Mt Eden and Karangahape)

Affordability means a constrained approach over the next decade

Shifting some investment in LTP 2021 for Drury and Inner Northwest to beyond 2034



Auckland Housing Programme

- Jointly agreed priority with government
- MoU with Crown establishes a collaborative approach to infrastructure (transport, storm water, parks and community infrastructure)
- Supports development of up to 40,000 dwellings over 30 years
- Council has agreements with Kainga Ora
 - setting out our overall partnership approach
 - with each asset group providing for development and then delivery of detailed investment program



Auckland Housing Programme

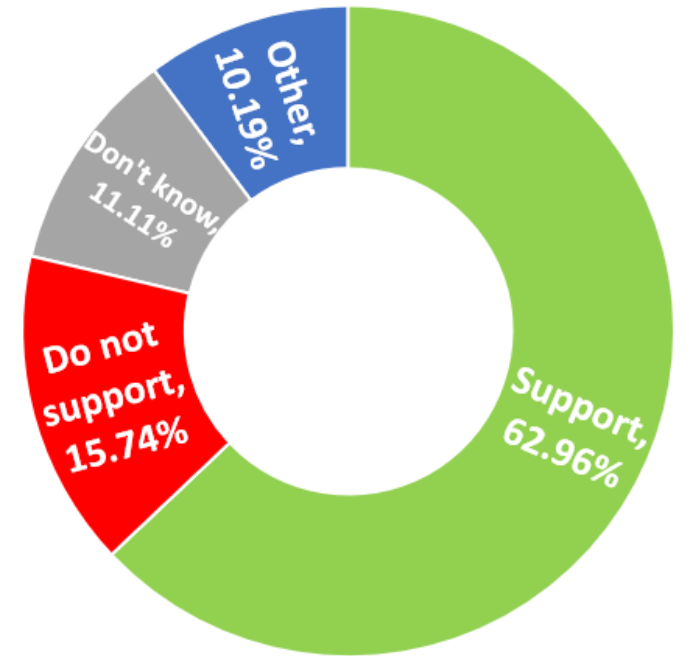
- Consultation on LTP included **\$1.822 billion** of investment:
 - **\$1.451 billion** supported by the Housing Acceleration Fund (HAF) administered by Ministry of Housing and Urban Development (MHUD). Includes \$250m of transport subsidies
 - **\$371 million** by council in base LTP (incl \$85m transport subsidies)
 - Watercare working separately with KO due to different funding sources
- HAF proposed to fund investment in two ways:
 - i. HAF grant for share of benefit to existing properties (usually rates funded)
 - ii. DCs collected by council for growth share from developers - private and KO
- For ii) HAF covers initial investment and council repays funds only if and when DCs are collected - no council debt or risk
- Project level detail and funding will develop over time



Feedback

2112 responses commented on Housing and infrastructure

- The most common themes were:
 - Increasing the supply of affordable housing options for Aucklanders
 - General support for the proposal for housing and infrastructure growth
 - Implementing smarter and more cost-effective housing intensification strategies
- Other less common themes included:
 - Apply an equitable approach to housing development and infrastructure across Auckland



Feedback was received from **18** organisations that represent business groups, **13** supported with **5** other responses

Final LTP

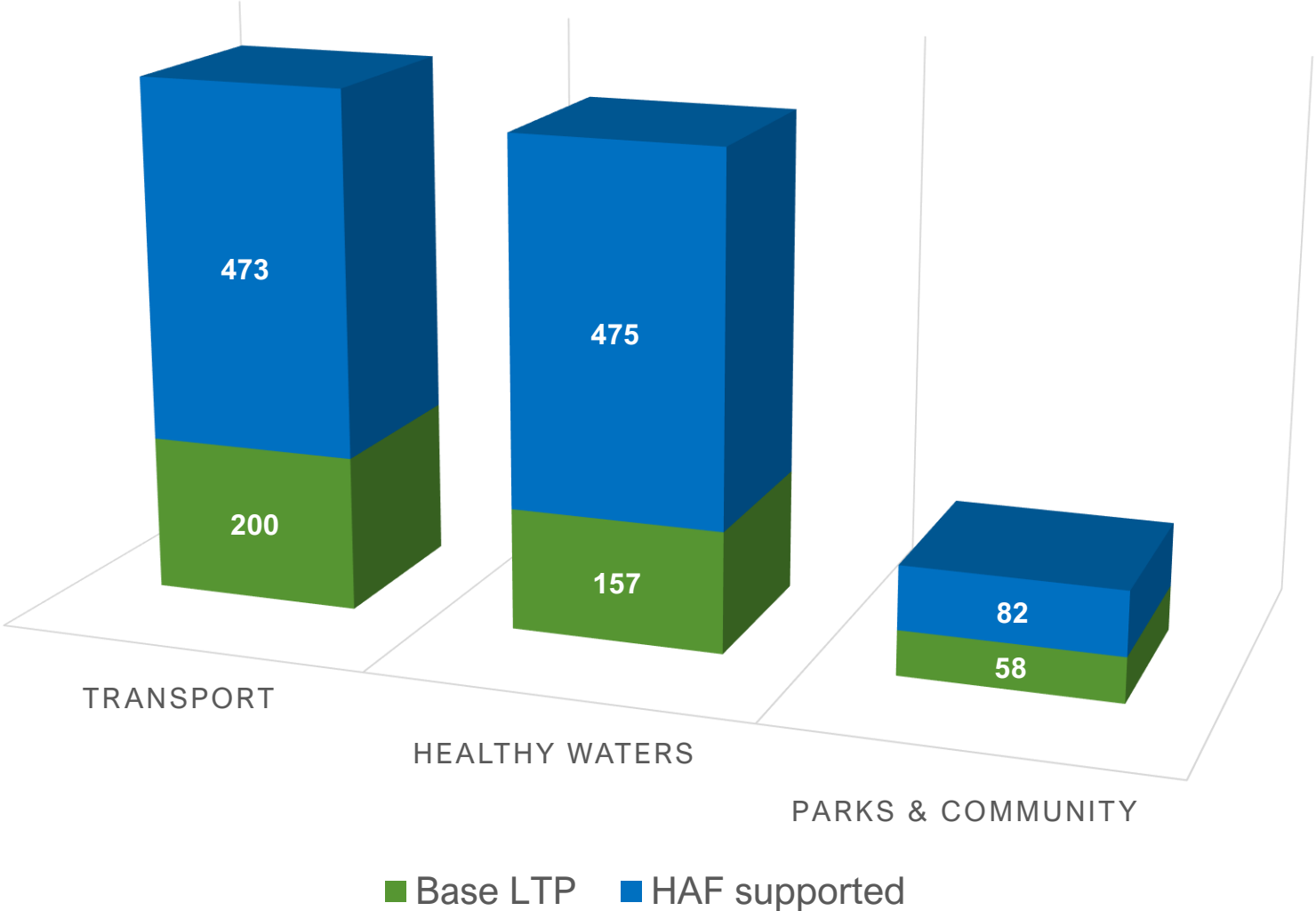
Final LTP decision-making

- Continued focus on Spatial Priority Areas
- Managing investment over longer time horizon, 30 years, reflecting this decade's financial constraints
- Integrate with longer term DC policy view
 - Drury now planned and funded over 30 years
 - Adding Inner Northwest and AHP areas (Tamaki, Mt Roskill, and Mangere)
- Continuing work with government in Auckland Housing Program areas, and inclusion of updated projections

Auckland Housing Programme

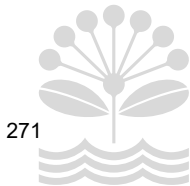
- Scale of investment and timing adjusted since draft, now **\$1.445 billion**
- Focusing investment on AHP active neighbourhoods in next decade
 - **\$1.030 billion** supported by Housing Acceleration Fund (HAF) – recovered by
 - Limited recourse HAF financing - \$657 million (DCs collected on behalf by council)
 - HAF grant - \$318 million
 - \$45 million National Land Transport Fund (NLTF) and \$9m developer mitigation
 - **\$415 million** funded by council using rates and DCs (incl \$100m NLTF)
- Delivers maximum development for investment recognising:
 - Scale and timeframe of investment and growth, over all of each AHP area
 - Constraints on local and central government resources
- Remainder of areas within AHPs provided for beyond 2034
- Progress dependent on government support

Infrastructure investment by asset type (\$m)



Transport	673
Healthy Waters	632
Parks & Community	140
Total	1,445

Note: Watercare to be addressed separately



Auckland Housing Programme

- Reliant on government funding (HAF and NLTF) and law change
 - DC law doesn't currently provide for this use of Crown housing grants
 - Without law change significant additional council or government funding required to provide a subsidy to developers
- If HAF **not** available, options for council's LTP are:
 - i. Adopt the \$415m programme that is affordable with current funding sources, or
 - ii. Provide additional council funding of up to \$318m to replace HAF grant – requires higher rates and debt, or significant capex reprioritisation
- Risks and management
 - No law change – don't proceed with DC policy change, don't enter into project-level agreements
 - Project cost movement – scope and mix adjusted to manage within budget





Patai?



AHP (Tamaki, Mangere, Mt Roskill, Oranga, Northcote)	<ul style="list-style-type: none"> • Joint Priority Growth Area – Crown & Council • Brownfields growth envisaged to occur at pace • Existing infrastructure, but many of the infrastructure assets are old, in a poor condition, built to a different level of service and standards. This aging infrastructure does not have the capacity to support growth. Continued growth is dependent upon appropriate infrastructure and services. 	<p>Potential growth to Full Build Out = 40,000 dwellings</p> <p>KO and non KO growth</p>
Drury	<ul style="list-style-type: none"> • Joint Priority Growth Area – Crown & Council • Considerable development completed / underway. Large areas live zoned, Consents approved. Growth will continue to occur at pace • Extensive infrastructure being put in (eg 2 stations). Transport corridors designated. Infrastructure required well planned. Further infrastructure required to be delivered to support this growth. • 30 Year DC Policy adopted covering much of the infrastructure investment required to support the growth in Drury • Important area for employment growth in FDS, plus growth around Rail Stations 	<p>Potential growth to Full Build Out = 22,000 dwellings, 12,000 employees</p> <p>(Fisher & Paykel growth not included, could be additional 15,000 employees)</p>
Inner NW (RWW)	<ul style="list-style-type: none"> • Joint Priority Growth Area – Crown & Council • WK investment investigations and RTN business cases • Considerable development completed / underway. Large areas live zoned, Consents approved. Growth will continue to occur at pace • Extensive infrastructure is being designated through the SGA process (many transport projects required). Extensive infrastructure required to support the existing community and further growth. • 30 Year DC Policy will include infrastructure required but not yet costed/determined • Important area for employment growth and as a node in FDS 	<p>Potential growth to Full Build Out = 38,000 dwellings, 30,000 employees</p>

Attachment I: Making Space for Water

Purpose

To provide an update on the **Making Space for Water** programme proposed, responding to changing priorities within the government co-funded storm recovery programme.

Recommendations

Staff recommend:

- proceeding with an updated Making Space for Water programme (an updated central proposal) phased over 10 years with three main components:
 - Category 2C Risk Mitigation Projects (including blue-green networks) for three severely storm-impacted areas over two years
 - Risk Mitigation and Resilience Projects (including blue-green networks) for 9 severely storm-impacted areas over ten years
 - Regional flood resilience projects delivered over ten years.

Consultation material

Details on the Making Space for Water programme are included throughout the consultation material, but the majority of the detail can be found:

Consultation Document

- Part four: Council Services, Water (pages 35 – 40)

Supporting Information

- Section three: Groups of activities, Stormwater management (pages 275 – 281)

In addition to the consultation documents, the report to the Governing Body in [October 2023](#) provides detailed analysis and advice, including the full Making Space for Water programme.

Storm recovery context

Making Space for Water is a response to the severe storms of early 2023. The programme will aid Auckland's recovery from the impacts of the Auckland Anniversary Weekend Floods and Cyclone Gabrielle, and build resilience and preparedness for future storms. Its strategic goals are to:

- reduce existing flood risk
- avoid creating new flood risks
- raise awareness of flood risks, and
- prepare for flood events.

Making Space for Water is included as a key project in the Tāmaki Makaurau Recovery Plan and was endorsed in principle by the Governing Body in October 2023 ([GB/2023/203](#)), subject to Long-term Plan decision-making. It also delivers on priorities and goals set out in the Auckland Water Strategy 2022-2050 and Te Tāruke a Tāwhiri: Auckland’s Climate Plan.

The proposed programme is organised into seven initiatives:

1. Blue-green networks (part of capital delivery of North Island Weather Events Auckland Funding Agreement)
2. Stream and waterway resilience
3. Flood intelligence
4. Community flood resilience
5. Increased maintenance
6. Overland flow path management
7. Rural settlements.

Further detail on each initiative is provided in the [Making Space for Water programme overview](#).

Crown co-funding

Capital elements of the Making Space for Water programme (i.e. the Blue-Green networks) are partly dependent on the Crown funding provided through the North Island Weather Events Auckland Funding Agreement (‘the Auckland Funding Agreement’).

Funding agreement provisions	Central government funding	Auckland Council funding	Total
Transport network recovery	\$309M	\$81M	\$390M
Category 2 risk mitigation projects	\$380M	\$440M	\$820M
Category 3 voluntary buy-outs	\$387M	\$387M	\$774M
Total	\$1,076M	\$908M	\$1,984M

The Crown has agreed to contribute \$380 million for capital expenditure on Category 2 Risk Mitigation Projects, sourced from the National Resilience Plan fund. Funding is provided on a 62:38 matched fund basis with Auckland Council. This funding would enable \$612.9m of capital investment.

Separate funding for the Category 3 Voluntary Buy-outs will go to purchasing residential properties assessed as having intolerable risk to life. The Auckland Funding Agreement assumed around 700 properties would be purchased, many of which were expected to be in clusters that enable delivery of blue-green network areas.

New developments

Implementation timeframes for Category 2C projects

The Auckland Funding Agreement sets a ten-year timeframe for delivery, which is reasonable for the scale of physical works involved in community-level risk mitigation projects. It has become clear that this is too long for homeowners in situations of intolerable risk. Speed and certainty for homeowners are priorities for both the council and the government.

Working within the terms of the Agreement, we are proposing to reduce the Category 2C projects to only those that can be delivered within a two-year timeframe. Around 130 other properties that could have been Category 2C within a ten-year timeframe (i.e., where a community-scale solution will take longer to deliver) will need to become Category 3 instead and be offered a voluntary buy-out. This meets the need for homeowner certainty faster, and still delivers on the Making space for Water strategic goal of reducing existing flood risk. With the immediate risk to life resolved, there will be time to consider how best to reduce risk and improve resilience for remaining flood-impacted areas.

Category 2P

A grant scheme for 'Category 2P' properties was established in early 2024 to provide funding support for on-site mitigation of some properties with intolerable risk to life. It allows homeowners to stay in place and reduces the cost to the storm recovery scheme (compared to the cost of a Category 3 buy-out). Up to 200 properties are likely to be categorised as Category 2P, with a total cost of around \$40 million. Staff are seeking confirmation from the Crown that these projects will be co-funded from the Auckland Funding Agreement's 'Category 2' funding line. This reduces the funding available for Making Space for Water projects identified in earlier documents but continues to deliver on the programme's strategic goal to reduce existing flood risk.

Implications for funding agreement

Fewer Category 2C projects, the introduction of Category 2P grants and more Category 3 voluntary buy-outs has implications for budget allocation within the Auckland Funding Agreement funding envelope, requiring agreement from the Crown that we can:

- Reallocate funding from Category 2 to Category 3, to reflect the balance of final categorisations (around 900 Category 3s are now expected, compared to the 700 initially forecast). Refer to Appendix 3.
- Retain access to remaining funding from the Category 2 funding line (after allowing for Crown share of Category 2P and Category 2C projects) for projects that provide risk mitigation benefits for flood-impacted areas in line with the National Resilience Plan. This is expected to be in the range of \$256M (\$293m less Crown share of Category 2C projects (\$37m) at an advanced stage of planning).

The Minister for Recovery has indicated a commitment to honour the cost-sharing agreements already made¹. Staff are in discussion with the Crown to maximise access to agreed funding allocations, and to ensure the programme can still deliver good outcomes for Auckland.

Implications for Making Space for Water

Changes to the scope and timing of feasible Category 2C projects will have some impacts for the Making Space for Water programme. Less funding will be available to deliver elements of the programme as planned, due to additional funding being required for Category 3 purchases and for the Category 2P Grants Scheme. Anticipated capital expenditure over the 10-year period of the LTP is reduced from \$730M to \$507M.

Operational expenditure is also reduced from \$263M to \$224M however, Healthy Waters are confident that the proposed outcomes can still be delivered, with a smaller geographic reach or at a reduced pace.

These two expenditures will still contribute to the Making Space for Water strategic goals, removing risk from the most severely impacted properties in the region. While reducing the amount of community-scale physical works that are possible, smaller and lower-cost mitigation options can be explored to continue to deliver the outcomes envisaged in the initial Making Space for Water proposal.

Healthy Waters are allowing for this by proposing to undertake minor projects in some of the original focus areas that leverage off the voluntary buy-out properties to provide wider resilience benefits.

It is therefore recommended that the Making Space for Water programme is repositioned to better align to co-funding arrangements, with three key components, described in Table 1.

¹ Letter from Minister Hon Mark Mitchell to Mayor Wayne Brown, 26 March 2024.

Table 1. Elements of updated Making Space for Water programme

Programme element	Description	Outcomes	Project \$	Funding assumptions
Category 2C Risk Mitigation Projects	Two-year projects in areas with Category 2C properties, improving flood capacity of streams and infrastructure	Reduced flood risks for storm-impacted communities including properties with intolerable risk to life with secondary benefits to infrastructure and non-residential buildings	\$60M	Requires Crown approval for co-funding of projects, within terms of the existing agreement.
Risk mitigation and resilience	Blue-green risk mitigation projects in areas that were severely affected by the 2023 storms	Reduced flood risks for storm-impacted communities including habitable floor flooding	\$347M	Requires Crown approval for co-funding. Potential to progress as a council-only programme, with funding and timing consequences.
Other flood risk mitigation initiatives	Projects to improve Auckland Council's and Aucklanders' preparedness and response to flooding across the region, including and beyond the areas severely affected by the 2023 storms	Aucklanders can rely on better data, more frequent stormwater network maintenance, and understand how to manage their own flood risks	\$283M ²	Most of these works will be delivered using council-only funding. Opportunities to access crown funding will be explored where appropriate.

Further detail on the programme, timing and cost is provided in the appendices.

Summary of feedback on options

Submitters were asked to give feedback on whether they supported three options for Water: the central proposal, paying less and doing less, or paying more and doing more.

Of the 16,495 **individual** responses, 11 per cent supported 'do less', 47 per cent indicated 'as proposed' and 42 per cent supported 'do more'.

Of the 226 **organisation** responses, four per cent supported 'do less', 42 per cent indicated 'as proposed' and 54 per cent supported 'do more'.

Options analysis

The following options analysis is offered in the context of the updated information above.

² Total MSFW capex and opex programme is \$731M, less consequential opex and staff costs (\$41M) totals \$690M combined programme above.

Option 1 – pay less and get less

Details

This option would focus on increased maintenance and flood intelligence only, with no new significant investment in physical works or improvements to reduce flood risk. Category 3 Voluntary Buy-outs would still go ahead through government funding. This option was supported by only 11 per cent of respondents.

Strategic

This option would not sufficiently deliver the council's strategic goals relating to reducing existing flood risk, avoiding new flood risk, increasing community resilience, or climate change adaptation. It does not align with the commitments given to the Crown and the community to implement the storm recovery scheme, including Category 2 Risk Mitigation Projects.

Financial

Doing less would reduce the upfront costs but presents a risk of higher reactive costs in response to future events. This option would cost \$60 million capex and \$145 million opex (in addition to the cost of Category 3 buy-outs).

Implementation

The level of awareness (flood intelligence) around storm events and maintenance of existing assets would be improved under this option. This would help to reduce the impacts of future flood events. The highest risk properties would be managed through the categorisation and voluntary buy-out process. However, no physical works projects would be undertaken to reduce flood risk, nor other community-based initiatives to increase the community's ability to prepare for and respond to storm events. As we have seen in previous storm events, it can be difficult and expensive to respond at pace to the required repair work with current staff and contractor structures.

Option 2 – Updated central proposal for Making Space for Water

Details

This option is the revised Making Space for Water programme, including the seven initiatives listed above, with some funding reallocation from community-scale physical works to more property buy-outs. The expected outcomes would remain the same as originally proposed in the LTP consultation document, through different delivery mechanisms (more property purchase, less community-scale physical works).

The original central option – for the full programme – was supported by 47 per cent of respondents through the LTP consultation. The majority of comments reflected the urgency of investing in stormwater as a core service, and maintaining that system. The updated central proposal aligns with this feedback. The scale of physical works delivered will be reduced, however flood risk will still be reduced through direct purchase of those properties most at risk.

Strategic

This option contributes to the delivery of the strategic goals of the Making Space for Water programme, as well as those set out in the Tāmaki Makaurau Recovery Plan, Auckland’s Water Strategy and Te Tāruke a Tāwhiri: Auckland’s Climate Plan.

Making Space for Water will reduce flood risk to our communities and provide protection to critical infrastructure assets. For example, the Harania Blue-green Network Project will protect Watercare’s Eastern Interceptor, a pipeline that carries most of the sewage flow to the Mangere Wastewater Treatment Plant.

Financial

The total cost for this programme is \$507 million capex (including central government co-funding) and \$224 million opex (see Appendix 3).

Implementation

The highest risk properties will be managed through the categorisation and voluntary buy-out process.

Category 2C projects will require feasibility and design/consenting to be completed before construction can begin. The indicative timeframes are shown in the 10-year delivery programme and planned phasing for the blue-green networks initiative provided in Appendix 2. A summary of costs, comparing the central proposal in the consultation document with the updated proposal, is set out in Appendix 3.

Option 3 – pay more and get more

Details

An alternative to the updated central proposal is to increase the scope of physical works and increased stream maintenance and community-led flood resilience projects funded by the council. Assuming the full crown funding allocation can be accessed, this option could extend to areas beyond those impacted by the Auckland Anniversary storm and Cyclone Gabrielle (drawing on evidence of risk from past flood events). Doing more than the central proposal was supported by 42 per cent of respondents. Feedback was centred on the urgency of reducing risk to life in preparation for future events.

Strategic

This option contributes to the delivery of the strategic goals of the Making Space for Water programme, as well as those set out in the Tāmaki Makaurau Recovery Plan, Auckland’s Water Strategy and Te Tāruke a Tāwhiri: Auckland’s Climate Plan.

Financial

This option would require allocating an additional \$222m capital funding (in addition to the co-funding agreement) to Making Space for Water and an additional \$136 million in opex.

Implementation

The highest risk properties would be managed through the categorisation and voluntary buy-out process. The scale of the work required would need to be delivered over 10 years. However, delivery is limited by staff capacity, cost distribution, and specialised contractor availability. Therefore, while this option would meet our strategic goals, it is not recommended.

Appendices

No.	Title
A	Revised Making Space for Water 10-year programme
B	Making Space for Water 10-year programme
C	Making Space for Water 10-year forecast

Appendix A. Revised Making Space for Water 10-year programme

Tranche 1: Category 2C risk mitigation projects

Description	Two-year projects in areas with Category 2C properties, improving flood capacity of streams and infrastructure						
Outcome	Reduced flood risks for storm-impacted communities including properties with intolerable risk to life						
	Cost	Benefits					
Project	Estimate of Cost (P95)	# properties where intolerable risk to life removed	# other properties with habitable floor flooding reduced	Total properties benefiting	Reduced Road Flooding	Water/Wastewater Infrastructure Protected	Other
Te Ararata (Māngere)	25.0	43	149	192	Walmsley Rd	WSL PS37 (Black Bridge wastewater pumpstation)	- Creation of new reserve
					Eldom St	The WSL Watermain that serves Māngere (810mm dia.)	- Water quality improvement
					Ventura St		
					Pito Pl		
					Bader Dr		
Harania (Māngere)	31.0	13	27	40	Blake Rd	WSL Eastern Interceptor Sewer (2.5m dia.)	Protects security of the main trunk sewer from Eastern and Southern Auckland - conveyance to Māngere Wastewater treatment plant.
					Bicknell Rd		
					Tennessee Ave		
					Archboyd Ave		
Domain Crescent (Muriwai)	4.0	4	0	4	Domain Crescent		Protects safe access / egress for Domain Crescent.
Total	60.0	60	176	236			

Note: Costs exclude consequential opex and staff resources.

Tranche 2: Risk mitigation and resilience

Description	Blue-green network risk mitigation projects in areas that were severely affected by the 2023 storms					
Outcomes	Reduced flood risks for storm-impacted communities, including reduced risk of habitable floor flooding, reduced road flooding and protection of water and wastewater infrastructure					
	Cost	Benefits				
Project	Estimate	# properties where intolerable risk to life removed	# other properties with reduced flooding	Reduced Road Flooding	Water/Wastewater Infrastructure Protected	Other
Clover Drive (Ranui)	86	0	70	Don Buck Rd Glen Rd Woodside Rd Clover Dr Meadowcroft Way Mayfair Pl Swanson Rd	-	- Creation of new reserve - Water quality improvement - Transport linkages
Te Auaunga Stg.2 (Mt. Roskill)	60	0	95	Dominion Rd Winstone Rd May Rd Memorial Ave Mt Roskill Rd	-	- Creation of new reserve - Water quality improvement - Transport linkages
Whangapouri (Pukekohe)	16	0	36	Helvetia Rd Montgomery Ave	-	- Creation of new reserve - Water quality improvement - Transport linkages
Wairau (North Shore)	93	0	250	Northern Motorway Northern Busway Wairau Rd Totaravale Dr Sunnynook Dr	Reduced risk to waste water pump station and electrical sub-station	- Flood reduction to business / commercial area (Wairau Valley) - Creation of small new reserve and linkages of existing - Water quality improvement
Kumeu	56	0	150	Marsh Ave Seine Rd Gordon Rd Nile Rd Stanley Ave	-	- Flood reduction to business/commercial area in Wairau Valley - Creation of new reserve and linkages of existing - Water quality improvement and - Transport linkages
Other Minor BGNs	36.5	0	TBC	Whau Opanuku Cox's Creek Epsom		
Total	347.5	0	601			

Notes: 1. Costs exclude consequential opex and staff resources. 2. Costs and number of properties with reduced flooding are indicative and subject to change.

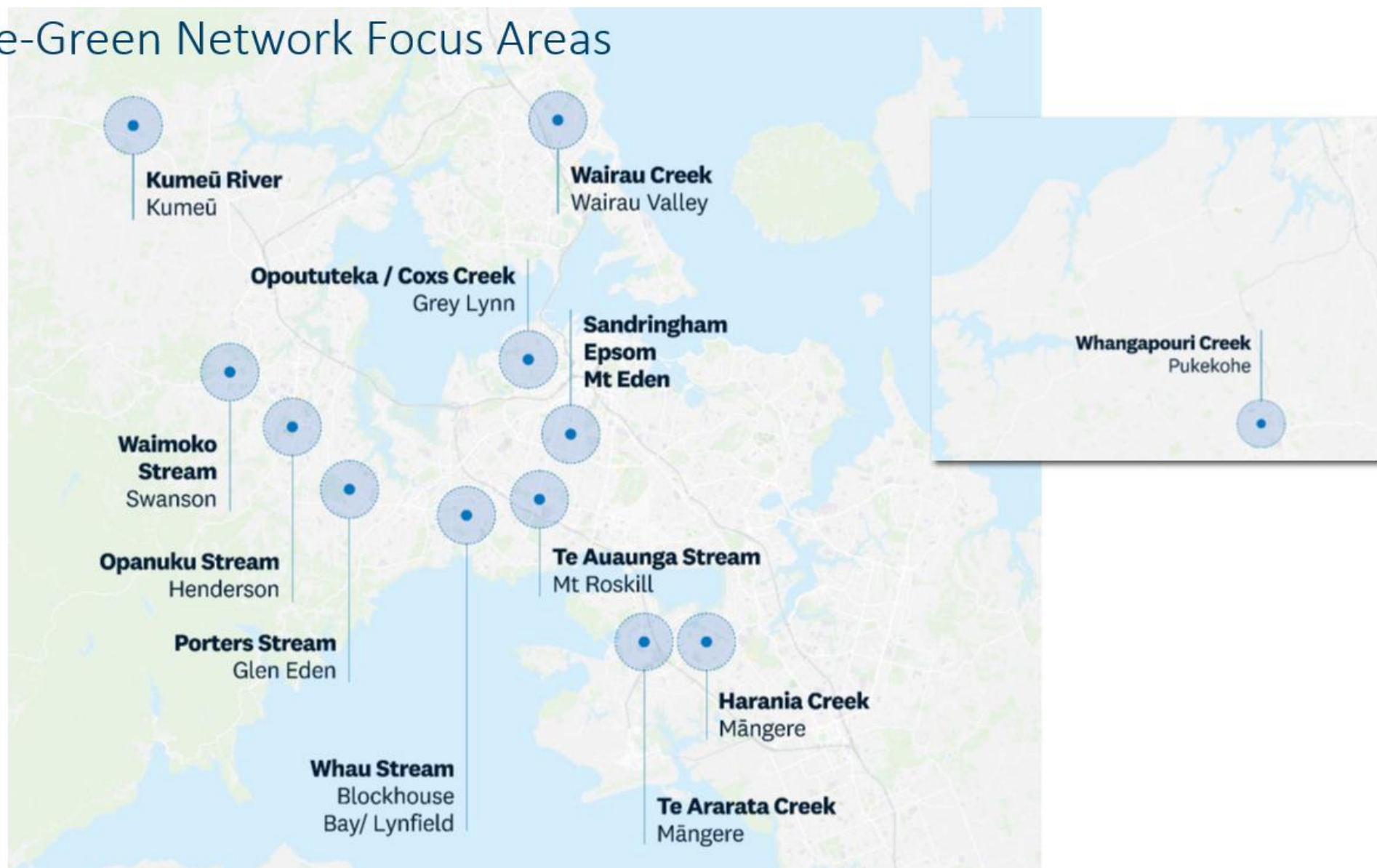
3. All intolerable risk to life properties are assumed to have been purchased through the voluntary buy-out process

Other flood mitigation initiatives

Description	Projects to improve Auckland Council's and Aucklanders' preparedness and response to flooding	
Objectives:	Aucklanders can rely on better data, more frequent maintenance, and understand how to manage their own flood risks	
Project	Cost (\$m)	Overview
Stream and waterway resilience	7.0	Enhancing the capacity of high-risk streams and waterways by de-lining concrete channels and replacing pipes with naturalised features like vegetated swales, ponds or open channels
Increased maintenance	140.5	Boosting maintenance of both the pipe and stream stormwater networks to improve drainage capacity and prevent blockages
Flood intelligence	44.5	Investing in new planning, monitoring and modelling tools while continually updating existing tools to assess and communicate flood risk
Overland flow path management	19.0	Identifying and enhancing the performance of overland flow paths at both a catchment (capital works) and individual property-scale.
Community-led flood resilience	33.0	Supporting communities to take action to reduce their own flood risk and ensure Aucklanders know what to do before, during and after a flood. Facilitating minor works on council assets and streams with community groups and providing guidance on how to manage flood risk.
Rural settlements	39.0	Responding to specific needs in rural communities, including marae and papakainga to improve community resilience and assess public stormwater assets.
Total	283.0	

Note: Costs exclude consequential opex and staff resources.

Blue-Green Network Focus Areas



Appendix B. Making Space for Water 10-year programme



Appendix C. Making Space for Water 10-year forecast

Storm response and increased resilience

	Consultation document			Updated assumptions		
	Council	Crown	Total	Council	Crown	Total
Capex and debt-funded opex						
Category 3 - voluntary buyouts	347,405,625	347,405,625	694,811,250	447,974,583	447,974,583	895,949,166
Category 3 - deconstruction	37,155,580		37,155,580	48,483,756		48,483,756
Category 2P - grants for property-level interventions			0	14,896,000	24,304,000	39,200,000
Category 2C - Making Space for Water	350,829,280	380,000,000	730,829,280	213,450,475	293,719,504	507,169,979
	735,390,485	727,405,625	1,462,796,110	724,804,814	765,998,087	1,490,802,901
Opex						
Category 3 - consequential opex	39,698,171		39,698,171	49,791,828		49,791,828
Making Space for Water	262,536,922		262,536,922	224,064,219		224,064,219
Interest on timing change				28,321,025		28,321,025
	302,235,093	0	302,235,093	302,177,072	0	302,177,072
Total funding	1,037,625,578	727,405,625	1,765,031,203	1,026,981,886	765,998,087	1,792,979,973