

I hereby give notice that an ordinary meeting of the Governing Body will be held on:

**Date:** Thursday, 15 December 2022  
**Time:** 10.00am  
**Meeting Room:** Reception Lounge  
**Venue:** Auckland Town Hall  
301-305 Queen Street  
Auckland

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## Tira Kāwana / Governing Body

### OPEN AGENDA

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#### MEMBERSHIP

<b>Mayor</b>	Wayne Brown	
<b>Deputy Mayor</b>	Cr Desley Simpson, JP	
<b>Councillors</b>	Cr Andrew Baker	Cr Mike Lee
	Cr Josephine Bartley	Cr Kerrin Leoni
	Cr Angela Dalton	Cr Daniel Newman, JP
	Cr Chris Darby	Cr Greg Sayers
	Cr Julie Fairey	Cr Sharon Stewart, QSM
	Cr Alf Filipaina, MNZM	Cr Ken Turner
	Cr Christine Fletcher, QSO	Cr Wayne Walker
	Cr Lotu Fuli	Cr John Watson
	Cr Shane Henderson	Cr Maurice Williamson
	Cr Richard Hills	

(Quorum 11 members)

**Sandra O'Toole**  
**Kaiarataki Kapa Tohutohu Mana Whakahaere /**  
**Team Leader Governance Advisors**

**12 December 2022**

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- 1 **Ngā Tamōtanga | Apologies**
- 2 **Te Whakapuaki i te Whai Pānga | Declaration of Interest**
- 3 **Te Whakaū i ngā Āmiki | Confirmation of Minutes**

Click the meeting date below to access the minutes.

That the Governing Body:

confirm the ordinary minutes of its meeting, held on Thursday, [24 November 2022](#), as a true and correct record.
- 4 **Ngā Kōrero a te Marea | Public Input**
- 5 **Ngā Kōrero a te Poari ā-Rohe Pātata | Local Board Input**
- 6 **Ngā Pakihi Autaia | Extraordinary Business**



## Annual Budget 2023/2024: Overview to decision-making

File No.: CP2022/16437

### Te take mō te pūrongo

#### Purpose of the report

1. To recap the annual budget process to date, provide an overview of the decisions required now and set out the next steps that will be undertaken to consult with Aucklanders and finalise the Annual Budget 2023/2024.

### Whakarāpopototanga matua

#### Executive summary

2. The council is required to prepare and adopt an annual plan (referred to by Auckland Council as the annual budget) for each financial year.
3. Before adopting an annual budget, the council must consult on any significant or material differences from the content of the long-term plan for the financial year to which the proposed annual budget relates.
4. The consultation document must also include:
  - content relating to local board agreements,
  - a summary of the draft Tūpuna Maunga o Tāmaki Makaurau Authority Operational Plan 2023/2024 (draft operational plan), as agreed between the Council and the Tūpuna Maunga o Tāmaki Makaurau Authority.
5. The Tūpuna Maunga o Tāmaki Makaurau Authority's first hui for the term is scheduled for late January 2023 where they will adopt the draft operational plan. The draft operational plan will then come to Governing Body for agreement for inclusion in the consultation materials.
6. Local boards will adopt local material for inclusion in the consultation document and supporting information at business meetings in early February 2023.
7. Given the budget challenge and the need for council-controlled organisations (CCOs) to align with council's revised expectations, the letter of expectation (LoE) for the statement of intent (SOI) process will be informed by the Mayoral Proposal. This process is set out in a separate report on today's agenda.
8. Decisions relating to other reports on today's agenda will confirm the regional items for consultation for the Annual Budget 2023/2024.
9. Based on the decisions made today, staff will prepare a consultation document and supporting information for adoption at a Governing Body meeting in February 2023. At the same meeting the Governing Body will also be asked to approve the consultation approach for the Annual Budget 2023/2024.
10. If an amendment to the Long-term Plan 2021-2031 (LTP) is required because of decisions made today, that will require the use of the special consultative procedure (SCP) and an audit as set out in sections 93 and 94 of the Local Government Act 2002.
11. If an audit is required, staff will report to the Audit and Risk Committee in early 2023 on the audit review prior to Governing Body adopting the consultation material.
12. The consultation process is expected to run during March 2023. Following feedback from the community and local boards the Governing Body will reconsider budgets and final decisions will be made in May/June 2023 before the Governing Body adopts the Annual Budget 2023/2024 later that month.

13. Specific dates for consultation and the adoption of consultation material in early 2023 will be confirmed once the scope of the consultation on the proposed budget is determined through decision-making today.

## Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) tuhi ā-taipitopito / note the contents of this report, which sets the context for the other reports and decisions on today's agenda
- b) tuhi ā-taipitopito / note that the annual budget consultation will include local board matters and a summary of the Tūpuna Maunga Authority Operational Plan to be agreed with the Tūpuna Maunga o Tāmaki Makaurau Authority early next year.

## Horopaki Context

14. The council is required by legislation to prepare and adopt an annual plan (referred to by Auckland Council as the annual budget), every year, except once every three years when the long-term plan (LTP) acts as the annual budget for that year.
15. The annual budget outlines what we plan to do and how we plan to pay for it over the coming financial year.
16. Auckland Council is also required to include local board agreements and a summary of the Tūpuna Maunga Authority Operational Plan in its annual budget. Content relating to each local board agreement and a summary of the draft Tūpuna Maunga Authority Operational Plan must be included in the annual budget consultation document.

## Tātaritanga me ngā tohutohu Analysis and advice

17. The process to develop the council's Annual Budget 2023/2024 began on 10 November 2022 with a report to Governing Body that included details on the legislative requirements associated with the preparation and adoption of an annual budget as well as a high-level summary of both the economic trends that continue to impact council's financial position and options/levers available to mitigate this.
18. Following that public meeting, several workshops were held to discuss the Annual Budget 2023/2024:
  - 10 November 2022: further details on the operating gap and high-level analysis on the options/levers to mitigate,
  - 16 November 2022: opex discussions with Tātaki Auckland Unlimited, Eke Panuku, Auckland Transport,
  - 16 November 2022: opex discussion for Auckland Council, further advice on levers (Auckland International Airport shares, general rates),
  - 7 December 2022: draft Mayoral Proposal discussion,
  - 7 December 2022: other items for consultation including fees and charges and other rating matters.



19. The Mayor has a statutory role to lead the development of the annual budget for the consideration of the Governing Body. Since the beginning of the new political term, staff have provided briefings and advice to the Mayor in relation to the operating budget pressures, options to mitigate the pressures and a credible and sustainable plan to address the ongoing financial risks.
20. After considering staff advice on the options/levers to mitigate the ongoing operational budget pressures, the Mayor released a draft Mayoral Proposal that set out a plan to address the gap. This was discussed at the Governing Body workshop on 7 December 2022 and is on the agenda for today's meeting.
21. The council must consult on any significant or material differences from the content of the 10-year Budget 2021-2031 (also known as the LTP) for the 2023/2024 financial year. Items for consultation that meet that threshold will be agreed today.
22. If an amendment to the LTP is required because of decisions made today, that will require the use of the special consultative procedure (SCP) and an audit as set out in sections 93 and 94 of the Local Government Act 2002.
23. Based on the decisions made today, staff will prepare a consultation document and supporting information, including information on any proposed amendment to the LTP, for adoption by the Governing Body in February 2023.
24. If an audit is required, staff will report to the Audit and Risk Committee in early 2023 on the audit review prior to Governing Body adopting the consultation material.

## Tātaritanga me ngā tohutohu

### Analysis and advice

<https://acintranet.aklc.govt.nz/EN/workingatcouncil/techandtools/infocouncil/Pages/AnalysisAndAdvice.aspx>

25. The starting budget for 2023/2024 is year three of the 10-year Budget 2021-2031 (also known as the Long-term Plan). This is updated to incorporate any council decisions made since the 10-year Budget was adopted, and any changes to our significant forecasting assumptions.
26. An NZX disclosure statement was released on 7 November 2022 giving an update on the estimated operating gap being larger than projected through the Annual Budget 2022/2023, at around \$270 million, due to the rapid rise in inflation and interest rates. It noted the broad range of budget levers available to the group and outlined how the group would make decisions on these levers via its annual budget process.
27. The disclosure statement also highlighted the group's strong commitment to maintaining a prudent and sustainable approach to long-term financial management, noting that our credit ratings of AA/Aa2 from S&P Global and Moody's respectively, both on stable outlook, had been affirmed.
28. On 10 November 2022 staff provided the Governing Body with an update on the operating budget pressures that were estimated to total \$270 million. In a workshop directly after this meeting, further detail was provided on the various components of the group pressures and options to mitigate those pressures. This included staff advice that a credible and sustainable plan would need to be agreed to which considered impacts beyond 2023/2024.
29. Following the release of updated inflation and interest forecasts by the Reserve Bank of New Zealand on 23 November 2023, an updated estimate of the operating budget gap of \$295 million was verbally reported to the Governing Body meeting on 24 November as part of Chief Executive, Group Chief Financial Officer and Council-controlled Organisations Update.
30. The development of the Mayoral Proposal has been supported by ongoing staff advice on the options/levers to mitigate budget pressures and the need for any mix of these options to be guided by the criteria mentioned above to ensure credibility and long-term financial sustainability.

31. The draft Mayoral Proposal along with technical staff advice was discussed by the Governing Body at a workshop on 7 December 2022.
32. Final staff advice on the financial challenges and options/levers to mitigate the budget pressures is attached to the Mayoral Proposal on today's agenda.
33. The communications and engagement approach for the Annual Budget 2023/2024 will be outlined in a report for consideration alongside the consultation document and supporting information for recommendation/approval at a Governing Body meeting in February 2023.

### Local board agreements and local consultation matters

34. Auckland Council is required to include local board agreements for each of its 21 local boards in the annual budget. Content relating to each local board agreement must be included in the annual budget consultation document.
35. If decisions are made today to propose a reduction in local board funding, local boards will need to consider the implications as part of their local consultation material.
36. Local consultation material will be adopted by local boards in early February 2023 and will be included in consultation material to be adopted by the Governing Body later that month.

### Tūpuna Maunga Authority draft Operational Plan

37. Auckland Council and the Tūpuna Maunga o Tāmaki Makaurau Authority must agree the Tūpuna Maunga Annual Operational Plan each year pursuant to section 60 of Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Act 2014.
38. Auckland Council is required to include a summary of the Tūpuna Maunga Authority Operational Plan in its annual budget. A summary of the draft Tūpuna Maunga Authority Annual Operational Plan must also be included in the annual budget consultation document.
39. The Tūpuna Maunga o Tāmaki Makaurau Authority's first hui for the term is scheduled for late January 2023 where they will adopt the draft operational plan. The draft operational plan will then come to Governing Body for agreement for inclusion in the consultation materials.
40. Once agreed, the summary of the draft operational plan will be included in the consultation material for adoption by the Governing Body in February 2023.

### Letters of Expectation and Statement of Intent process

41. Given the budget challenge and the need for council-controlled organisations (CCOs) to align with council's revised expectations, the letter of expectation (LoE) and statement of intent (SOI) process will be informed by the Mayoral Proposal.
42. Further details relating to this process are contained in a separate report on today's agenda.

### Tauākī whakaaweawe āhuarangi Climate impact statement

43. Some proposals to reduce operating budgets in response to the financial challenges the council is facing could result in less funding for activities that support and contribute to climate action. This will be carefully considered as part of budget prioritisation and any material associated risks or impacts will be detailed in consultation material to support consultation with Aucklanders.

### Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera Council group impacts and views

44. Council-controlled organisations (CCOs) have been directly involved in the development of the annual budget topic material where appropriate.

45. All council departments, council CCOs and other entities funded by the council could be impacted by decisions made for the Annual Budget 2023/2024. Auckland Council's executive leadership team and the chief executives of the CCOs were briefed on the budget in early November and have continued to receive regular updates on the development of the budget.
46. Consultation items and updates to budgets to reflect decisions and new information may include items from across the group.

## Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe Local impacts and local board views

47. Local boards have a legislative role to provide input on regional plans, and a legislative requirement to consult on any material changes to local activities for their community.
48. Local boards have been briefed on the information provided to the Governing Body. These briefings along with the draft Mayoral Proposal have informed local board input on the regional items for consultation and these views are set out in a separate report on today's agenda.
49. Local boards will continue to be provided with key information related to the annual budget, including any necessary advice on individual local consultation matters that will take place alongside regional consultation in March 2023. This includes consulting on any related impacts to the community (or actions to mitigate these impacts) if a reduction in local board funding is proposed.

## Tauākī whakaaweawe Māori Māori impact statement

50. Engagement with mana whenua and mataawaka will be considered and planned for once the items for consultation are confirmed. Information on the communication and engagement approach will be reported to the Governing Body in February 2023 for approval.

## Ngā ritenga ā-pūtea Financial implications

51. In order to support the consultation material for the Annual Budget 2023/2024 the budget is based on year three of the 10-year Budget 2021-2031 updated for subsequent decisions and new information.
52. As mentioned above, if a long-term plan amendment is required additional budget to cover the associated audit costs will be required.
53. The cost of the annual budget project will be managed through existing operating budgets.

## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

54. There are no risks associated with the recommendations in this report.
55. Any associated audit fees will be provided in an engagement letter to the Mayor for his sign-off.

## Ngā koringa ā-muri Next steps

56. Today's decisions will inform the preparation of the consultation document and supporting information for consultation on the Annual Budget 2023/2024.

57. The table below sets out the remaining steps in the process (at a high level) to finalise the annual budget during 2023.

**Table One: Timeline for Annual Budget 2023/2024**

Phase	Timing 2023
Governing Body workshop: to review the consultation document, supporting material and consultation approach ahead of the meeting	February
Governing Body meets to adopt the consultation document and supporting material and approve the consultation approach	February/March
Public consultation	March
Governing Body receive regional feedback report	April/May
Local boards meet to receive local feedback	May
Governing Body workshop budget discussions	May
Governing Body workshop where local boards provide feedback on regional issues.	May
Governing Body workshop - Mayor's Proposal and final decision making	May/June
Governing Body meeting on final decisions	May/June
Local boards workshop local board agreements	June
Local boards adopt Local board agreements	June
Governing Body workshop to adopt the final annual budget	June
Governing Body meet to adopt the final Annual Budget 2023/2024	29 June
Final annual budget documentation and information relating to the decisions made (e.g., reports) will be made available to the public and closing the loop activities with submitters will be completed	July

## Ngā tāpirihanga Attachments

There are no attachments for this report.

## Ngā kaihaina Signatories

Author	Tamsyn Matchett - Programme Manager
Authorisers	Ross Tucker - General Manager, Financial Strategy and Planning Peter Gudsell - Group Chief Financial Officer Jim Stabback - Tumu Whakarae / Chief Executive

# Annual Budget 2023/2024: Local board feedback on regional items for consultation

File No.: CP2022/16442

Item 8

## Te take mō te pūrongo Purpose of the report

1. To provide an overview of local board input on regional consultation content for the Annual Budget 2023/2024

## Whakarāpopototanga matua Executive summary

2. As part of Auckland Council's shared governance model, local boards have a legislative role to provide input on regional plans. For each annual budget, local boards provide input in two ways:
  - providing input into regional content, including providing feedback on the regional items proposed to be consulted on
  - preparing local content – specifically for local board agreements that set out local priorities and activities for the financial year, which are agreed between local boards and the Governing Body.
3. For the Annual Budget 2023/2024, local boards agreed their feedback on the regional items proposed to be consulted on at business meetings from 6 to 8 December 2022. The Governing Body will make decisions on regional items for consultation on 15 December 2022.
4. Local boards are set to decide local consultation content in early February 2023. This allows time for local boards to consider the decisions on regional items for consultation made at today's meeting on the individual local board areas.
5. This report summarises the feedback from local boards on regional items proposed to be consulted on for the Governing Body to consider. This report focuses on common themes and, as such, does not include all the matters raised in local board resolutions. A complete set of the local board resolutions is provided in Attachment A.
6. Both regional and local consultation items will be incorporated into the Annual Budget consultation document and supporting information, which are planned to be adopted by the Governing Body in February 2023. Consultation is planned to take place in March 2023 with confirmed dates being provided to Governing Body early next year as part of the communications and engagement approach for consultation. Final decisions and the adoption of the Annual Budget 2023/2024 will be made in June 2023.

## Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) kohuki / consider input from local boards when making decisions on regional items to be consulted on for the Annual Budget 2023/2024.

## Horopaki Context

7. The Annual Budget 2023/2024 contains the proposed budget and funding impact statement for the year, identifies any variations from the financial statements and funding impact statement in the 10-year budget for the relevant year, and provides for integrated decision-making and coordination of the council's resources. The Governing Body is responsible for adopting the annual budget. As part of this process, local boards develop annual local board agreements which are agreed between local boards and the Governing Body (and are included in the annual budget).
8. When making decisions, the Governing Body has a statutory obligation to consider the views and preferences of the local boards if the decision affects, or may affect, the responsibilities or operations of the local board or the well-being of communities within its local board area.
9. Auckland Council is facing an estimated \$295 million operational expenditure challenge for the Annual Budget 2023/2024.
10. Governing Body workshops were held in November and December 2022 to discuss the projected financial position and the options/ levers to mitigate. The draft Mayoral Proposal was then released on 5 December.
11. Local board chairs were invited to attend a Governing Body workshop on 7 December, where the Mayoral Proposal and supporting staff advice was discussed. All local board members were invited to attend briefings on the group's projected financial position and the options/ levers to mitigate and have received advice from the Local Board Lead Financial Advisors regarding the overall budget challenge and the available levers related to the \$295m budget gap.
12. Local boards agreed their feedback on the proposed regional items for consultation at business meetings from 6 to 8 December 2022. The Governing Body will make decisions on regional items for consultation at today's meeting.
13. This report provides an opportunity for local boards to provide formal input on the items proposed to be consulted on for the Annual Budget and for the Governing Body to consider the views expressed by the local boards.

## Tātaritanga me ngā tohutohu Analysis and advice

14. Local boards have been asked to provide input on regional items considered for consultation.
15. This report summarises the feedback from local boards and focuses on common themes relating to key Annual Budget 2023/2024 regional topics to be considered by the Governing Body. As such, it does not include all the matters raised in local board resolutions. Most local boards did not provide feedback on every topic to be considered by the Governing Body.
16. The full set of local board resolutions are provided in Attachment A (local board resolutions on proposed regional topics for consultation for the Annual Budget 2023/2024).



## Feedback on the Mayoral Proposal

17. The Mayoral Proposal outlined the following mix of levers to address the council's current financial challenge:
- operational cost savings at the council parent organisation
  - operational savings at council-controlled organisations (CCOs)
  - further operational savings across the council group
  - rates
  - Auckland International Airport Limited (AIAL) shares
  - Ports of Auckland Limited (POAL) dividend
  - debt.

### Operational cost savings at Council parent organisation

18. The Mayoral Proposal outlines \$60 million of operational savings through combined savings targets including a 5 per cent reduction to overall local board funding in 2023/2024, reducing back-office support costs, simplifying management structures and stopping or providing some services differently.

#### Local board funding

19. A range of views were expressed by boards on the savings proposal as detailed below.
20. Four local boards supported, in principle, consulting on the proposal to find savings across local board budgets (Aotea / Great Barrier, Franklin, Howick and Papakura local boards). All of these boards expressed that a reduction in local board funding may impact on community-led services.
21. Hibiscus and Bays Local Board acknowledged the need to find savings across the council but noted its concern that local board budgets are disproportionate across local boards due to legacy funding models and therefore there are significant equity issues in seeking a flat reduction of savings.
22. Eleven boards did not support the proposal to reduce the overall local board funding (Albert-Eden, Devonport-Takapuna, Henderson-Massey, Kaipātiki, Māngere-Ōtāhuhu, Manurewa, Ōtara-Papatoetoe, Rodney, Upper-Harbour, Waiheke and Waitemātā local boards). In addition, Whau Local Board noted its concern about the impact of a reduction of local board funding on local communities.
23. Several local boards noted that a 5 per cent reduction to local board budgets will equate to a 50 per cent reduction to the locally driven initiatives budget and therefore impact environmental and community outcomes currently being delivered through that budget. The following local boards highlighted some of these impacts:
- Papakura Local Board noted a reduction in services would have a disproportionate impact on the ability of most deprived residents to access key services
  - Henderson-Massey Local Board noted any reduction in budgets will have a disproportionate impact as the Henderson-Massey community has a greater reliance on council services so will be adversely affected by a reduction in services and activities.

24. Nine local boards noted they either did not support or had concerns in reducing local board service support (Albert-Eden, Devonport-Takapuna, Māngere-Ōtāhuhu, Manurewa, Ōtara-Papatoetoe, Puketāpapa, Waitematā, Waitākere Ranges and Whau local boards). The following local boards highlighted some of these potential impacts:
- Māngere-Ōtāhuhu and Ōtara-Papatoetoe Local Boards noted their concern that reduced local board governance support would mean that the boards will be unable to discharge their responsibilities and participate as an effective shared governor of Auckland Council.

**Reduction of regional community and social programmes and activities and leveraging central government investment into social services**

25. Two local boards supported consulting on the proposal on a reduction of community and social programmes (Kaipātiki and Rodney local boards).
26. Manurewa Local Board said that an equity lens needs to be applied when considering reductions and that reductions should be made in a way as to lessen the impact on communities of greatest need.
27. Hibiscus and Bays Local Board did not support consulting on the proposal of a reduction of community and social programmes. Waitematā Local Board did not support the proposal to consult on the reduction of funding for community safety initiatives, particularly in the city centre, and highlighted concern over the proposal to reduce regional funding to address homelessness.
28. Two local boards noted that cost reduction may be achieved through better leveraging central government funding or user-pays funding for these activities, reducing the service level, by stopping the activity or identifying a different delivery method or agency (Hibiscus and Bays and Rodney local boards). Kaipātiki Local Board expressed wariness of this without seeing more detail on the proposal.
29. Nine local boards supported consulting on the proposal to leverage central government investment into social services being delivered by Auckland Council (Devonport-Takapuna, Franklin, Henderson-Massey, Howick, Kaipātiki, Māngere-Ōtāhuhu, Manurewa, Maungakiekie-Tāmaki, Ōtara-Papatoetoe, Papakura, Puketāpapa and Waitematā local boards). Three of these boards expressed concern about absence of a firm commitment from central government to deliver these social services (Māngere-Ōtāhuhu, Ōtara-Papatoetoe and Papakura local boards). Whau Local Board also noted this concern.

**Discontinuing general rates-funded regional contestable grants**

30. Rodney Local Board supported consulting on the proposal to discontinue all general rates-funded regional contestable grants; Hibiscus and Bays Local Board supported consulting on the proposal excluding the environment and natural heritage grants; and three local boards requested a temporary reduction in general rates-funded regional contestable grants rather than discontinuation (Albert-Eden, Devonport-Takapuna and Kaipātiki local boards).
31. Two local boards agreed that regional grants programmes are an area for savings, and suggested that local boards are in the best place to identify and assess funding opportunities at the local level that deliver to regional strategies (Franklin and Papakura local boards).
32. Two local boards stated that regional contestable grants have historically been poorly targeted and difficult for communities of greatest need to access but also advice will be required on the local impacts of these reductions (Henderson-Massey and Manurewa local boards).
33. Waitematā Local Board did not support the proposal to consult on the reduction of general rates-funded regional contestable grants which would have an additional impact to the services delivered to its local communities.



### **Reduction in open spaces and healthy waters maintenance**

34. Two local boards supported consulting on the proposal to reduce open space maintenance (Henderson-Massey and Papakura local boards).
35. Two local boards did not support consulting on the proposal to reduce open space maintenance (Kaipātiki and Rodney local boards). Devonport-Takapuna Local Board did not support any reduction in the frequency of bin collections. Two local boards were concerned that reducing these levels further could have detrimental effects on community pride leading to increased vandalism and anti-social behaviour (Henderson-Massey and Papakura local boards).
36. Two local boards emphasised that local boards should be given the opportunity to input on any proposed changes to local open space service levels (Devonport-Takapuna and Papakura local boards).
37. Rodney Local Board supported consulting on the proposal to reduce the budget for healthy waters maintenance. Three local boards do not support consulting on the proposal to reduce the budget for healthy waters maintenance (Hibiscus and Bays, Kaipātiki and Waitemātā local boards), two of which referred to the increasing number of storm events requiring retention of budget.

### **Discontinuing direct early childhood education (ECE) provision**

38. Seven local boards supported consulting on the proposal to discontinue being a direct provider of early childhood education services (Devonport-Takapuna, Hibiscus and Bays, Māngere-Ōtāhuhu, Ōtara-Papatoetoe, Papakura, Rodney and Waitemātā local boards). Some of the boards in support, noted that an assessment of how communities may be impacted by withdrawing from this service is required. Kaipātiki Local Board did not support this proposal until more detail on the impacts can be provided.

### **Fees and charges**

39. Five local boards supported consulting on increasing all fees and charges by the Consumer Price Index rate (Albert-Eden, Devonport-Takapuna, Māngere-Ōtāhuhu, Ōtara-Papatoetoe and Waitemātā local boards), however two boards have requested an equity lens to be applied and longer implementation timeframes (Māngere-Ōtāhuhu and Ōtara-Papatoetoe local boards).

### **Operational savings at council-controlled organisations (CCOs)**

40. The Mayoral proposal also proposes further cost savings for each CCO that receives ratepayer funding as follows:
  - Auckland Transport  
\$25 million of operational cost savings without making further cuts to public transport services.
  - Tātaki Auckland Unlimited  
\$25 million of operational cost savings with a further \$2.5m by reducing some economic development and destination activity.
  - Eke Panuku  
\$5 million of operational cost savings from delaying capital investment, reducing the direct costs of undertaking urban regeneration and a look to deliver urban regeneration activity in a way that provides for local project governance.
41. There is also a proposal to implement group shared services to eliminate duplication across Auckland Council and the CCOs, including information and communication technology, insurance, vehicle fleet, corporate accommodation costs, human resources, procurement and other back-office functions.

### **Auckland Transport**

42. Five local boards supported consulting on the proposed \$25 million of operational cost savings from Auckland Transport (Albert-Eden, Franklin, Māngere-Ōtāhuhu, Ōtara-Papatoetoe, and Puketāpapa local boards). Two boards requested the Local Board Transport Capital Fund is retained (Franklin and Papakura local boards).
43. Four local boards did not support consultation on the proposal to hold public transport services at current levels by not reinstating all trips removed as a result of bus driver shortages (Henderson-Massey, Hibiscus and Bays, Kaipātiki and Rodney local boards). Three local boards request that the reductions in services be reviewed regularly and redistributed fairly (Ōtara-Papatoetoe, Papakura and Whau local boards).

### **Tātaki Auckland Unlimited**

44. Eleven local boards supported consulting on the proposed \$27.5 million of operational cost savings from Tātaki Auckland Unlimited (Albert-Eden, Devonport-Takapuna, Franklin, Hibiscus and Bays, Māngere-Ōtāhuhu, Ōtara-Papatoetoe, Papakura, Puketāpapa, Rodney, Waitematā, and Whau local boards).
45. Four local boards requested that ticket prices for community facilities such as Auckland Zoo and Auckland Art Gallery Toi o Tāmaki remain at a rate that is equitable and accessible for all Aucklanders (Aotea / Great Barrier, Devonport-Takapuna, Papakura and Whau local boards).
46. Kaipātiki Local Board requested that Auckland Council dissolve Tātaki Auckland Unlimited (TAU) and transfer all assets back to the council parent.

### **Eke Panuku**

47. Seven local boards supported consulting on the proposed \$5 million of operational cost savings from Eke Panuku (Franklin, Hibiscus and Bays, Māngere-Ōtāhuhu, Ōtara-Papatoetoe, Papakura, Rodney and Waitematā local boards). Puketāpapa Local Board noted a preference for the proposal of \$10 million reduction of operations cost savings from Eke Panuku, if the additional savings are used to retain more locally driven initiatives operating expenditure.
48. Two local boards did not support the proposal to consult on a reduction in Eke Panuku's work on the regeneration of local town centres noting these are key to unlocking economic and community wellbeing in these areas. (Devonport-Takapuna and Henderson-Massey local boards).
49. Three local boards expressed support for the retention of the unlock projects in their local area – Unlock Pukekohe, Northcote Unlock and Avondale Unlock projects (Franklin, Kaipātiki and Whau local boards).

### **Group shared services**

50. Eight local boards supported consulting on the proposal to implement group shared services to eliminate duplication across Auckland Council and the CCOs (Devonport-Takapuna, Franklin, Henderson-Massey, Hibiscus and Bays, Kaipātiki, Papakura, Rodney, and Whau local boards). Waitematā Local Board partially supported consulting on the proposal but not regarding local procurement, human resources, health and safety, and engagement and communications.
51. Two local boards noted that sufficient flexibility must remain to enable CCOs to deliver the 'arm's length' service approaches envisaged by the Auckland governance model. Auckland Council-based services can sometimes be overly prescriptive, risk averse and time consuming (Franklin and Papakura local boards).

### Further operational savings across council

52. There is a proposal to fund some services through leveraging central government investment in social services, considering some user charges and looking at commercial provider options rather than ratepayer funding.
53. This was supported for consultation by 14 local boards (Albert-Eden, Devonport-Takapuna, Franklin, Hibiscus and Bays, Howick, Kaipātiki, Manurewa, Māngere-Ōtāhuhu, Maungakiekie- Tāmaki, Ōtara-Papatoetoe, Papakura, Puketāpapa, Rodney, and Waitematā local boards).
54. Whau Local Board noted its concern around the proposal to leverage central government investment in social services in the absence of a firm commitment from central government to deliver these social services to the same (or any) level.

### Rates

55. The Mayoral Proposal outlines a package of rates changes that will result in an overall rates increase for the average household of 4.66 per cent or \$153 a year. This includes a general rates increase of 7 per cent. To offset the general rates increase, it is proposed to reduce the Natural Environment Targeted Rate (NETR) and Water Quality Targeted Rate (WQTR) by two thirds in the 2023/2024 year as they have built up reserves, and that the long-term strategy to reduce the share of rates paid by businesses is paused for one year.
56. There was general support for consultation on the proposed rates increase of 4.66 per cent, with 11 local boards in support (Albert-Eden, Devonport-Takapuna, Franklin, Henderson-Massey, Hibiscus and Bays, Howick, Kaipātiki, Manurewa, Maungakiekie-Tāmaki, Rodney and Upper-Harbour local boards). In addition, 11 local boards also supported consulting on higher rates, many noting a further rates increase of 0.8 per cent could result in local boards retaining planned funding (Aotea-Great Barrier, Howick, Māngere-Ōtāhuhu, Maungakiekie-Tāmaki, Ōrākei, Ōtara-Papatoetoe, Puketāpapa, Rodney, Upper-Harbour, Waitākere Ranges and Whau local boards). Several boards supported consulting on both the proposed rates package, as well as a higher rates scenario.
57. No local board expressed support to consult on lower rates than proposed.
58. Eight local boards broadly supported consulting on the proposal to mitigate the general rates increased by temporarily reducing the NETR and WQTR by two-thirds (Albert-Eden, Hibiscus and Bays, Māngere-Ōtāhuhu, Manurewa, Maungakiekie-Tāmaki, Ōrākei, Ōtara-Papatoetoe and Puketāpapa local boards). In addition, five local boards supported the proposal with conditions relating to ensuring no impact to climate change and water quality strategies (Devonport-Takapuna, Franklin, Henderson-Massey, Howick and Rodney local boards). Several local boards expressed this reduction should not extend beyond the 2023/2024 financial year.
59. Two local boards (Aotea-Great Barrier and Waitematā local boards) did not support the proposal to reduce these rates, noting environmental and climate change concerns, and Kaipātiki Local Board expressed concern that a reduction to these rates could affect the funding of necessary projects.
60. Nine local boards supported a temporary pause to the long-term differential strategy for business property rates (Albert-Eden, Devonport-Takapuna, Henderson-Massey, Kaipātiki, Manurewa, Maungakiekie-Tāmaki, Puketāpapa, Waitākere Ranges and Whau local boards).
61. Waitematā Local Board did not support a temporary pause to the long-term differential strategy for business property rates.

### Auckland International Airport Limited (AIAL) shares

62. The Mayoral Proposal includes a proposed change to the AIAL shareholding policy to permit the sale of the financial investment, with a full sale of the council's current 18.09 per cent shareholding. This is estimated to contribute \$1.9 billion to the reduction of the council's debt and a related reduction in interest costs.
28. This proposal was supported for consultation by 11 local boards (Devonport-Takapuna, Henderson-Massey, Hibiscus and Bays, Kaipātiki, Manurewa, Maungakiekie-Tāmaki, Puketāpapa, Rodney, Upper-Harbour, Waitematā and Whau local boards). Two of these boards expressed needing more information and two expressed that it was their least preferred option.
29. Two local boards supported consulting on a partial sale (Albert-Eden and Waitematā local boards).
30. Seven local boards either did not support or expressed concern at the proposal to fully sell the AIAL shareholdings (Albert-Eden, Aotea-Great Barrier, Howick, Māngere-Ōtāhuhu, Ōtara-Papatoetoe, Papakura and Waitākere Ranges local boards).
31. Four local boards suggested consideration of the sale of other council-owned assets, such as golf courses (Henderson-Massey, Manurewa, Papakura and Whau local boards).

### Ports of Auckland Limited (POAL) dividend

63. The Mayor expects POAL to increase its profitability in 2023/2024 by at least \$10 million more than previously forecast, and to improve returns to council as the 100 per cent shareholder.
64. This was supported for consultation by nine local boards (Albert-Eden, Aotea / Great Barrier, Devonport-Takapuna, Franklin, Henderson-Massey, Māngere-Ōtāhuhu, Ōtara-Papatoetoe, Papakura, Puketāpapa and Waitematā local boards). Two of these boards expressed that their support was conditional on it not negatively impacting safety (Albert-Eden and Henderson-Massey local boards).
65. Two local boards requested that the proposed requirement for an increased dividend from Ports of Auckland Limited be deferred until the recently introduced changes in strategic direction and operations have had a chance to be fully implemented (Waitākere Ranges and Whau local boards).

### Debt

66. The proposal allows for a maximum increase of \$75 million of short-term debt, with the intent to only use this additional debt if needed.
67. This was supported for consultation by 13 local boards (Albert-Eden, Devonport-Takapuna, Franklin, Hibiscus and Bays, Howick, Māngere-Ōtāhuhu, Manurewa, Ōtara-Papatoetoe, Papakura, Puketāpapa, Upper Harbour, Waitākere Ranges and Waitematā local boards). Māngere-Ōtāhuhu expressed that support was conditional on maintaining sufficient debt headroom for future liabilities of significant infrastructure projects.
68. Rodney Local Board did not support consulting on the proposal unless it is used solely for capital projects that lead to positive social and economic benefits.

### Financial policies for Annual Budget 2023/2024

69. The following rating issues and policies are also due to be considered:
  - changes to fees and charges
  - amendment to Community Occupancy Guidelines
  - targeted rate charges for non-standard refuse bins
  - introduction of fee for swapping bin sizes

- rollout of food scraps service and further standardisation of waste services and targeted rates
- changes to waste management targeted rates
- support for papakāinga development on general title land
- changes to swimming/spa pool inspections targeted rate and fees
- changes to the Rodney Drainage District Targeted Rate
- changes to bus services funded by the Climate Action Targeted Rate.

### Fees and Charges

70. A three-year cycle of fee reviews was introduced as part of the Annual Budget 2022/2023.
71. In year two of the fee review cycle, a number of fees and charges were reviewed, and changes are proposed to the following:
- animal management fees
  - some building and resource consenting fees
  - other regulatory fees such as food licensing registration, micro-mobility operator fees and swimming pool inspections
  - cemetery fees (stage two – to ensure an appropriate level of cost recovery is in place for cemetery services and some further standardisation was also considered)
  - bookable spaces in council-managed pool and leisure facilities, including land and aquatic bookable spaces, such as basketball courts, squash courts, badminton courts, swimming pools, dive pools, stadiums, recreational halls, and rooms available at sites within the Active Communities business.
72. Nine local boards supported consulting on the establishment of standardised baseline fees for services in the bookable spaces within the Active Communities portfolio across Auckland (Albert-Eden, Devonport-Takapuna, Hibiscus and Bays, Howick, Ōrākei, Puketāpapa, Rodney, Upper Harbour and Waitemātā local boards).
73. The Manurewa Local Board did not support consulting on the establishment of standardised baseline fees for services in the bookable spaces within the Active Communities portfolio across Auckland. Along with the Kaipātiki Local Board, they expressed concern that standardised fees and charges across all Auckland Council facilities reduces the ability of local boards to respond locally to the needs and resources of their communities.
74. Five local boards supported consulting on an increase to dog registration fees by \$1 above cost inflation adjustment for additional promotion of responsible dog ownership and desexing in areas with high volume dog attacks (Albert-Eden, Devonport-Takapuna, Franklin, Hibiscus and Bays and Rodney local boards).
75. Four local boards supported consulting on proposed changes to cemetery fees (Albert-Eden, Franklin, Hibiscus and Bays and Rodney local boards). Hibiscus and Bays Local Board requested further information on the costs associated with cremation fees across the region that supported this proposed increase in fee.
76. Four local boards supported consulting on changes to regulatory fees (Albert-Eden, Franklin, Hibiscus and Bays and Rodney local boards).

### Amendment to Community Occupancy Guidelines

77. The proposal is to consult on an amendment to the Community Occupancy Guidelines to provide local boards with greater discretion to adjust the maintenance and administration costs recovered in community leases.
78. This was supported for consultation by nine local boards (Albert-Eden, Aotea / Great Barrier, Devonport-Takapuna, Henderson-Massey, Hibiscus and Bays, Kaipātiki, Manurewa, Rodney and Waitemātā local boards).



### Targeted rate charges for non-standard refuse bins

79. The proposal is to introduce 80 litre bins to the former Manukau City Council and Auckland City Council areas
80. This was supported for consultation by five local boards (Albert-Eden, Aotea / Great Barrier, Manurewa, Puketāpapa and Waitemātā local boards).

### Introduction of fee for swapping bin sizes

81. The proposal is to introduce a new \$40 fee for swapping between bin sizes. These proposals encourage efficient use of services.
82. This was supported for consultation by six local boards (Albert-Eden, Aotea / Great Barrier, Hibiscus and Bays, Manurewa, Puketāpapa and Rodney local boards).

### Rollout of food scraps service and further standardisation of waste services and targeted rates

83. The proposal is to extend food scrap services and the associated targeted rate.
84. This was supported for consultation by six local boards (Albert-Eden, Aotea / Great Barrier, Franklin, Manurewa, Rodney and Waitemātā local boards).

### Changes to Waste Management Targeted Rate

85. The proposal is to adjust targeted rates to reflect costs.
86. This was supported for consultation by six local boards (Albert-Eden, Aotea / Great Barrier, Franklin, Hibiscus and Bays, Manurewa and Rodney local boards). The Maungakiekie-Tāmaki Local Board request that equity continue to be taken into consideration in the standardisation of the Waste Management Targeted rate, including ensuring that bin size costs are not disadvantaging larger families and lower socioeconomic communities.
87. The Devonport-Takapuna did not support changes to the Waste Management targeted rate

### Support for papakāinga development on general title land

88. The proposal is for a partial discount of up to 10 per cent of the rateable land value for papakāinga in general title if land is protected from alienation and papakāinga for the sole use of hapū. This is the equivalent to the discount provided for Māori Freehold Land in valuation rules.
89. This was supported for consultation by four local boards (Albert-Eden, Aotea / Great Barrier, Hibiscus and Bays and Manurewa local boards).

### Changes to swimming/spa pool inspections targeted rate and fees

90. There are two proposals: the first is to increase the inspection fee from \$140 to \$190 to reflect actual cost, the second is to increase the annual targeted rate from \$46.67 to \$63.33 in line with the fee cost.
91. This was supported for consultation by nine local boards (Albert-Eden, Aotea / Great Barrier, Devonport-Takapuna, Franklin, Hibiscus and Bays, Manurewa, Puketāpapa, Rodney and Waitemātā local boards).

### Changes to the Rodney Drainage District Targeted Rate

92. The proposal is to make minor adjustments to boundaries of land liable for the rate to better reflect the areas benefiting from drainage schemes.
93. The Rodney Local Board supported the proposal.

### Changes to the Climate Action Targeted Rate (CATR).

94. The baseline to which CATR-funded bus services would have added has changed. The proposal is to consult on the reassessment of bus services to be funded from the \$10.5 million of CATR earmarked for 2023/2024, to ensure these will deliver maximum service and climate outcomes.

95. This was supported for consultation by five local boards (Albert-Eden, Aotea / Great Barrier, Hibiscus and Bays, Manurewa and Rodney local boards).

### Local matters for consideration

96. Kaipātiki Local Board requested that staff provide feedback on options and timing of a Local Targeted Rate to enable the continuation of community development work programmes that are currently funded, to a similar level as in 2022/2023 financial year, in case local board LDI opex budget is reduced as part of the 2023/2024 Annual Budget.
97. Five local boards requested to speak to their feedback at the Governing Body meeting on 15 December 2022 (Māngere-Ōtāhuhu, Ōtara-Papatoetoe, Ōrākei, Upper-Harbour and Waitemātā local boards).

## Tauākī whakaaweawe āhuarangi

### Climate impact statement

98. This report summarises local board feedback on regional items to be considered for consultation. The climate impacts (both positive and negative) are summarised in the other reports to the Governing Body on this agenda.
99. Several local boards have expressed concern about the possible negative effect on climate action and strategies of the overall budget proposals.

## Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera

### Council group impacts and views

100. The council group impacts of the proposed regional items for consultation are considered in the other reports to the Governing Body on this agenda.

## Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe

### Local impacts and local board views

101. Local board views and feedback on the proposed regional items for consultation for the annual budget are provided in this report.
102. Local boards have been involved in the development of these regional items proposed for consultation, including:
- local board chairs attended a Governing Body workshop on 7 December where the Mayoral Proposal was discussed
  - all local board members were invited to attend Annual Budget 2023/2024 briefings summarising material discussed at Governing Body workshops.

## Tauākī whakaaweawe Māori

### Māori impact statement

103. Many local board decisions are of importance to and impact on Māori. The annual budget, including local board agreements, is an important tool that enables and can demonstrate the council's responsiveness to Māori.

## Ngā ritenga ā-pūtea

### Financial implications

104. The Annual Budget is a statutory process which must be completed every year. The council budget provides for the resourcing to deliver this project.

## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

105. The Governing Body must consider the views and preferences expressed by local boards when making decisions that affect those local board areas, as this is a legislative requirement and part of Auckland Council's shared governance model.

## Ngā koringa ā-muri Next steps

106. The regional and local consultation items will be incorporated into the annual budget consultation document and supporting information, which is planned to be adopted by the Governing Body in February 2023.

107. Aucklanders will have the opportunity to give feedback on regional and local content contained in the annual budget. Consultation will take place in March 2023 with confirmed dates being provided to the Governing Body early next year as part of the communications and engagement approach for consultation. All feedback received from submitters will be analysed by staff and made available for consideration by the local boards and the Governing Body.

108. Following consultation, the Governing Body and the local boards will make decisions on the annual budget, including local board agreements, in May/June 2023.

## Ngā tāpirihanga Attachments

No.	Title	Page
A 	Local Board feedback on regional topics for consultation	

## Ngā kaihaina Signatories

Authors	Renee Burgers - Lead Advisor Plans and Programmes Phoebe Peguero - Senior Advisor Operations and Policy
Authorisers	Louise Mason - General Manager Local Board Services Phil Wilson - Director, Governance & CCO Partnerships Jim Stabback - Tumu Whakarae / Chief Executive



## Annual Budget 2023/224: Mayoral Proposal

File No.: CP2022/16441

### Te take mō te pūrongo

#### Purpose of the report

1. To present the Mayoral Proposal for the Annual Budget 2023/2024 for the Governing Body's consideration and to recommend key items from the proposal for consultation.

### Whakarāpopototanga matua

#### Executive summary

2. This year's annual budget needs to take a balanced approach to meeting the budget shortfall anticipated for the 2023/2024 financial year, to rescue council's current financial situation and set Auckland Council towards a more sustainable financial path for the future. This is the beginning of my plan to fix council's budget situation and look at all options as part of the Long-term Plan in 2024.
3. My draft Mayoral Proposal (appended as Attachment A) was released on 5 December to enable local boards to provide feedback for Governing Body to consider in its decision-making. The draft proposal was workshopped with Councillors on 7 December together with the staff advice (appended as Attachment B).

#### Budget Challenge

4. Council is facing a budget shortfall of \$295 million for the activities that are planned for the 2023/2024 financial year – the third year of the Long-term Plan 2021-2031 (10-year Budget).
5. While the previous annual budget in 2022/2023 had signaled a potential shortfall for 2023/2024 of between \$90m and \$150m, this gap has widened due to factors outside the control of council.
6. This is largely the result of the ongoing impacts of persistently high inflation and the rapid increase in interest rates. Some of the pressures are enduring/structural, and this requires us to look closely at our ongoing cost base, both in council and in Council Controlled Organisations (CCOs), to ensure we have a sustainable and credible plan going forward.
7. If we don't take bold action now, Aucklanders face the unpalatable prospect of over 13% increase in rates in the middle of a cost-of-living crisis.

#### Objectives

8. My objective is to have a balanced budget for the 2023/2024 financial year. Alongside that, council also needs to achieve:
  - A prudent and sustainable financial path going forward – there will be more hard decisions to be made in the Long-term Plan 2024-2034, and this year's annual budget needs to put us in a good place to make those decisions.
  - Minimising the financial impact on households during a cost-of-living crisis.
  - Reducing operating costs and maximising revenues, both in council parent and CCOs, to ensure that the council group is focused on those activities that matter most to our communities and delivering value for money/cost effectiveness.

Item 9

### Balanced mix of levers

9. My proposal is that council uses a mix of levers and options to best achieve the objectives for the annual budget 2023/2024. The details of my proposal are as set out in Attachment A, and are summarised below.
10. Firstly, I propose a \$130 million savings target for the council group for 2023/2024. We must change how and what we are spending money on in the council group to simplify what we do and cut spending. There are things that we can go hard on early and achieve in this next budget. There are also some things that will take longer to achieve and are best to consider as part of the next Long-term Plan, but we will start thinking about those now too.
11. This target is based on credible plans that were presented to us on what is achievable, plus some stretch targets for the Expenditure Control and Procurement Committee. There will be some hard decisions that need to be made about the things that council and its CCO's should do, and those that it should do less of.
12. I believe that local decision-making delivers savings and efficiencies. I am asking Local Boards to share the challenge of finding savings. Collectively, that will add up to a lot of savings for Auckland. But I am signaling that coming into the Long-term Plan, I want Local Board budgets to increase and be protected – to then spend on their communities' priorities.
13. Aucklanders are living through the worst cost of living increases in decades, and I don't believe council should be adding to this burden with a rates rise of over 13%.
14. So I am proposing a rates rise for the average household of 4.66% which is made up of a general rates rise of 7% but with these key mitigations:
  - A temporary pause to the current Long-term Differential Strategy (which aims to gradually reduce the share of general rates paid by businesses) for one year; and
  - Reduce the amount collected under the Natural Environment Targeted rate (NETR) and the Water Quality Targeted rate (WQTR) by 2/3 for the 2023/2024 year.
15. The activities planned to be funded by the NETR and WQTR will not stop as they can continue for the 2023/2024 year using reserves accumulated in both those funds.
16. I am proposing that council changes the Airport Shareholding Policy in the Long-term Plan 2021-2031 to provide for a full sell down of the council's shareholding in Auckland International Airport Limited. This would save the equivalent of \$88 million in interest costs in the next year.
17. I am also proposing that Ports of Auckland commit to an improvement in their net operating performance (from \$42 million to \$52 million) and dividend projections of \$10 million for 2023/2024.
18. Finally, given the high levels of economic uncertainty, it is prudent of council to ensure that we can manage any risks of a worse financial outlook or under delivery on the other levers by leaving some ability for council to use short term debt to meet any shortfall in the 2023/2024 budget.

### Long term financial sustainability

19. This budget proposal aims to solve our financial issues for the short term and start us on the path to become a simpler, more efficient and effective organisation. However, there are some solutions that will need more planning and will take more time to implement, and I will be getting advice to introduce further changes for longer term savings through the upcoming Long-term Plan process.



## Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) agree to a preferred mix of budget levers to address the estimated \$295 million operating budget gap for 2023/2024, as the basis for consultation on the Annual Budget 2023/2024, which includes:
  - i) additional operating savings of \$130 million across the council group over and above existing budgeted savings targets including:
    - A) \$60 million of operating savings for Auckland Council as set out in recommendation b) below;
    - B) \$25 million of operating savings for Auckland Transport, including increased projected revenue of \$4 million resulting from the decision of the Auckland Transport Board on 1 December 2022 to increase public transport fares by a weighted average of 6.5% to be implemented this financial year, and consultation via the Annual Budget 2023/2024 on a \$21 million reduction in council operating funding provided to Auckland Transport resulting in the current number of public transport services (as of December 2022) to be maintained for 2023/2024;
    - C) \$27.5 million of operating savings for Tataki Auckland Unlimited, including a \$10 million savings target to be achieved by undertaking a comprehensive post-merger efficiency programme, including driving revenue opportunities and prioritisation across the entire organisation, and consultation via the Annual Budget 2023/2024 on a \$17.5 million reduction to council operating expenditure funding provided to Tataki Auckland Unlimited with some implications for service delivery and pricing via the Zoo, Art Gallery, stadiums and venues and some reductions in events and economic development activity;
    - D) \$5 million of operating savings for Eke Panuku, including the deferral of \$20m of capital works from 2022/2023 and \$36 million from 2023/2024 focusing investment on essential priorities and committed capital works, and reducing the direct operating costs of property management and urban regeneration activities;
    - E) a further review of revenue, capital and operating budgets as part of the work programme of the Expenditure Control and Procurement Committee, tasked with identifying additional operating cost savings of \$7.5 million for Auckland Transport and \$5 million for Auckland Council and the other CCOs
  - ii) consultation on a proposed amendment to the Airport Shareholding Policy in the Long-term Plan 2021-2031 to provide for a full sell down of the council's 18.09% shareholding in Auckland International Airport Limited
  - iii) consultation via the Annual Budget 2023/2024 on a proposed average general rates increase of 7% for 2023/2024, with the following rating policy adjustments that will result in an overall 4.66% rates increase for the average value residential property:
    - A) pausing the Long-term Differential Strategy for one year and extending the time by which the target share of 25.8 per cent of rates to be raised from business properties is achieved to 2038/2039
    - B) reducing the Water Quality and Natural Environment Targeted Rates for 2023/2024 by two thirds while still maintaining the associated planned work programmes
  - iv) a modest increase of up to \$75 million of additional debt funding of the capital programme which will free up rates funding for operating purposes

- b) agree to progress the proposed \$60 million of operating savings for Auckland Council from 2023/2024 through:
- i) directing the Auckland Council Chief Executive to reduce \$12 million of operating costs for 2023/2024 under delegation through:
    - A) implementing group shared services including corporate accommodation changes
    - B) simplifying and consolidating group strategy and policy activity
    - C) optimisation of, and minor reductions to, open space levels of service delivered through the Parks and Community Facilities full facility maintenance contracts
    - D) changing the budgeting method for healthy waters maintenance
  - ii) consulting via the Annual Budget 2023/2024 on the following items:
    - A) \$20 million reduction in general rates funding of regional services such as community and education programmes, regional events, economic development and other social activities
    - B) \$8 million reduction in regional contestable grants
    - C) \$16 million reduction to Local Board funding, representing a 5 per cent reduction in the overall operational budget for local activities
    - D) \$3 million of proposed changes to fees and charges
    - E) withdrawing from the direct provision of early childhood education services with an estimated reduction in general rates funding of \$1million
- c) agree that the consultation document for the Annual Budget 2023/2024 include information on alternative options of a higher average general rates increase of up to 13.5% and additional use of debt within existing policy limits to ensure that the Council has sufficient flexibility to respond to public feedback on the proposed levers or further financial challenges between now and final decision-making on the Annual Budget 2023/2024
- d) note that Chief Executives across the council group will continue to progress the achievement of existing efficiency savings targets for 2023/2024, including a \$30 million operating cost reduction target primarily focused on support services including simplification of management portfolios and structures for Auckland Council
- e) note that Ports of Auckland have committed to an improvement in their net operating performance (from \$42 million to \$52 million) and dividend projections of \$10 million for 2023/2024
- f) agree to consult alongside the Annual Budget 2023/2024 on a change to the council's Revenue and Financing Policy to enable the Long-term Differential Strategy to be paused for one year and extend the time at which the target share of 25.8 per cent of rates to be raised from business properties is achieved to 2038/2039.

## Ngā tāpirihanga Attachments

No.	Title	Page
A 	Mayoral Proposal	
B 	Staff advice to support Mayoral Proposal	

## Ngā kaihaina Signatories

Author	Mayor Wayne Brown
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## Annual Budget 2023/2024: Other Rates and Fees Matters

File No.: CP2022/15921

### Te take mō te pūrongo Purpose of the report

- To recommend changes to rating policy and fees for consultation as part of the Annual Budget 2023/2024, and changes to the Māori Land Rates Remission and Postponement Policy for consultation alongside the Annual Budget 2023/2024.

### Whakarāpopototanga matua Executive summary

- The recommendations in this report bring together all the rating issues and fees material, not covered elsewhere on this agenda, proposed for consultation as part of the Annual Budget 2023/2024.

#### Waste management targeted rates for next year

- The cost of waste management base services which include recycling and regional initiatives is expected to increase considerably, due to significant increases in labour costs and road transport related costs. Officers recommend that the council consult on a standard recycling targeted rate of \$95.98 and a minimum base service targeted rate of \$59.31 for 2023/2024. These represent a 10.6 per cent (\$14.84) increase from the current level of base service targeted rate (including recycling).
- The rate for the standard refuse bin has only a minor adjustment despite the significant increase in costs. This is because of the expected reduction in household refuse volume following the roll-out of the food scraps service. The combined increase in standard refuse rate and the base waste management rates is a 4.8 per cent increase in standard waste management rates which is a 0.5 per cent increase in total rates. The waste management rates are set out in the table below.

Service	Area	Proposed targeted rate 2023/2024 (incl. GST) \$	Targeted rate 2022/2023 (incl. GST) \$
<b>Standard recycling or additional recycling (previously part of the base service charge)</b>	All areas	\$95.98	\$140.45
<b>Minimum base service (previously part of the base service charge)</b>	All areas	\$59.31	
<b>Standard refuse (120 bin) charge</b>	Former ACC and MCC	\$173.14	\$172.89
<b>Food scraps full year charge Charged on a pro-rata basis where service not available for full year</b>	Former PDC, NSCC and WCC	\$77.20	\$71.28



### Targeted rate charges for non-standard refuse bins

5. Council currently offers the choice of three refuse bin sizes (80 litre, 120 litre and 240 litre) across most of the region. However, 80 litre bins are not available in the districts of the former Auckland (ACC) and Manukau (MCC) city councils. Officers propose that from 1 July 2023 the 80 litre bin service be made available to properties in the former ACC and MCC districts, funded by a targeted rate.
6. Officers have reviewed the cost of waste management services funded by targeted rates to reflect cost inflation and the relative cost of the different refuse bin sizes. The cost of providing different size bins is not directly proportional to their size. Some costs, such as overhead, are fixed irrespective of bin size. In addition, the observed weight of waste in 80 litre bins (more than two thirds the 120 litre bin) and 240 litre bins (less than twice the 120 litre bin) also means that the relative cost of tonnage to landfill between the three bin sizes is not proportional to the volumes of the bins.
7. Officers recommend the following rates be set to better reflect the relative cost of service for different bin sizes:
  - Introducing an 80 litre bin service in the former ACC and MCC districts, funded by a targeted rate of \$143.71, being 83 per cent of the proposed standard refuse rate for a 120 litre bin
  - increasing the targeted rate for the 240 litre bin service in the former ACC and MCC districts to \$287.41, being 166 per cent of the proposed standard refuse targeted rate for a 120 litre bin
  - adjusting other targeted rates for waste management services to reflect movement in the costs of providing these services.

### Fee for swapping bin sizes

8. Officers recommend a \$40 fee be charged for swapping to a different size bin. It costs the council around \$310,000 a year to administer bin swaps. This cost is currently funded from the waste management base service targeted rate which is paid by every bin user. Introducing a fee will ensure more efficient use of council resources and also that costs are paid for by those who use the service. When the rates funded service is rolled to new areas customers will be offered a choice of bin size.

### Roll out of food scraps service and further standardisation of waste services and targeted rates

9. The council's targeted rate funded food scraps service is currently available in Papakura and parts of North Shore and is being rolled out in the rest of the North Shore and Waitākere during the current financial year. From April 2023 this service will be rolled out to the remaining urban and semi-urban parts of the region. Officers recommend that the food scraps targeted rate be extended to those areas where the service is being introduced. Where the service commences part way through the 2023/2024 rating year the targeted rate will be charged on a pro rata basis, reflecting the approximate number of months the service is available in each area.
10. Officers also recommend the Governing Body note the following minor changes as a result of the standardization of waste services and targeted rates across the region.
  - extending council's waste management services to the commercial areas in the former Manukau City, with Howick, Hunter's Corner and Papatoetoe starting to receive council services from 2023/2024
  - replacing the waste management base service targeted rate with two separate targeted rates - a standard recycling targeted rate and a minimum base service targeted rate. This will allow non-residential properties to opt out of council's recycling service and associated targeted rate if they wish to do so.

## Other rating policy changes

11. Officers recommend that the council consult in the Annual Budget on the following rating policy changes:
- amendments to the boundaries of the rating maps for the Te Arai and Okahukura drainage districts to better reflect the areas benefiting from the relevant drainage schemes funded by the Rodney Drainage Districts Targeted Rate.
  - an increase to the Swimming Pool/Spa Pool Fencing Compliance Targeted Rate from \$46.67 to \$63.33 to reflect the actual cost of this service. The fee for follow up inspections is also proposed to increase accordingly.
  - establishment of a Business Improvement District (BID) and BID targeted rate for Silverdale
  - establishment of a BID and BID targeted rate for Grey Lynn, if the proposal receives support from the Waitematā Local Board before the Governing Body meets to adopt the Annual Budget consultation materials.

## Accommodation provider targeted rate

12. The Accommodation Provider Targeted Rate (APTR) previously funded 50 per cent of Tātaki Auckland Unlimited's expenditure on visitor attraction and major events. The rate was suspended, and associated expenditure reduced, in response to the impact of COVID-19 and then removed from the rating policy following the Court of Appeal decision in 2021. The Court of Appeal decision has been appealed to the Supreme Court who have not yet released their decision.
13. The 10-year Budget 2021-2031 assumed that the APTR and associated expenditure would be reinstated from 2023/2024 but until the Supreme Court delivers its decision on the appeal, Council cannot consider reinstating the APTR. Officers note that expenditure for visitor attraction and major events for 2023/2024 will be substantially reduced as the funding from the APTR is no longer available. Officers do not consider that additional general rates funding for expenditure on visitor attraction and major events is a priority given the significant budget pressures the council is facing.

## Climate action targeted rate

14. Officers recommend that the council consult on a reprioritisation of the \$10.5 million of additional bus service expenditure planned to be funded by the Climate Action Targeted Rate (CATR) for the 2023/2024 year. This will ensure that the best climate and service outcomes can be achieved based on the changes Auckland Transport is making to bus services in response to the driver shortage and expenditure reductions to help meet the council's financial challenges. The CATR Government and Oversight Group will determine the specific changes to projects funded by CATR for consultation.

## Support for papakāinga development on general title land

15. The 7 June 2022 meeting of the Finance and Performance Committee requested that officers report back on options for providing a remission to iwi owned papakāinga on general title land.
16. Officers recommend consulting on an option to provide a partial discount to general title papakāinga, where that land is protected from alienation, and is for the sole use of hapū. The remission would apply a similar discount as is applied to Maori freehold land (up to ten per cent of the rateable land value). Such a remission would have a total cost of around \$5,000 in the first year, increasing as further papakāinga developments proceed.

## Fees and charges

17. Most fees and charges will increase in line with the council's cost inflation where necessary to maintain cost recovery.
18. A three-year cycle of fee reviews was introduced as part of the Annual Budget 2022/2023. The reviews will ensure that the cost recovery decisions previously made by the council continue to be met. Advice on cost recovery levels will be provided where there have been material changes to the nature or cost of services since the original cost recovery decisions were made.
19. In year two of the fee review cycle, officers reviewed a number of regulatory fees and charges to ensure that the cost of processing is recovered from customers using services or to adjust deposits to reflect actual costs more accurately. Officers recommend that the council consult on the proposed regulatory fee changes including:
  - animal management fees
  - some building and resource consenting fees
  - other regulatory fees such as food licensing registration, micro-mobility operator fees and swimming pool inspections
20. In 2022/2023, phase one of proposed changes to cemetery fees was adopted. The changes standardised the fees for the majority of cemetery services across all locations. In stage two, fees and charges have been reviewed to ensure an appropriate level of cost recovery is in place for cemetery services and some further standardisation was also considered. Officers recommend that the council consult on adjusted cemetery fees along with a refinement to the framework of charges for burial plots, as well as adjustments to the charges for cremation services and chapel hire.
21. The review of fees and charges for the Active Communities service has been split into two phases due to the number and complexity of the fees. The existing pricing and discount frameworks currently in place for Active Communities contain variations and inconsistencies inherited from legacy councils.
22. In the first phase fees for use of bookable spaces in council managed pool and leisure facilities have been reviewed with a focus on standardisation. The second stage, planned for 2024/2025, will include a review of the remaining fees for Active Community services including the appropriate level of cost recovery for all fees. Officers recommend that the council consult on the standardised fees for the use of bookable spaces in council-controlled pool and leisure facilities.

## Amendment to Community Occupancy Guidelines

23. Officers recommend that the Governing Body agree to consult on an amendment to the Community Occupancy Guidelines. The amended guidelines would provide the local boards with greater discretion to adjust the maintenance and administration costs recovered in community leases. Where boards considered it appropriate to increase the rental fees and/or charges the additional revenue would increase their local funding. This would assist them to manage any impact on their budgets resulting from the proposed reductions to local funding being considered as part of this budget.



## Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) whakaae / agree to include in the draft funding impact statement to support consultation on the Annual Budget 2023/2024 the proposed increases to the waste management targeted rate charges next year as specified in this report, to ensure cost recovery for the relevant services
- b) whakaae / agree to consult as part of the Annual Budget 2023/2024 on:
  - i) introducing an 80 litre bin service in the former districts of the Auckland City and Manukau City Councils, to be funded by a targeted rate of \$143.71
  - ii) increasing the existing targeted rate for the standard refuse bin (120 litre) service to \$173.14
  - iii) increasing the existing targeted rate for the large refuse bin (240 litre) service to \$287.41
- c) whakaae / agree to consult as part of the Annual Budget 2023/2024 on extending the food scraps targeted rate to the former districts of Auckland City, Manukau City, Franklin District and Rodney District councils (excluding islands), from July 2023, to be applied to all residential and lifestyle SUIPs to which the service is made available, on a pro rata basis reflecting the approximate number of months the service is available in each area
- d) whakaae / agree to consult as part of the Annual Budget 2023/2024 on the introduction of a \$40 per bin fee for a change in the size of refuse or recycling bins
- e) whakaae / agree to consult as part of the Annual Budget 2023/2024 on replacing the waste management base service targeted rate with two separate targeted rates - a standard recycling targeted rate and a minimum base service targeted rate
- f) whakaae / agree to consult as part of the Annual Budget 2023/2024 on amending the targeted rate boundaries for the Okahukura Drainage District and Te Arai Drainage District as specified in Attachment A of this report
- g) whakaae / agree to consult as part of the Annual Budget 2023/2024 on increasing the targeted rate and inspection fee for swimming/spa pool compliance to \$63.33 and \$190 respectively
- h) whakaae / agree to consult on the establishment of a Business Improvement District (BID) and BID targeted rate for Silverdale
- i) whakaae / agree to consult on the establishment of a BID and BID targeted rate for Grey Lynn, if the proposal receives the support of the Waitemata Local Board before the Governing Body meets to adopt Annual Budget consultation materials
- j) whakaae / agree to consult as part of the Annual Budget 2023/2024 on a substantial reduction in visitor attraction and major events activities as the currently planned APTR funding of \$15.1 million is no longer available.
- k) whakaae / agree to consult on a reprioritisation of the bus services to be funded by the Climate Action Targeted rate with the detail for consultation to be recommended by the CATR Governance and Oversight Group
- l) whakaae / agree to consult on amending the Māori Land Rates Remissions and Postponement Policy to include a partial remission for papakāinga on general title land as set out in this report
- m) whakaae / agree to consult as part of the Annual Budget 2023/2024 on changes to fees and charges as set out in this report
- n) whakaae / agree to consult on the amended Community Occupancy Guidelines as set out in this report

## Horopaki Context

24. The council is required to consult on changes to its rating policy and certain changes to regulatory fees and charges, including where fees are prescribed under the Resource Management Act 1991 or where the changes are considered significant under its Significance and Engagement Policy. The council can also choose to consult where it considers it appropriate to do so. The council is required to consult on changes to the Revenue and Financing Policy when proposing changes to sources of funding where the policy doesn't already provide for that source of funding to be used for the particular activity.

## Tātaritanga me ngā tohutohu Analysis and advice

25. The following sections set out the key issues to be considered when making a decision for each of the proposed changes to council's rating policies and fees. More detailed analysis of each issue is set out in the attachments to this report. Each attachment is presented in the format that will be used for the supporting information for consultation if the council decides to consult on the issue. The material will be updated to reflect the decisions the council makes on the issues for consultation.

### Waste management rates for the 2023/2024 year

26. The proposed waste management targeted rates for 2023/2024 are set out in the table below. The cost of the base services which includes recycling and regional initiatives is expected to increase by 10.6 per cent, due to cost inflation. One of the major drivers of this cost, the Road Transport Input Cost Index (RTICI) published by Statistics New Zealand, rose by 20.1 per cent over the year to the June 2022 quarter and is forecast to rise a further 10 per cent over the year to June 2023. Labour costs are also forecast to increase by around 6 per cent over the same period.
27. The projected cost of rates funded refuse provided in the former ACC and MCC areas has remained largely unchanged despite the significant increase in contract prices linked to the RTICI. This is because of the expected reduction in household refuse volume following the roll-out of the food scraps service diverting some of the general refuse to the food scraps bin.
28. The overall impact on properties in the former ACC and MCC areas is an increase of 4.8 per cent (approx. \$15). For the average value residential property, the impact of increases to waste management rates adds 0.5 per cent to total rates. This analysis below does not include the new food scraps targeted rate, which is discussed later, as the level of the rate for each ratepayer in 2023/2024 will depend on the proportion of the year the service is received which is discussed later.

Service	Area	Proposed targeted rate 2023/2024 (incl. GST) \$	Targeted rate 2022/2023 (incl. GST) \$
<b>Standard recycling or additional recycling (previously part of the base service charge)</b>	All areas	<b>\$95.98</b>	\$140.45
<b>Minimum base service (previously part of the base service charge)</b>	All areas	<b>\$59.31</b>	

Service	Area	Proposed targeted rate 2023/2024 (incl. GST) \$	Targeted rate 2022/2023 (incl. GST) \$
Standard refuse (120/140L bin)	Former ACC and MCC	\$173.14	\$172.89
Large refuse (240L bin)	Former ACC and MCC	\$287.41	\$254.15
Small refuse (80L bin)	Former ACC and MCC	\$143.71	n/a
Food scraps	Former PDC, NSCC and WCC	\$77.20	71.28
	Former ACC east	\$73.98	n/a
	Former ACC west	\$64.33	n/a
	Former MCC	\$57.90	n/a
	Former FDC and RDC	\$51.47	n/a

### Targeted rate charges for the 80 litre and 240 litre refuse bin services

29. In June 2022 the Governing Body agreed to amend the Auckland Waste Management and Minimisation Plan 2018 to move to a regionwide rates-funded refuse collection service with a choice of three bin sizes (80 litre, 120 litre and 240 litre) to accommodate different household needs. Auckland Council already provides the 120 litre and 240 litre refuse bin services across Auckland. These are funded from targeted rates in the former Auckland City Council (ACC) and Manukau City Council (MCC) areas and from pay-as-you-throw (PAYT) bin tags and rubbish bag sale revenue in other areas. The 80 litre bin service is currently only available in areas outside of the former ACC and MCC areas. Officers propose to make available the 80 litre bin refuse collection service available in these two areas from 1 July 2023, to be funded from a targeted rate. This will allow households that produce less rubbish to lower their waste management cost.
30. The level of the targeted rate for the 80 litre bin service is proposed to be set at 83 per cent of the standard refuse targeted rate (120 litre bin). The percentage differential was calculated based on the sum of the fixed and variable costs associated with an 80 litre bin service relative to that for a standard 120 litre bin service. The differential is greater than two thirds (80 litre vs 120 litre) because:
  - an 80 litre bin is typically more full than a 120 litre bin
  - there are some fixed costs the council incurs in providing the refuse service which should be allocated to all service users evenly regardless of bin size.
31. It is proposed that the targeted rate for the 80 litre refuse bin service be set at \$143.71 for 2023/2024.
32. Officers also reviewed the cost for the 240 litre refuse bin service, using the same methodology. It was estimated that the cost for a 240 litre bin service was around 166 per cent of that for a standard 120 litre bin. Therefore, officers propose that the targeted rate for a 240 litre refuse bin service be set at 166 per cent of the standard refuse targeted rate. This would increase the targeted rate for the 240 litre bin service to \$287.41 in 2023/2024 and would more accurately reflect the cost of the service.
33. The proposed targeted rates for both the 80 litre bin and the 240 litre bin services are generally comparable or lower than other service providers in Auckland.

### Food scraps service and targeted rate

34. Following consultation as part of the 10-year Budget 2018-2028, the Governing Body agreed in May 2018 to the provision of a foods scraps collection service to all mainland urban households funded by a targeted rate. The targeted rate applies to every residential and lifestyle 'separately used or inhabited part' (SUIP) within the service area. The service and the targeted rate were first introduced in Papakura in 2018/2019 and parts of North Shore in 2019/2020 and are being rolled out to Waitākere and the rest of North Shore in 2022/2023. Where the service is available for a part of the year the rates have been set on a proportional basis.
35. From July 2023, the council will start extending the food scraps service to cover the rest of urban and semi-urban mainland Auckland including in the areas of Auckland central, Manukau, Franklin and Rodney. Properties that will start receiving this service in the 2023/2024 financial year will be charged the food scraps targeted rate on a pro rata basis with a lower amount that reflects the approximate number of months the service is available to them during the 2023/2024 rating year. Properties in areas that are already receiving the food scraps service as at 1 July 2023 will be charged the full year rate, proposed to be \$77.20 per SUIP.
36. In future, once all areas are receiving the service, all eligible SUIPs will be charged the same rate as set out in each year's annual budget.
37. The following table shows the targeted rate amount proposed for 2023/2024 for each area based on the approximate number of months the service is available. The targeted rate will apply to all residential and lifestyle properties within the service area including those that already undertake their own composting. It is impractical to administer a system exempting these properties from the service (and associated rate) due to the cost of checking compliance.

Area	Approximate number of months service will be available	Proposed targeted rate for 2023/2024 (incl. GST)
Former Papakura District, North Shore City and Waitakere City	12	\$77.20
Former Auckland City east	11.5	\$73.98
Former Auckland City west	10	\$64.33
Former Manukau City	9	\$57.90
Former Franklin District and Rodney District	8	\$51.47

38. Note that while the council will endeavour to ensure the service is provided to properties as scheduled, the start dates of the service and therefore the number of months the service will be available in 2023/2024 for various property groups as specified in the table may change. Officers will revisit the delivery timeframe and proposed targeted rate charges in May 2023 before recommending the final amount of the targeted rate for adoption.

### Introducing a charge for bin swapping

39. The council offers a choice of three different refuse bin sizes and two different recycling bin sizes in most areas of Auckland. Currently, bin customers can change their bin sizes free of charge an unlimited number of times. It costs the council around \$310,000 a year (including overheads) to administer approximately 7,400 bin swap requests including around 1,900 that require multiple site visits due to customers not setting out their existing bins on the kerbside properly or as scheduled. This cost is currently funded from the waste management targeted rate which is paid by every bin user.
40. Other councils in New Zealand operate a wide range of policies with regard to bin swap charges, ranging from free swaps to a charge of around \$100 per swap. See below.

Council	Bin swap fee		Note
	Refuse	Recycling	
Tauranga City	free	free	
Christchurch City	\$97.65	\$97.65	or swap both bins for \$110.25
Dunedin City	n/a	\$31	refuse service provided in prepaid bags
Hutt City	\$103 for upsize and free for downsize	\$103 for upsize and free for downsize	or swap both bins for \$155
Hamilton City	n/a	n/a	bins available in only one size
Wellington City	n/a	n/a	refuse service provided in prepaid bags; recycling bins available in only one size

41. Officers propose to introduce a \$40 fee for every bin swap in Auckland to cover the cost of administering the service including overheads. A charge would incentivize bin users to think carefully about their waste management needs before requesting a bin swap, ensuring more efficient use of council resources. It would also ensure costs are paid for by those who use the service.
42. To keep it simple, the \$40 fee will apply to every bin that is swapped regardless of the nature of the swap (upsized or downsize) or the number of bins covered in one request. For example, a request to swap a refuse bin will cost the customer \$40 and a request to swap both the refuse bin and the recycling bin will cost \$80.

### Introducing waste services to commercial areas in Manukau

43. The council does not currently provide waste management services to properties within the commercial areas of the former MCC. Plans are in place to introduce waste services to these properties in stages, with the following town centres starting to receive council services from 1 July 2023:
- Howick
  - Hunter's Corner
  - Papatoetoe
44. Non-residential properties in these areas will be able to opt in and receive refuse and/or recycling services from the council. Once opted in, the relevant targeted rate will be added to the property's rates bill from the following financial year. Any service received before the targeted rate becomes effective will be charged through a pro rata fee, invoiced immediately to the customer.



45. Residential properties located within these areas (mostly apartment blocks) will automatically receive the refuse, recycling and food scraps services and be charged the respective targeted rates from 1 July 2023. This is consistent with the standardized charging mechanism adopted by the council in June 2022. Apartment blocks with 10 or more units will be able to apply for an opt-out of one or more of the services the council provides if the council cannot provide a suitable service. An exemption from the corresponding targeted rate will be approved in that instance.
46. The extension of the waste management services and targeted rates to commercial areas in Manukau does not require a change in the rating policy.

### Replacing the Waste management base service targeted rate with two separate targeted rates

47. The council currently charges a Waste management base service targeted rate to cover the cost of recycling, inorganic collection, resource recovery centres, the Hauraki Gulf Islands subsidy and other regional waste services. With the exception of multi-unit properties in the former ACC area no opt-out is allowed for this targeted rate. The council adopted a standardised charging scheme for waste management targeted rates in June 2022, to be phased in over two years. Under the new scheme non-residential (excluding lifestyle) properties across the region will be able to opt out of the council's recycling service and targeted rate while continuing to pay a minimum base targeted rate that covers the cost of inorganic collection, resource recovery centres, the Hauraki Gulf Islands subsidy and other regional waste services. To enable implementation of the new policy the Waste management base service targeted rate will be discontinued, and two new targeted rates will be introduced in 2023/2024:
  - Standard recycling targeted rate
  - Minimum base service targeted rate
48. No properties will be worse off as a result of this technical change.

### Changes to the Rodney Drainage District Targeted Rate

49. In December 2020, the Governing Body resolved to reallocate decision-making responsibility for the Te Arai, Okahukura, and Glorit drainage districts from the Rodney Local Board to the Governing Body, at the request of the local board. In May 2021, the Governing Body agreed to introduce a targeted rate in two of the drainage districts (Te Arai and Okahukura) to fund the sustainable provision of stormwater services. All rateable land situated within a catchment area considered to be benefiting from the council-maintained drainage assets is charged the targeted rate.
50. Since inception of the targeted rate, officers have identified several locations where land within the drainage district boundaries is unlikely to benefit from council-maintained drainage assets. For example, in Okahukura, a small segment of council-maintained drainage pipe intersects with a stream catchment boundary. This catchment is currently included in the rated land classes as it would stand to benefit from the drainage asset. However, owing to the short pipe length within the catchment and significant proportion of the catchment draining directly into the sea, a large majority of the catchment area receives no benefit from the asset. Therefore, it is proposed that targeted rate boundaries be revised to more accurately align benefit with liability to pay.
51. In addition, officers also propose to correct an error in the map of the Te Arai Drainage District Land Classification to include 1 Pukeone Lane Te Arai Point in the targeted rate boundary. This is a newly created property following subdivision. 65.3 hectares of land within the boundary of this property is situated in a catchment that benefits from the council-maintained drainage assets. The error meant that this property was not charged the targeted rate in the current financial year.

52. The proposed changes are technical refinements of the rating policy that would ensure the targeted rate reflects the original intention of the policy.
53. The combined effect of the proposed changes and cost inflation would decrease the targeted rate for 65 properties and increase it for 213. In most cases the increases are minor compared with the property's total rates bill. It is estimated that a total of 13 properties would have an increase in the Rodney Drainage District Targeted Rate that is greater than 3 per cent of their current rates bill. Of these, five would have an increase that is greater than 5 per cent of their current rates bill.

### Swimming/spa pool inspections

54. It is mandatory for swimming and spa pool inspections to be carried out every three years. Most pools only require one inspection over the three-year period. If a pool fails, the inspection then follow up inspections are required until it passes. The cost of the first inspection is covered by a targeted rate, paid annually as part of the rates bill. The cost of subsequent inspections (if required) is paid through a fee. We are proposing an increase in the annual targeted rate from \$46.67 to \$63.33, and a corresponding increase in the inspection fee from \$140 to \$190, to reflect the actual cost of this service. This compares to fees applied by some other councils of \$175 (Waikato District Council) and \$209 (Wellington City Council) for the three-yearly inspection.
55. Pool owners who choose to use a third party inspector instead of the council will be charged a lower targeted rate of \$31.67.

### Business Improvement District Programme

56. The Silverdale Business Association and Grey Lynn Business Association are each proposing the establishment of a Business Improvement District (BID) in their town centre area, funded from a BID targeted rate.
57. The Hibiscus and Bays Local Board resolved at its business meeting on 18 August 2022 to support the establishment of the Silverdale BID. Officers recommend including the proposed targeted rate in the annual budget consultation.
58. The Waitemātā Local Board is expected to discuss the proposal on the Grey Lynn BID at a meeting in early 2023. Officers recommend including the proposed targeted rate in the annual budget consultation if the proposal receives the board's support (through a resolution passed by the board) before the Governing Body meets to adopt the Annual Budget consultation materials.
59. The council's BID Policy requires a ballot to be held of all business ratepayers and business occupiers / tenants in the proposed BID programme area. In order to proceed with establishment of a BID the ballot must achieve a threshold of at least 25 per cent of the total voting forms returned and of those, over 51 per cent must be in support of the proposal.
60. A ballot will be held in March 2023 on the proposed Silverdale BID. As the Waitemātā Local Board has not yet considered the Grey Lynn BID proposal a date has not yet been set for a ballot.

### Accommodation Provider Targeted Rate

61. The Accommodation Provider Targeted Rate (APTR) funded 50 per cent of Tātaki Auckland Unlimited's expenditure on visitor attraction and major events. This was suspended between 2020/2021 and 2021/2022 in response to the impact of COVID-19 with a consequent reduction in expenditure. In response to the decision of the Court of Appeal in 2021, the APTR was removed from the council's rating policy for 2022/2023. The Court of Appeal decision has been appealed to the Supreme Court, and the council is awaiting the decision of the Supreme Court.
62. The 10-year Budget 2021-2031 assumed that the rate would be reinstated from 2023/2024 along with an increase of associated expenditure, but the Council cannot consider reinstating the APTR prior to the Supreme Court delivering its decision on the appeal.

63. In the meantime, the council needs to respond to the significant impact on its budget position from the current economic conditions. Rising inflation and interest rates have stressed council's budget which impacts on the focus and amount that we can spend on visitor attraction, major events, and destination marketing activity.
64. Without the APTR, planned funding for this activity will be lower by \$15.1 million 2023/2024. Tātaki Auckland Unlimited's expenditure on visitor attraction and major events activities is likely to reduce substantially but may be supported by revenue from other sources, like government grants, and potentially prioritisation across its wider portfolio of general rates funded activity. Retaining full planned expenditure levels for Tātaki Auckland Unlimited's visitor attraction and major events activities without drawing on other revenue sources or internal reprioritisation would require increasing general rates by around \$15.1 million (to replace the previously planned APTR funding). This would equate to an average general rates additional increase of 0.8 per cent.
65. Officers recommend that the council consult as part of the Annual Budget 2023/2024 on a substantial reduction in visitor attraction and major events activities as the currently planned APTR funding of \$15.1 million is no longer available. Officers do not consider that additional general rates funding for expenditure on visitor attraction and major events is a priority given the significant budget pressures the council is facing.

### Climate Action Targeted Rate

66. Officers recommend that the council consult on a reprioritisation of the \$10.5 million of additional bus service expenditure planned to be funded by the Climate Action Targeted Rate (CATR) for the 2023/2024 year. This proposal does not impact on the level of the rate or the plans for expenditure on the other activities it funds.
67. In 2022/2023 the council introduced the CATR to build on council's response to addressing climate issues. The CATR will generate \$574 million over the period 2022 to 2032 to help fund the climate action programme. The climate action programme funds additional investment in buses, ferries, walking, cycling and the urban ngahere. The \$574 million raised from the targeted rate leverages a \$1.045 billion investment package in climate action as council's proposed investments also unlock Government co-funding and additional fare revenue.
68. Auckland Transport is proposing to hold bus services around the current levels in response to the driver shortage and to make operational savings to assist the council to meet its financial challenges. This will reduce the planned 2023/2024 baseline to which the additional CATR funded bus services would have built upon.
69. The additional CATR funded bus services for the 2023/2024 year are presently focused on a number of service improvements to existing services along with the introduction of a new frequent service. This investment is aimed at providing greater access to low carbon public transport to encourage and enable mode shift to reduce emissions.
70. Given the changes to some baseline bus services it may no longer be practical to deliver all of the additional CATR funded bus services. In addition, the changed baseline may mean that the bus services that were to be funded by the CATR may no longer be those that would deliver the best value for money in terms of service and climate outcomes.
71. Reprioritising the bus services to be funded by the CATR will ensure that the best climate and service outcomes can be achieved based on the changes Auckland Transport is proposing to make to bus services. The reprioritisation proposed does not impact on the underlying matters the council is required to consider when setting a rate as the primarily region wide nature of the benefits from the expenditure and the distribution of the rates burden will not change.



72. The alternative options until the baseline services changes are addressed are to defer this year's expenditure on some of the CATR funded bus service projects or reduce the rate. Officers do not recommend these options. The proposal ensures that the council can continue to deliver the outcomes for which the rate was set given the financial challenges that the council is now facing.
73. The council has established a CATR Governance and Oversight Group to provide direction on specific CATR programmes and projects and to review and endorse significant changes to programmes. This group will determine the specific changes to projects funded by CATR for consultation. The membership of the CATR Governance and Oversight Group will be confirmed at the 8 December meeting of the Planning, Environment and Parks Committee.

## Support for papakāinga development on general title land

### Māori Land Rates Remission and Postponement Policy

74. The council's Māori Land Rates Remission and Postponement Policy ("Māori Land Remission Policy") was reviewed last year. Feedback from mana whenua received during consultation on this policy included requests for greater support for papakāinga on general land that will not be alienated.
75. The current policy was adopted by the Governing Body on 7 June 2022. In response to this feedback, at the same meeting, the Governing Body requested staff to report back on options for remissions for papakāinga on general land owned by iwi, either under Part Two of the Māori Land Remission Policy or by some other mechanism.
76. The Māori Land Remission Policy is available to Māori freehold land. Remissions for Māori owned general title land are only available in very limited circumstances (such as land returned for cultural redress). Land that has been returned for commercial redress or which has been purchased by iwi is not generally eligible for remissions.

### Papakāinga in Auckland

77. For the purposes of the council's Māori Land Remission Policy, papakāinga means mana whenua Māori housing developments on ancestral land, usually adjacent or near to a marae.
78. Only small amounts of ancestral papakāinga land has remained in Māori ownership in Auckland, with 89 Māori freehold land blocks with residential land use providing around 330 dwellings. The completion of Waitangi Tribunal Settlements is now allowing some hapū and iwi to consider developing new papakāinga to replace those lost to alienation. Developments that occur on general land purchased by iwi are currently excluded from the Māori Land Remission Policy.
79. To date, one general land papakāinga development has been completed, by Ngāti Whātua Ōrākei Trust. This development consists of 30 dwellings at Ōrākei. The Trust also owns a further 4.7 hectares of general land in Ōrākei, some of which is in the process of being developed for further housing. If all this land was developed to the same density as the first development, it would yield a further 260 dwellings.

### Applying Part Two remissions to papakāinga

80. The Part Two Māori Land remission scheme provides a partial remission that effectively discounts the rateable value of the land. This remission is available where Māori freehold land has:
  - Significant impediments to its development and use due to the nature of its ownership (such as owners being deceased and not being succeeded to)
  - a highest and best potential use (the basis for valuing the land) that is unlikely to be achieved within Māori ownership. Primarily this relates to land (such as coastal land) that attracts a high valuation due to its potential for subdivision if it was sold on the open market.

81. The current Māori Land Remission Policy does not provide a general remission for papakāinga housing, whether on Māori freehold land or general title<sup>1</sup>. A papakāinga house on general title land and an identical residential dwelling on Māori freehold land have the same rating parameters applied based on their capital value. However, the house on Māori freehold land will pay lower rates however, due to Māori freehold land receiving a discount to its rateable land value under the valuation rules.
82. Discounts are applied to Māori freehold land valuations to reflect the restrictions that apply under the Te Ture Whenua Māori Act 1993. These restrictions largely prevent the permanent alienation of Māori freehold land. They also require sales and transfers to be administered through the Māori Land Court.
83. Rateable land values for Māori freehold land are adjusted by deducting up to a maximum of ten per cent for the number of owners and up to a maximum of five per cent for sites of significance. A further fixed discount of \$7,000 is applied in recognition of the costs of administering such land through the Māori Land Court.
84. Māori owned general title land is not subject to the same legal restrictions on alienation as Māori freehold land and is not administered by the Māori Land Court. It is reasonable then that such land attracts a higher land valuation.

### Options for remissions on general title papakāinga

85. Māori landowners have the option to apply to the Māori Land Court to convert their land to Māori freehold. The cost of undertaking such applications (which run to tens of thousands of dollars) may outweigh the benefit of any subsequent rating discount.
86. Some mana whenua are taking alternative steps to prevent future alienation of their new papakāinga lands. Ngāti Whātua Ōrākei Trust for example, identifies their general title papakāinga land as inalienable under the terms of their trust deed. Trust protection is not as enduring as Māori freehold land status. Māori freehold land status remains even if the land is sold, providing the former Māori owners first right of refusal over any subsequent sale.
87. Administration of general title land does not incur Māori Land Court costs. There will be some level of costs associated with administering the land through a Trust. More significantly there may be opportunity costs where the land is used for papakāinga housing. For example, Ngāti Whātua Ōrākei Trust papakāinga leases charge only a peppercorn ground rent, and the leasehold can only be sold to hapū members, restricting the market for such properties. The one reported sale to date of such a leasehold achieved 53 per cent of the capital value for the freehold property.
88. Officers consider that the combination of trust protection against alienation, and the use of the land for papakāinga exclusively for the use of the hapū, provides a basis for offering a remission under the Māori Land Remission Policy. The purpose of the remission would be to recognise the similarities of this land to Māori freehold papakāinga by achieving greater parity of rating between the two classes of land. Such a scheme would align with the objective of the Māori Land Remissions Policy to support Kia Ora Tāmaki Makaurau (Māori Outcomes Framework). Papakāinga and Māori housing is identified as a long-term priority and mana outcome under the Framework.
89. Officers recommend that a remission scheme for general title papakāinga provides a partial remission equivalent to the land valuation discount that would apply if the land had Māori freehold status, excluding the fixed discount for Māori Land Court costs.

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<sup>1</sup> Part Six of the policy provides a partial remission for low-income households papakāinga who would otherwise qualify for a government rates rebate, except that they live in papakāinga housing under a license to occupy tenancy. The purpose of this remission scheme is to respond to the inequity whereby residents of licence to occupy tenancies retirement villages can access central government rates rebates, but similar tenants living in papakāinga cannot. This remission is available to papakāinga on both Māori freehold and general title land.

90. Under such a scheme, Ngāti Whātua Ōrākei Trust papakāinga properties would be eligible for a ten percent discount in land price, for having more than 100 owners. This would equate to an average remission of \$163 per property, for total remissions of \$5,000.
91. Officers are not aware of other similar papakāinga properties that would be eligible for remission at this time.
92. The amount remitted would increase over time as more papakāinga developments occur. The Ngāti Whātua Ōrākei Trust currently hold a further 4.7 hectares of land at Ōrākei as inalienable land for future papakāinga. Developing to the same density as the existing papakāinga would yield a further 260 dwellings, increasing the total potential remission to just under \$50,000. Any increase in remission would be outweighed by the increase to the council's rating base resulting from the new development. (For example, developing a further 260 papakāinga units at Ōrākei would generate additional rates of around half a million dollars).
93. The proposed change to the Māori Land Remission Policy requires public consultation. Officers propose to conduct this consultation separately to, but at the same time as, consultation on the Annual Budget.

### Proposed fees and charges changes

94. Fees and charges make up 29 per cent of group operating revenue in the Funding impact statement in the Annual Budget 2022/2023. A three-year cycle of fee reviews was introduced in the Annual Budget 2022/2023. The reviews will ensure that the cost recovery decisions previously made by the council continue to be met. Advice on cost recovery levels will be provided where there have been material changes to the nature or cost of services since the original decisions were made. Some out of cycle fee reviews will continue to be necessary to address any material change in circumstances.
95. Most fees (including regulatory fees as provided for in the Revenue and Financing Policy) not subject to review in a particular year will be increased in line with the council's projected cost of inflation where necessary to maintain cost recovery.
96. Preliminary work on revenue budgets to inform consultation on the Annual Budget 2023/2024 has been based on estimated inflation costs expected to be faced by each service being provided. However, given the current level of economic uncertainty inflation forecasts could be higher when decisions on fee levels are required in May 2023. Fees may need to be increased taking into account updated inflation forecasts to maintain cost recovery.
97. Each of the proposed fee changes resulting from our review (not including those changes resulting only from inflationary adjustments) are discussed below and are set out in detail in Attachment B: Fees and charges changes proposal.
98. The alternative to the fee changes proposed is to retain existing fee levels and fund the additional costs from general rates. Officers recommend adjusting fees and charges to reflect the level of cost recovery for the relevant activities, as agreed by the council in previous decisions and set out in the Revenue and Financing Policy.

### Regulatory fees

#### Animal management fees

99. The total number of dog attacks reported in 2021/2022 increased by 20.3 per cent to 1,906, with 92 more attacks on people and 230 more attacks on other animals. Entire dogs (not desexed) are more likely to exhibit aggressive behaviour toward both people and other animals.
100. The Animal Management unit plans to increase its work with at-risk communities to promote responsible dog ownership and de-sexing. This includes a de-sexing programme for approximately 300 dogs, targeted toward dog owners in areas where there are high volumes of dog attacks. De-sexing dogs is a key component in our initiative to reduce dog attacks, with a further benefit of preventing unwanted litters.

101. To fund this programme, we are proposing to increase all dog registration fees by one dollar more than the underlying inflation increase. This will maintain the cost recovery level of 60 per cent from fees and 40 per cent from general rates that the council has previously determined is the appropriate funding mix.

### Consenting fees

102. Customers may request the council's approval to undertake a Change of Use activity when a Building Consent is not required under the Building Code. We recommend introducing a new deposit of \$500 for Change of Use applications (where no Building consent is required).
103. Officers also recommend increasing a number of consenting fees to better align with final costs paid by customers. These are:
- The separation of applications for multiple dwellings into individual records
  - Qualified Partner workstream fee
  - Independent Qualified Persons registration fee
  - Resource Consent Premium Qualified Partner applications
  - Producer statement author fee
  - Building Warrant of Fitness renewal to change from a base fee to a fixed fee
  - Replacement of the current pre-application fee with new fees for simple and complex services

### Other regulatory Fees

104. Officers recommend a change in the hourly rates for regulatory activities to reflect the time and cost to undertake the activity. An increase in fees for other regulatory services is also recommended to reflect the time and cost to undertake the activity. These include fees for:
- Health protection license
  - Food licensing activities
  - Micro-mobility operator
  - Land Information Memorandum cancellations
  - Property File information cancellations
  - Swimming pool inspections
105. These proposed amendments are discussed in more detail in Attachment B: Fees and charges changes proposal.

### Active Communities rental fees for bookable spaces in pool and leisure facilities

106. There are 45 Active Communities sites across the Auckland region, 25 of these are managed directly by Auckland Council.
107. The review of fees and charges for Active Communities services have been split into two phases due to its size and complexity. In the first phase the fees for bookable spaces for hire at 19 of the 25 council managed sites have been reviewed.
108. The second phase, planned for 2024/2025, will include a review of the remaining fees for Active Communities services directly managed by the council, and a review of the appropriate level of cost recovery for all fees within this activity.
109. This process will enable the council to transition towards providing a consistent regional service. It will also standardise the variations and inconsistencies in the existing pricing and discount frameworks currently in place for Active Communities inherited from legacy councils.

110. The discount structure has also been simplified to enable discounts to be targeted to specific community outcomes (e.g., youth focus, disability focus, community groups, etc.). The criteria for the standardised community outcome discounts are established and guided by the relevant local board. The proposed discount structure is aligned to the existing framework that is well known and has successfully operated as part of the Venue Hire portfolio for several years.
111. The following table shows examples of the impacts of undiscounted changes to fees.

Item	FY22 Fees	Proposed Fees	Fee Change \$	Fee Change %	Estimated Revenue Impact
Pakuranga Leisure Badminton Court Hire	\$10.20	\$20.00	\$9.80	96.10%	\$2,832
Tepid Baths Teaching Pool	\$22.30	\$100.00	\$77.70	348.40%	\$2,379
Moana Nui A Kiwa Large Room Hire	\$20.20	\$40.00	\$19.80	98.00%	\$558
Lloyd Elsmore Park Lap Pool	\$96.50	\$200.00	\$103.50	107.30%	\$381
Glenfield Lap Pool	\$72.30	\$200.00	\$127.70	176.60%	\$155

112. As customers are more likely to book spaces at the beginning of the calendar year, implementation of the proposed changes to Active Communities bookable spaces fees would be undertaken from February 2024. This timing will also enable officers to prepare for the implementation of approved fee changes.
113. This proposal will ensure that those hiring facilities are treated fairly across the city and provide a baseline for the second phase of the review that considers the appropriate level of cost recovery. The overall revenue impact of the changes is small. While some increases are high in percentage terms, they are small in absolute dollar value and relative to the scale of the facility being hired e.g., an entire pool.
114. Local boards have decision making responsibility for these fees. Local boards have been provided this advice via workshops over the last month and will give formal feedback on the proposals at their business meetings in the first week of December.
115. These proposed amendments are discussed in more detail in Attachment B: Fees and charges changes proposal.

### Cemetery Services

116. The council manages 35 operational cemeteries (three of which are on Aotea / Great Barrier) and three crematoria through its Cemetery Services business area.
117. In 2022/2023, a new Cemetery Fee Framework was implemented along with a standardised tier structure as part of the first stage of a two-stage review. As a result, fees for most services are now standardised across all cemetery locations.
118. In stage two, fees and charges have been reviewed to ensure an appropriate level of cost recovery is in place for cemetery services. Body plots, referred to in the schedules as exclusive right of burial charges, were omitted from stage one of the review due to the variation across the region. A refinement to the framework for body plot charges, as well as adjustments to the charges for cremation services and chapel hire, is now proposed.
119. The average level of cost recovery for cemetery services over the period 2019 to 2022 was 88 per cent, requiring an average of \$1.4 million funded by the general rate per year.



120. Officers have reviewed the three key sub-groups of cemetery activity: plot sales; cremation services; and facilities services. After considering the balance of cost recovery, customer impact, and competitors' pricing the following broad direction was taken in each service area and then reflected in the pricing schedule set out Attachment B: Fees and charges change proposal:

Plot sales:

- as this service is presently broadly recovering costs the majority of fees are only moving to ensure standardised pricing and maintain cost recovery
- to implement a consistent pricing schedule, an increase in fees for adult body plot sales at northern satellite cemeteries is proposed to set the pricing consistently with other satellite cemeteries. This fee is proposed to change from between \$2,200 and \$3,300 and be standardised at \$2,900.

Cremation fees:

- fees for this service are proposed to increase from \$650 to \$750 bringing charges into the middle of the range of charges offered by private providers. This will allow us to improve cost recovery without losing volume to competitors

Facility services

- fees for these services are being increased to improve cost recovery but will not fully recover the cost of service reflecting the potential impact on customers in communities experiencing higher levels of deprivation.

121. After adjusting for the cost recovery movements noted above most fees are increasing within a range reflective of underlying cost inflation i.e., between 6 and 10 per cent. The combined impact of the proposals will result in cost recovery staying at around current levels. If the fees aren't increased, then cost recovery would drop to around 76 per cent and require additional general rates funding.

122. A full schedule of proposed fees is in Attachment B: Fees and charges changes proposal.

### **Amendment to Community Occupancy Guidelines**

123. Officers recommend that the Governing Body agree to consult on an amendment to the Community Occupancy Guidelines. The draft Community Occupancy Guidelines are in Attachment C to this report. The amended guidelines would provide the local boards with greater discretion to adjust the maintenance and administration costs recovered in community leases. Community leases provide for the lease of council land, buildings, and rooms within buildings to non-profit community organisations. The proposed change would allow the boards to adjust the fees to better reflect the actual costs of maintenance and administration where they considered it appropriate.

124. The increased revenue would provide an alternative source of funding for maintenance and administration costs presently funded from general rates. The freed up general rates funding would be available to those local boards who had raised their fees. This would provide them with additional revenue to supplement their local funding and with which to manage any impact on their budgets resulting from the proposed reductions to local funding being considered as part of this budget.

125. The current and proposed fee guidelines are set out in the table below. The proposed fees would be increased each year in-line with inflation.



Community Lease	Building Maintenance Fee Guideline		Administration Fee Guideline	
	Current	Proposed	Current	Proposed
Building - Less than 100m <sup>2</sup>	\$250	\$2,500	\$1	\$1,300
Building - Over 100m <sup>2</sup> and less than 500m <sup>2</sup>	\$500	\$5,000	\$1	\$1,300
Building - Larger than 500m <sup>2</sup>	\$1,000	\$10,000	\$1	\$1,300
Ground lease only	\$0	\$0	\$1	\$1,300

126. If the local boards were to seek to recover the maintenance and administration costs to the level proposed, they could generate in the order of a maximum of up to \$3.5 million additional revenue. If all fees were set at this level, they would recover 74 per cent of building maintenance and repairs and 95 per cent of administration costs. The level of any increase would be determined by the local boards on a case-by-case basis. Given that local boards may wish to continue to support to some degree the community outcomes being delivered by some of the community leases it is unlikely that the maximum revenue increase would be achieved.
127. Officers note that these costs are only part of the cost the council incurs to support community leases. A review is presently underway to inform policy consideration of the how the council manages community leases including the appropriate recovery of costs. The proposals set out herein will not impact on the wider review as the only reinforce local boards existing discretion rather than making any fundamental alteration to how the council should manage these activities.

## Tauākī whakaaweawe āhuarangi Climate impact statement

128. Recommendations in this report have a neutral climate impact as they primarily relate to the allocation of charges rather than decisions on activities to be undertaken. The CATR governance group will carefully considering climate impacts as part of its work looking at a potential CATR reprioritisation.

## Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera Council group impacts and views

129. The proposals in this report have been agreed on by the following departments or business units of the Auckland Council group:
- Auckland Transport
  - Tātaki Auckland Unlimited
  - Waste Solutions
  - Regulatory Services
  - Customer and Community Services
  - Healthy Waters
  - CCO/External Partnerships
  - Maori Strategic Relations and Partnerships.
130. The proposals in this report have been reviewed by Legal Services.

## Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe Local impacts and local board views

131. Some of the proposals in this report will directly impact local boards. The proposed amendment to the Community Occupancy Guidelines will provide local boards with an additional lever to assist them to manage their budget challenges.
132. Local boards considered the proposals in this report at their meetings in the first week of December. Local board input will be tabled at the Governing Body meeting that considers this report.
133. Local boards will have opportunities to express their views on the impacts of regional decisions on their local community before final decisions are made in May 2023.

## Tauākī whakaaweawe Māori Māori impact statement

134. The council does not hold information on the ethnicity of ratepayers or fee payers so is not able to identify the exact impact on the proposed changes on Māori. The impact of the proposed rates and fees changes on Māori will be similar to that on other residents in Auckland.
135. The proposal to provide a remission for general title papakāinga land will benefit the Māori owners of such land. This proposal supports Kia Ora Tāmaki Makaurau (Māori Outcomes Framework) papakāinga and Māori housing outcome. Officers have developed the proposal after considering feedback on the consultation undertaken on the Maori land remission policy and subsequent discussions with staff from Ngāti Whātua Orākei and the IMSB.
136. Consultation on the Annual Budget 2023/2024 will include engagement with the 19 iwi authorities. Targeted engagement to include mataawaka is also being planned for. This approach is still being finalised and will be presented to Governing Body for approval in February 2023 ahead of public consultation.

## Ngā ritenga ā-pūtea Financial implications

137. The financial implications of the recommended changes are noted in the relevant sections above.
138. The proposed changes to rates fees and charges will allow the council to meet its cost recovery targets for the relevant activities for the 2023/2024 financial year. If these adjustments are not made the level of general rates increase may have to be higher than set out in the Mayor's proposal or further alternative budget mitigations found.




## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

139. Aucklanders may be concerned about the proposed level of increase in their rates and/or fees under the proposals in this report. The council will write to each ratepayer potentially affected by the proposed changes to the Rodney drainage rating area maps to advise them of the changes the council is considering. Business ratepayers in the areas proposed for the Silverdale and Grey Lynn BIDs will be engaged through the ballot process required to establish a BID. Current customers will be alerted to the proposed fee changes and consultation will be designed to raise wider awareness. We will let affected ratepayers and customers know how they can get more information and the opportunities to make their views known both in person and in writing.

## Ngā koringa ā-muri Next steps

140. Resolutions passed by the Governing Body at this meeting will be used to develop the consultation material for the Annual Budget 2023/2024. These materials will include all changes agreed to by the Governing Body at this meeting, apart from any proposed amendments to the Māori Land Remission Policy.
141. In February 2023, the Governing Body will be asked to adopt the consultation material and approve the consultation process.
142. In designing the recommended consultation process, officers will develop targeted approaches to ensure that ratepayers and customer/fee payers affected by the proposed changes are made aware of the proposals and the ways in which they can provide feedback.
143. At its meeting in February, the Governing Body will also be asked to agree separate consultation material for the proposed amendments to the Māori Land Remission Policy (if Governing Body agrees to consult on the recommended amendments set out in this report).

## Ngā tāpirihanga Attachments

No.	Title	Page
A 	Okahukura Drainage District and Te Arai Drainage District maps	
B 	Fees and Charges Changes Proposal	
C 	Draft Community Occupancy Guidelines	

## Ngā kaihaina Signatories

Authors	Melva Yee - Programme Manager and Data Analyst Aaron Matich - Principal Advisor – Financial Policy Beth Sullivan - Principal Advisor - Financial Policy Eric Wen - Senior Advisor - Financial Policy Andrew Duncan - Manager Financial Policy
Authorisers	Ross Tucker - General Manager, Financial Strategy and Planning Peter Gudsell - Group Chief Financial Officer Jim Stabback - Tumu Whakarae / Chief Executive



## Council Controlled Organisations - Letters of Expectation

File No.: CP2022/16861

### Te take mō te pūrongo

#### Purpose of the report

1. To approve content for inclusion in the 2023/2024 letters of expectation to substantive council-controlled organisations (CCOs) and Ports of Auckland Limited (POAL).

### Whakarāpopototanga matua

#### Executive summary

2. The letters of expectation are important documents that provide direction on:
  - the development of the substantive CCOs' Statements of Intent (SOIs) for 2023-2026
  - the development of POAL's Statement of Corporate Intent (SCI) for 2023-2026
  - other priorities and issues of importance for the council to inform CCO and POAL operations and service delivery.
3. The expectations have been drafted based on my mayoral proposal for the 2023/2024 annual budget and councillor input at a Governing Body workshop I led on 30 November 2022. I have also met with the Chairs and Chief Executives of each CCO and POAL to discuss these expectations.
4. The letters of expectation will be finalised based on the Governing Body's resolutions, under delegation by me and the Deputy Mayor, and issued to the board chair of each substantive CCO and POAL prior to Christmas 2022.
5. I propose that substantive CCOs are given a one-month extension of all statutory deadlines in the SOI process for 2023, as allowed for in the Local Government Act, and that POAL is asked to deliver its SCI on the same timeframe as the CCOs (which is sooner than otherwise required by legislation). Given the uncertainty of the financial context, this will allow CCOs more time to align their work programmes with the agreed outcomes of the annual budget process.
6. Initial submission of draft SOIs and the SCI will be on or before 1 April 2023, and final submission on or before the 31 July 2023.

### Ngā tūtohunga

#### Recommendation/s

That the Governing Body:

- a) whakaae / approve the proposed content for inclusion in the 2023/2024 letters of expectation to substantive council-controlled organisations and Ports of Auckland Limited as set out in this report
- b) tautapa / delegate authority to the Mayor and Deputy Mayor to finalise and issue the 2023/24 letters of expectation to substantive council-controlled organisations and Ports of Auckland Limited based on the resolutions of this committee
- c) whakaae / approve a one-month extension of statutory deadlines for all council-controlled organisation statements of intent for 2023-2026, as provided for in the Local Government Act Schedule 8, section 4
- d) tautapa / delegate the Manager, CCO Governance and External Partnerships to write to all council-controlled organisations advising of the extension of statutory deadlines.

## Horopaki Context

7. As above.

## Tātaritanga me ngā tohutohu Analysis and advice

### Mayor's proposal for the 2023/24 annual budget

8. As Mayor, I have proposed items for consultation as part of the Annual Budget 2023/2024. This is the subject of a separate report on this agenda. The following savings are identified for the CCOs:
- \$25 million in savings offered by Auckland Transport for 2023/2024.
  - \$27.5 million in savings offered by Tātaki Auckland Unlimited for 2023/2024.
  - \$5 million initial savings offered by Eke Panuku Development Auckland for 2023/2024.
9. For Ports of Auckland Limited (POAL), my proposal outlines a further \$10 million, bringing the total dividend to at least \$31 million in 2023/24.
10. My proposal also provides for the Expenditure Control and Procurement Committee to identify a further \$7.5 million from Auckland Transport and \$5 million from Auckland Council and other CCOs in operational cost savings.
11. I expect that the draft 2023 - 2026 SOIs and SCI will be consistent with the relevant aspects of my proposal for the 2023 - 2024 annual budget.

### Letters of expectation

12. The letters of expectations will contain two parts:
- general expectations for all CCOs
  - specific expectations for each CCO and POAL
13. The content below summarises the key matters that will be expanded on in the final letters of expectation.

### Expectations of all CCOs

14. Expectations for all CCOs are:
- Concise SOIs with meaningful performance measures**
    - concise and informative SOIs, enabling the council and public to clearly understand the CCO's proposed activities and any proposed changes. Avoid superfluous information and marketing.
    - work with Council to ensure SOIs include meaningful performance measures. I seek fewer measures in most cases, but they should provide useful information, measure what matters and be objectively quantifiable wherever possible.
    - SOIs must enable proper accountability and direction of the CCOs.
  - Be more transparent and accountable**
    - be more transparent with council and the community.
    - abide by Auckland Council's Statement of Expectations for Substantive Council-controlled Organisations.



- the Mayor, Councillors and the council's Chief Executive are to receive timely, meaningful and candid information about the activities of the CCO, especially any matters that are potentially contentious or of high public interest. This includes frankly identifying options and risks and reporting more granular financial information for specific items as requested.
  - only undertake items in a confidential meeting where the requirements of the Local Government Official Information and Meetings Act 1987 are met. CCOs are strongly encouraged to include Lead Councillors in confidential board discussions
  - council staff, working with the CCO and Lead Councillors, are to monitor and report on compliance with the above requirements on a quarterly basis.
- iii) **Implement shared services**
- shared services implemented by FY2023/2024 to eliminate duplication and deliver more efficiencies within the council group. This includes ICT, insurance, fleet, corporate accommodation costs, HR, procurement, call centres, communications, legal and other “back office” functions that should be shared across the council group.
  - CCOs that procure relevant services outside the shared services model will be required to report to the Expenditure Control and Procurement Committee with reasons.

15. The specific expectations for each CCO and POAL are provided below.

### Auckland Transport

16. For Auckland Transport we expect the following:

- i) **A fundamental change of approach: deeply understand and respond to what matters most to Aucklanders in transport**
- an appropriate focus on travel time benefits for all modes, looking at both journey time and variability. Clear, understandable metrics for travel time are required, including exemplar journeys. Travel times should be kept at least steady on the arterial road network. Projects should be evaluated with travel-times as a key factor.
  - deeply understand and respond to other key factors that matter to Aucklanders: convenience, safety, accessibility, choice, climate change and environmental factors. This is to be supported by independent research into transport user sentiment.
  - significantly improve communication to council, customers, and stakeholders about the transport system, which is another significant factor that influences transport user experience. This is especially important in relation to public transport, so that users receive up-to-date information about services. AT should adopt better ways of engaging with the public on transport, rather than ineffective consultation.
  - ensure public can easily report issues on the network through a clear online interface and/or mobile application.
- ii) **Get the most out the existing transport network**
- complete existing transport projects on time and on budget, and halt low priority initiatives that are not yet underway.
  - prioritise significant gains with faster, smaller scale improvements to arterial roads and public transport, e.g., increasing the use of dynamic lanes, smart traffic lights, transponders on buses, bus and transit lanes and re-configuration of existing roads.

- work with government to fix the public transport crisis, address long-standing punctuality & reliability issues, and recover and improve passenger transport patronage.
  - ensure the road maintenance and renewal program is adequate and supports the whole region, including rural roads. This includes improvements to the rural road maintenance and sealing program, and targets to ensure prompt completion of simple road repairs.
  - work towards achieving Council's objectives under the Transport Emissions Reduction Plan.
  - improved oversight and management of contractors.
- iii) **Reduce Auckland Transport's cost to Council**
- deliver the proposed savings in budget (\$25million) and identify future opportunities to reduce overhead in the 10-year budget process, especially in corporate costs.
  - prioritise affordability and value for money in the delivery of the capital programme. This should include phased delivery of projects and lower cost delivery of the cycling programme.
  - look at opportunities to increase external income, including parking charges and fines.
- iv) **Deliver a better approach to traffic management: reduce developers' footprints on roads and enable fewer orange cones**
- replace the prescriptive Temporary Traffic Management (TTM) regime, by drawing on the draft guidelines by Waka Kotahi and adopting an approach that is more targeted to risk. This is to reduce both the cost to council and other public and private organisations, as well as the footprint of temporary traffic management in the road reserve such as road cones. TTM should not be used for contractor vehicle parking.
- v) **Take direction and oversight from Council**
- support the Mayor and the Transport & Infrastructure Committee to set the direction on transport in Auckland and ensure there is democratic oversight of Auckland Transport's activities.
  - achieve closer local board involvement in the design and planning stage of local transport projects. Local projects not supported by local boards should be approved by the AT Board before they proceed and reported to the Transport and Infrastructure Committee along with why AT believes it is appropriate to proceed, for example meeting regional strategic objectives. Regional projects should consider local impacts when being implemented. Thresholds for local and regional projects should be defined in the SOI.
- vi) **Support development of a joined-up, comprehensive transport plan, written by Aucklanders**
- the Mayor and Minister of Transport will lead development on an integrated plan across all transport modes. A shared, single plan across the many agencies that work in transport in Auckland is needed. Auckland Transport will support development of this plan.
  - Auckland Transport should support council to advocate to government for a more flexible funding assessment regime as well as identifying central government legislation that is unnecessarily constraining Auckland Transport.

vii) **Improve performance on resource consent report delays and reduce the costs of development**

- speed up advice provided for resource consenting and report on improvements.
- improve and automate the process for road access and road closure notices, and access to easements for utility providers, such as mobile network, fibre and backhaul builds (with appropriate safety and traffic management considerations).

**Eke Panuku**

17. For Eke Panuku we expect the following:

i) **Deliver priority urban regeneration projects to ensure tangible public benefits and local ownership of the projects**

- focus on effective delivery of Eke Panuku's existing priority urban regeneration projects to ensure they provide tangible benefits, value for money and report against the deliverables.
- develop a plan (with council) for the future urban regeneration programme in the 10-year budget.
- clearly identify the status of proposed projects in the SOI, differentiating between projects that are ready for progression, and those which are undeveloped or unfunded.
- objective performance measures are needed that capture public good and commercial development returns for these projects. Panuku is to avoid activities that compete with private developers.
- develop and report on a model for internal local project oversight groups for projects in priority locations, which enables input from local experts.
- continue to work with council to agree the next steps for the development of the Haumaru Housing portfolio, which provides social rental housing for older people.

ii) **Plans for port land**

- work as part of a council-led team on conceptual plans for staging development of future use of POAL land as it is released from port purposes as part of a staged withdrawal of port related activity over 2024-2039. I want us to deliver to Auckland by 2039 the most beautiful and loved publicly owned waterfront of any harbour city in the world, and this is a first step.

iii) **Management of non-service properties – improve commercial return, support council to develop principles governing its property ownership and assess the case for consolidating management of non-service properties/group property functions**

- include in its SOI 2023-2026 an intention to deliver an improved commercial return to Council from management of its non-service property portfolio.
- support Council plans to develop principles to underpin its property ownership decisions, including buying, managing and selling property and identified objectives for the different classes of assets. Eke Panuku are requested to provide input into this strategic assessment, in particular around the non-service property portfolio that they currently manage.
- work with Council to assess the case for bringing together council group property services, including Westhaven Marina, to improve efficiency and effectiveness of the property services, for decision by Council and implementation commencing in 2024.
- provide a complete schedule of the Council's non-service property portfolio as managed by Eke Panuku by the end of 2023.

**iv) Reduce corporate costs - become smaller, more focused agency**

- achieve savings set out in Mayoral proposal and reduce the size and corporate spend of the organisation by 1 July 2024.

**Tātaki Auckland Unlimited (Tātaki)**

18. For Tātaki Auckland Unlimited we expect the following:

**i) Deliver a plan for a single operator for Auckland's four main stadiums by 1 July 2023**

- council regards the adoption of a single stadium management model as imperative. This applies to Council-owned Mt Smart Stadium, North Harbour Stadium and Western Springs Stadium plus independent Eden Park.

**ii) Identify a timeline for integrating Auckland's cultural institutions**

- this was a recommendation from the CCO Review and progress needs to continue. It should include the institutions managed by Tātaki, plus the independent Auckland War Memorial Museum, MOTAT and Stardome Observatory. Council will work with Tātaki to achieve this.

**iii) Focus on key events and facilities that are highly valued by Aucklanders, rather than branding and economic development**

- Tātaki general rates funding, as well as its strategic, investment and operational decision-making, should be focused on providing events and facilities that are highly valued by Aucklanders.
- Tātaki activities designed to promote Auckland's brand and economic development are less important and should not be prioritised for general rates funding. These are better conducted by the private sector or central government, or otherwise funded by their main beneficiaries. I support Tātaki continuing work to identify a mechanism for the tourism industry to fund these activities.
- Tātaki must identify clear metrics for measuring the performance of its events and facilities. This includes ensuring these are accessible, and relevant to, a broad range of Aucklanders. Measures should be specific enough to enable council to understand individual activities. For example, for each facility Tātaki must set out:
  - the purpose of the facility
  - how it evaluates the performance of that facility
  - the budgeted costs of providing the facility
  - set out the target performance of each facility and report on this annually on a per facility basis.

**iv) Reduce Tātaki Auckland Unlimited's reliance on council rates-based funding**

- given the budget constraints, Tātaki needs to reduce its reliance on council rates revenue going forward and provide a clear plan on how it intends to achieve this.

**Watercare Services Limited**

19. For Watercare we expect the following:

**i) Progress as required on Government's Three Waters program (with government funding), but to the extent possible, preserve ability to implement alternative water reform arrangements if legislation is repealed**

**ii) Develop local growth charges**

- implement a fairer system to fund investment to increase local network capacity, including through a local growth charge option.

- iii) **Maintain low water costs for ratepayer users** by delivering value for money and ensuring cost effectiveness
- iv) **Continue to meet targets relating to climate, drought resilience and supply**
  - ensure Watercare is on track to meet the targets of Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan
  - the Drought Management Plan should be approved by the Planning, Environment and Parks Committee and Watercare needs to be well prepared for the response required under the plan.
  - ensure resilient water supply and targets are on track for diverse water supply.
- v) **Improve performance on resource consent report delays and reduce the costs of development**
  - work with council to speed up advice provided for resource consenting and report on improvements.

### Ports of Auckland Limited (POAL)

20. For Ports of Auckland Limited we expect the following:

- i) **Continue to actively focus on improvement in worker health, safety and well being**
  - the target of zero fatalities and serious work-related illnesses or injuries should remain the key health, safety and wellbeing target. Council requests that POAL consult with council staff to agree additional targets for inclusion in the draft SCI.
- i) **Improve financial performance against specified financial measures**
  - POAL must target a Return on Assets (EBIT / total assets as percentage) of 10 per cent in line with historic and other performance benchmarks. This financial ratio indicates how much profit the port earns given its total assets, and so provides an indication about how profitably its assets (including the waterfront land) are being used. This measure should be a key focus given the opportunity cost of those assets, and POAL should transparently set out how it values its land and the impact of any revaluation.
  - POAL's performance targets should also include the following financial measures:
    - Sales Growth year on year (expected at 10 per cent). This measures the change in the port's revenue from sales and indicates whether it is gaining or losing market share.
    - Operating Margin (EBIT / sales as percentage) (expected at 40 per cent). This measure is how much profit is made from sales, which shows the profitability of the port operations. POAL compares poorly to other ports on this measure and needs to improve.
    - Leverage Ratio (Net Debt/EBITDA) (to be reduced to 2 times -3 times). This indicates the amount of income generated and available to pay debt. POAL has increased leverage to fund capital expenditure recently and this needs to reduce.
    - Free Cash Flow to Sales (EBITDA less capex / sales per cent) (expected at 3 per cent). The amount of cash the port generates after cashflows to support operations and maintain assets.
  - Council expects POAL to achieve improved financial performance through increased productivity and sales revenue (including increasing sales and charges for container handling, wheeled vehicles, breakbulk volumes, cruise ship visits along with more efficient port service to justify those charges).



**ii) Deliver free cash flows and dividends to Auckland Council as shareholder**

- POAL’s profitability and dividends have been inadequate, a view that is shared by the POAL’s board and senior management. Council expects POAL to increase its profit and so its dividends to council from its commercial operations. Dividends are to be funded out of surplus cash achieved through higher profitability and not by increasing borrowings.

**iii) Support Council-led process to provide certainty on future of Port land, including a plan to return waterfront land to people of Auckland**

- the Mayor, council and Eke Panuku Development Auckland will develop a plan for the progressive return of waterfront land for the use of all Aucklanders which will require POAL to plan for a phased consolidation of port operations. This is necessary to provide certainty to the port, businesses, the government and Aucklanders. It is a key part of delivering an integrated transport plan for Auckland and will inform government decision-making on the New Zealand freight and supply chain strategy.
- POAL is to support the Mayor, council and Eke Panuku Development Auckland in developing this plan. The plan is to be complete by December 2023, and consolidation is to occur in around four phases over the period 2024 – 2039. Clear dates and milestones will be needed. The plan must improve Aucklanders’ access to the waterfront, while preserving some port activities in central Auckland such as coastal shipping and the passenger terminal. Improving the safety, operational performance and return on the assets utilised by POAL in respect of those operations which are undertaken will be important.
- provide council with information about how it will deliver this plan, and information on any contractual obligations that need to be considered and managed.
- desist from taking actions that may undermine council’s plans. This includes not publicly campaigning against council directly or indirectly through funding of external organisations. POAL is to report on its external memberships and spending on any organisations involved in public relations, lobbying or campaigns.
- I intend to provide POAL with an indicative programme for the progressive return of waterfront land, to provide a sense of the timescale and ambition of this work, which will evolve as the process unfolds next year, as follows:

Date	Area
31 December 2024	Captain Cook wharf, (what remains of) Marsden wharf, and the western half of Bledisloe Wharf
31 December 2029	The eastern half of Bledisloe Wharf and Jellicoe Wharf and the area around Tooley Street
31 December 2034	Jellicoe Wharf, Freyberg Wharf and the area around Tooley Street
31 December 2039	Fergusson container terminal

**iii) Move container freight to rail**

- POAL must work with council and KiwiRail to move 100% of container freight to rail solution as soon as possible, to reduce Auckland’s congestion and greenhouse-gas emissions. POAL must report on its external memberships or spending on any organisation involved in public relations, campaign.



## **Tauākī whakaaweawe āhuarangi** **Climate impact statement**

21. Addressing the challenges that climate change presents for Auckland continues to be a priority for the council group and this is reflected in the common expectations proposed in the letters of expectation and in the specific direction provided to each CCO and POAL.
22. The decision to approve proposed content for substantive CCO and POAL letters of expectation does not have a direct impact on greenhouse gas emissions.

## **Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera** **Council group impacts and views**

23. The letters of expectation are one part of an overall accountability framework for substantive CCOs and POAL. The expectations have been drafted based on the priorities in the long-term plan 2021-2031 and the Mayor's proposal for the 2022/2023 annual budget, with input from subject matter experts from across the council.
24. It is suggested that the letters include a closing paragraph which invites CCOs and POAL to contact the Manager CCO Governance and External Partnerships should they wish to discuss or clarify any aspects of the letter.

## **Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe** **Local impacts and local board views**

25. The governance relationship between the substantive CCOs, POAL and the council sits with the Governing Body, and therefore local boards have not been consulted on issues for inclusion in the letters of expectation.

## **Tauākī whakaaweawe Māori** **Māori impact statement**

26. Māori outcomes continue to be a priority for the substantive CCOs and POAL. Kia ora Tāmaki Makaurau is still the basis for council's expectations to the council group.

## **Ngā ritenga ā-pūtea** **Financial implications**

27. Through the letters of expectation and the Mayoral Proposal, CCOs and POAL are being asked to deliver financial savings to the shareholder.

## **Ngā raru tūpono me ngā whakamaurutanga** **Risks and mitigations**

28. There is a risk that CCOs and POAL may misunderstand the expectations provided in the letters of expectation. However, there are additional opportunities for CCOs and POAL to clarify the expectations, whether by discussion with council staff or through lead councillors.
29. Additionally, the process of reviewing the draft Statement of Intent after they are received on 1 April 2023 provides another opportunity to ensure that expectations in the letters of expectation are responded to appropriately.

## **Ngā koringa ā-muri** **Next steps**

30. The Mayor will issue the letters of expectations based on the resolutions of this committee prior to Christmas 2022.

31. CCOs and POAL will then begin drafting their SOIs and SCI for submission to Council in 2023.
32. Given the uncertainty of the financial situation of Council through the annual budget process staff recommend that the Committee approves an extension of the statutory deadlines for all SOIs in 2023. This ability to extend deadlines by one month is provided for in the Local Government Act 2002 (schedule 8, section 4). It would extend:
  - the date of submission of the draft SOIs to on or before 1 April 2023.
  - the date when the boards must consider shareholder feedback to 1 June 2023, and
  - the date for final submission of SOIs on or before 31 July 2023
33. Under the Port Companies Act 1988, a port must produce a draft SCI by 1 August, the shareholder may comment on this by 1 September, and the port must deliver the final SCI by 1 October.
34. POAL should provide Council with a draft SCI for 2023-2026 by 1 March 2023 so that Council may consider its shareholder feedback at the CCO Direction and Oversight Committee meeting in April 2023. Council will comment on the draft SCI to POAL by 31 May 2023 and expects the SCI to be adopted by 30 June 2023.

## Ngā tāpirihanga Attachments

There are no attachments for this report.

## Ngā kaihaina Signatories

Author	Mayor Wayne Brown
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## Delegation for approval for releasing the interim and full year Auckland Council Group results to the NZX

File No.: CP2022/16613

Item 12

### Te take mō te pūrongo

#### Purpose of the report

1. To recommend that the Governing Body delegates authority to the deputy mayor to release the Auckland Council Group interim and full year financial results announcements to New Zealand's exchange (the NZX) on behalf of the Governing Body.

### Whakarāpopototanga matua

#### Executive summary

2. Auckland Council has bonds listed on the New Zealand (NZX), Singapore (SGX) and Swiss (SIX) exchanges. NZX listing rules impose reporting obligations on the Auckland Council Group, including the release of interim results and full year results within 60 days of the end of the reporting period.
3. Approval of the interim and full year results releases is the core responsibility of "Those Charged with Governance", being the Governing Body. To ensure appropriate rigour is applied in the review, it is ideal for it to be undertaken by persons with financial skills and a good working knowledge of the council in order that the appropriate questions are asked of the finance team.
4. Preparation of the Auckland Council Group financial statements is a lengthy, complex process involving consolidation of the group results and the review or audit of the interim and full year reports. The very short timeframes and strict deadlines make it impractical to have approvals completed at Governing Body meetings. As a result, a delegation of the review and approval of the release is required.
5. The delegation is not given to the mayor as he is required to provide final approval for the release of the results (along with the chief executive). Therefore, we recommend the delegation be given to the deputy mayor.
6. If approved, the delegation will not limit or restrict the Governing Body's access to the Auckland Council or Auckland Council Group financial information. The interim and final results are released to all councillors and elected members via email immediately following release to the NZX.
7. Prior to the delegated member of the Governing Body approving the results, Audit New Zealand completes a review or audit of the results and provides audit clearance. Additionally, the Audit and Risk Committee reviews the quality of the processes and controls used by management to prepare the results, as well as compliance with legislation, financial reporting standards and group policies.

### Ngā tūtohunga

#### Recommendation/s

That the Governing Body:

- a) tautapa / delegate authority to the deputy mayor to approve the release of the interim and full year Auckland Council Group financial results to the NZX for each reporting period through to 30 June 2025; being the end of the current term of the elected members.

## Horopaki Context

8. Auckland Council is an issuer of bonds listed on the New Zealand, Singapore and Swiss exchanges. The NZX requires the interim and full year financial results to be released to the NZX within 60 days of the end of the 31 December and 30 June reporting periods.
9. The results relate to the financial performance of the Auckland Council Group, therefore approving them for release falls within the responsibility of the Governing Body.
10. Preparation of the Auckland Council Group financial statements is a lengthy, complex process. These tasks cannot be completed in time to present at the regular Governing Body meetings and achieve the NZX reporting timeframes.
11. The Auditor-General is the Auckland Council Group and Auckland Council's auditor. The Auditor-General has appointed Athol Graham of Audit New Zealand to undertake the audit of our results for the year ended 30 June each year, on his behalf.
12. Audit New Zealand is also engaged to undertake a review of the Auckland Council Group interim results for the half year ending 31 December each year. A review engagement provides a moderate level of negative assurance, which is at a lower level of assurance than that of an audit. The review is performed in accordance with the Review Engagement Standards issued by the External Reporting Board and primarily involves enquiry, analytical procedures and discussion.

## Tātaritanga me ngā tohutohu Analysis and advice

13. In previous council terms, the Finance and Performance Committee has been responsible for reviewing and approving the statutory and external financial reporting of the Auckland Council Group. This committee delegated the review and approval of the interim and full year financial results release to the chair and deputy chair of the committee. In the current term, in the absence of a Finance and Performance Committee, this responsibility sits with the Governing Body.
14. There are a few options for the Governing Body to provide a review and approval for the release of information:
  - call an extraordinary meeting of the Governing Body
  - rely on the mayor
  - rely on a delegation from the Governing Body.

### Extraordinary Governing Body meeting

15. Management does not consider it an efficient use of the Governing Body's time to call a meeting to consider one item. It would also be very difficult to find a suitable time when the tight deadlines mean there is sometimes only half a day's opportunity to have the release approved, and it can fall on any day of the week.

### Mayoral approval

16. The purpose of the review and approval is to look behind the numbers and disclosures to ensure they make sense based on working knowledge of the council and general financial acumen. This review uses a different lens than that of the mayor and chief executive, who approve the release as part of their governance roles, relying on the representations and expertise of management and governing body experts. Therefore, it is not ideal for the mayor to also be delegated the responsibility of reviewing and approving the release on behalf of the Governing Body.

## Delegation from Governing Body

17. As outlined above, management does not consider the above two options appropriate. As a result, we recommend a delegation of the Governing Body's review and approval to the deputy mayor.
18. The delegation would only cover the release of the interim financial results to 31 December and annual financial results to 30 June. The adoption of the annual report (which contains reporting on the group's financial and non-financial performance, and climate statement) remains the responsibility of the Governing Body to adopt at its meeting in September each year. Other monthly and quarterly financial performance reporting is also excluded from this delegation.
19. For efficiency, it is proposed the Governing Body approve the delegation for the term of this council, i.e. up to and including the NZX reporting for the 12 months to 30 June 2025.

## Tauākī whakaaweawe āhuarangi Climate impact statement

20. This delegation relates only to approving results for release and as such has no climate implications. Information relating to the Auckland Council Group's climate impact will be included as part of the interim and full year financial results and reports.

## Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera Council group impacts and views

21. The interim and full year releases report on the consolidated financial results of the Auckland Council Group. As such, the substantive council-controlled organisations, Ports of Auckland Limited and City Rail Link Limited are required to provide their financial results to Auckland Council for the group releases, However, they are not involved in the final sign off process which is the responsibility of the Governing Body.

## Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe Local impacts and local board views

22. The report applies to the interim and full year financial results releases to the NZX for the Auckland Council Group, which does not include reporting at a local board level. Local boards' performance information is reported in the annual report.

## Tauākī whakaaweawe Māori Māori impact statement

23. The interim and full year results released to the NZX do not affect the achievement or reporting of Auckland Council's contributions to Māori outcomes which are reported in the annual report. No decision is sought in this paper that has a direct impact on Māori.

## Ngā ritenga ā-pūtea Financial implications

24. This report relates to the approval of financial reporting for the Auckland Council Group, and no decision is sought that would have direct financial implications.

## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

25. Without this delegation there is likely to be:
  - a risk of delays in approving and releasing the results within the NZX requirements
  - a lack of independent and critical scrutiny of the release document.

26. Failing to meet the NZX's deadlines, or reporting errors or omissions could result in fines or being removed from the NZX. This would have a significant impact on our ability to raise new debt funding and manage existing debt.

## Ngā koringa ā-muri Next steps

27. If the delegation is approved, the Auckland Council Group interim and full year results releases will be provided to the deputy mayor after the end of each reporting period.
28. The deputy mayor will, under delegation, recommend to the mayor and the chief executive that they approve the release the results to the New Zealand, Singapore and Swiss exchanges.
29. The mayor and chief executive will approve the releases to the exchanges.

## Ngā tāpirihanga Attachments

There are no attachments for this report.

## Ngā kaihaina Signatories

Authors	Tracy Gers - Group Accounting & Reporting Manager Francis Caetano - Group Financial Controller
Authorisers	John Bishop - Group Treasurer Peter Gudsell - Group Chief Financial Officer Jim Stabback - Tumu Whakarae / Chief Executive



# Auckland Council Group and Auckland Council Quarterly Performance Reports for the three months ended 30 September 2022

File No.: CP2022/16164

## Te take mō te pūrongo Purpose of the report

To provide a performance update for the Auckland Council Group and Auckland Council against the Long-term Plan 2021-2031 (the Recovery Budget) for the three months to 30 September 2022.

## Whakarāpopototanga matua Executive summary

### Context

2. The first quarter of the financial year has seen periods of interrupted or amended services due to the end of a COVID-19 wave and the impacts of seasonal illness. In addition to the direct COVID-19 impacts the more substantive economic pressures such as the supply chain delays, increased construction and other costs, together with labour shortages, impacted our performance and ability to progress many capital projects.

### Group performance

3. Capital investment of \$543 million was delivered in the first quarter against a budget of \$696 million – an underspend of \$153 million.
4. Direct revenue was \$724 million which was \$9 million higher than the budget of \$715 million – higher by 1 per cent.
5. Direct expenditure was \$887 which was \$6 million higher than the budget of \$881 million – higher by less than 1 per cent.
6. Net debt increased by \$371 million to \$11.5 billion to fund capital investment and is below the year end budget of \$12 billion.
7. Full-time equivalent employees have increased by 34 for the group with Auckland Council's FTEs increasing by 28, Auckland Transport by 27, both mainly related to the filling of vacancies. This was partly offset by Watercare's FTEs which decreased by 35 mainly due to a restructure.
8. Capital investment highlights include:
  - The second tunnel boring machine drive for the City Rail Link arrived at Te Wai Horotiu Station (Aotea);
  - Construction on the Hūnua 4 was completed; and
  - The first section of the Eastern Busway along the north side of Lagoon Drive and Pakuranga Road became operational.
9. The Marae Infrastructure Programme (MIP) has completed all work at Papatūānuku Marae and Reretewhioi Marae.

### Auckland Council performance

10. Capital expenditure of \$79 million was delivered in the first quarter against a budget of \$102 million – an underspend of \$23 million.

11. Direct revenue was \$197 million which was \$3 million higher than the budget of \$194 million.
12. Direct expenditure was \$413 million which was \$13 million less than the budget of \$426 million.
13. \$57 million in savings has been achieved against the council's \$90 million savings target for 2022/2023.
14. A total of 24 measures were updated this quarter, of which 54 per cent (13) were achieved or substantially achieved and 46 per cent (11) were not achieved.
15. Capital investment highlights include:
  - The Federal Street Stage 2 streetscapes upgrade was completed: and
  - The Tamaki College Flood Mitigation and Freeland Reserve project were completed.

## Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) whiwhi / receive the Auckland Council Group and Auckland Council quarterly performance report for the three months ended 30 September 2022.

## Horopaki Context

16. The Recovery Budget was adopted in June 2021. The budget focused on tackling the uncertainty and challenges arising from public health restrictions and economic impacts associated with the COVID-19 pandemic while continuing to invest in the region's infrastructure and natural environment. Key aspects of the budget for the 2021/2022 financial year included:
  - an average general rates increase of 5 per cent;
  - \$2.9 billion capital investment for the year;
  - \$90 million in savings and cost reductions; and
  - \$70 million from targeted asset recycling.
17. The Governing Body is provided with management and statutory results on a quarterly basis. While these two sets of results reconcile, they are aggregated and analysed with different lenses. The quarterly performance report reflects management's view of the group and the organisation and is tailored to highlight key performance areas (refer Attachments A and B respectively). The statutory results are externally focussed and based on financial reporting standards.
18. Representatives of Auckland Transport's board, their chief executive and their chief financial officer presented their 30 September 2022 quarterly results at the 1 December 2022 Transport and Infrastructure Committee. Representatives of the substantive council-controlled organisations (CCOs excluding Auckland Transport) and Ports of Auckland Limited's boards, chief executives and chief financial officers presented their 30 September 2022 quarterly results at the 5 December 2022 CCO Direction and Oversight Committee.

19. For this term of council, key financial and performance information from across the council group will be reported to the Governing Body each month. This may mean that some of the information currently included in the quarterly reports will duplicate information that has previously been reported. Staff will therefore review the structure and content of the quarterly reports going forward to make sure the information provided is as useful and relevant as possible. This could mean an increased focus on non-financial performance and programme outcomes, along with deep dives on key financial matters such as capital delivery and debt management.

## Tātaringa me ngā tohutohu Analysis and advice

20. The Auckland Council Group and Auckland Council quarterly performance reports are provided in attachments A and B to this report.

### Summary of overall Auckland Council Group quarterly performance

21. Capital investment was \$543 million, 78 per cent of the \$696 million budget and a \$128 million increase from last year. The \$153 million underspend was mainly attributable to labour and material shortages, and delay in construction activities. Auckland Council experienced supply chain delays and challenges around internal restructures. Auckland Transport delivery shortfalls arose from a slow start to the projects with delays in procurement and significant adverse weather. Watercare's capital investment was higher than budget, which was largely attributable to capital delivery progress exceeding what was anticipated and catch up from the prior financial year.
22. Key highlights include:
- The second tunnel boring machine drive for the City Rail Link arrived at Te Wai Horotiu Station (Aotea) 12 days ahead of schedule;
  - Construction on the Hūnua 4 was completed bringing to the end 14 years of construction. The watermain was brought into service in early October.; and
  - The first section of the Eastern Busway along the north side of Lagoon Drive and Pakuranga Road became operational.
23. Net debt increased by \$371 million to help fund this capital investment. This resulted in a debt to revenue ratio of 248 per cent which is below the groups prudential limit of 290 per cent and the budget projection of 253 per cent.
24. The council's credit ratings from S&P Global Ratings and Moody's Investor Services remained at AA and Aa2 respectively. Both are on stable outlook.
25. Direct revenue was \$9 million or 1 per cent favourable to budget, with operating grants \$26 million above budget due to \$19 million of funding from Waka Kotahi to cover public transport revenue shortfalls and half-price fares. Ministry of Business, Innovation and Employment provided unbudgeted \$7 million in Project Activate and Reactivate grants to revive economic, social and cultural activities in Auckland.
26. These favourable movements were partially offset by lower fees and user charges of \$13 million with lower issuance of infringements and less water and wastewater revenues due to lower usage during the wet winter.
27. Direct expenditure was \$6 million or less than one per cent unfavourable to budget. This was due to higher than budgeted employee benefits (\$13 million) mainly from:
- Lower time recoveries from vacant positions;
  - Lower capital activity than budgeted;
  - Less annual leave was taken compared to budget;

- \$6 million unbudgeted grant spent for Project Activate and Reactivate.
  - This was partially offset by reduced budgeted repairs and maintenance costs due to lower-than-expected facilities maintenance for Auckland House, Henderson building, Town Hall, stations and carparks.
28. There was a small increase of 34 full-time equivalent employees (FTEs) for the group, for the quarter. Auckland Council's FTEs increase of 28 was mainly attributable to the filling of vacancies in areas such as customer experience, libraries, community hubs and centres, and infrastructure and environmental services. Auckland Transport's FTEs increased by 27 mainly to fill vacancies in the business technology, transport planning and customer experience. Watercare's FTEs decreased by 35 mainly due to a restructure of their corporate services area and general attrition across the customer services and experience, operations, and capital projects.
29. The Marae Infrastructure Programme (MIP) has completed all work at Papatūānuku Marae and Reretewhioi Marae with work on a further four maraes are ongoing.

### Summary of overall Auckland Council quarterly performance

30. Capital investment for the three months to 30 September was \$79 million compared to a budget of \$102 million. This was mainly due to delays in local parks land acquisitions, the Myers Park construction, minor stormwater projects and the Picton Street stormwater project.
31. Key projects delivered included completion of Federal Street Stage 2 streetscapes upgrade, and construction was completed on the Tamaki College Flood Mitigation and Freeland Reserve project.
32. Direct revenue was \$3 million favourable to budget mainly due to higher than planned rental revenue contributed by various areas such as commercial property, Auckland Film Studio, Haumaru Housing portfolio and rental revenue from NZTA for reserve land. Leisure centre usage has increased, and revenue is \$1 million higher than planned. Further, unbudgeted funding of \$3 million was received from central government including funding for wetland restoration. This was partly offset by \$3 million lower regulatory revenue due to the decrease in the volume of consents lodged, coupled with higher than planned discount applied to consents revenue.
33. Direct expenditure was \$13 million or 3 per cent favourable to budget, mainly because of lower-than-expected repairs and maintenance costs. This work is being planned for other quarters of the year. Employee benefits were also below budget mainly because of vacancies being difficult to fill in the tight labour market.
34. Auckland Council has achieved \$57 million (63 per cent) of the \$90 million Recovery Budget savings target. The attached report sets out a range of initiatives that have contributed to the savings for the benefit of the new council.
35. The water quality programme, waste, regulatory, community investment and the natural environment programmes are on track except for the region wide roll out of the food scraps programme which will be launched in April 2023.
36. A total of 24 measures<sup>2</sup> were updated this quarter, of which 54 per cent (13) were achieved or substantially achieved and 46 per cent (11) were not achieved. Healthy Waters were able to achieve all three of their measures, complying with the resource consents for stormwater system discharge and responding promptly during storms to close stormwater manholes. Performance measures for libraries and other facilities have been slower to recover from the impacts of COVID-19 due to customer behaviour. However, with the increasing number of active members and the reduction in lapsed members this quarter, this is expected to improve.

<sup>2</sup> Due to data sharing and data quality limitations causing the exclusion of flooding emergencies reported only to Fire & Emergency NZ, two flooding related measures were unable to be reported this quarter

37. Customers were satisfied with the overall quality of the building and resource consent service delivery, despite building consents and non-notified resource consents processing timeframes not meeting the target due to reduced workforce and focus on processing the backlog work-in-progress applications.

## **Tauākī whakaaweawe āhuarangi** **Climate impact statement**

38. This Governing Body paper is an information report providing an update on performance across the Auckland Council Group. No decision is sought in this paper that has a direct impact on the group's greenhouse gas emissions nor the group's approach to preparing for climate change. Climate action is a strategic focus area for the group and an update on the progress of climate action projects is provided in Attachment A.

## **Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera** **Council group impacts and views**

39. The group quarterly performance report reflects the results of the group for the 3 months ended 30 September 2022. CCOs and Ports of Auckland Limited provide input into the preparation of these reports.

## **Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe** **Local impacts and local board views**

40. Community investment is one of Auckland Council's strategic focus areas. The Auckland Council quarterly report in Attachment B provides highlights, issues and risks related to local and regional projects.
41. No decisions are being sought in this report that could have an impact on local boards.

## **Tauākī whakaaweawe Māori** **Māori impact statement**

42. Māori outcomes are a group and council strategic focus area. Attachments A provide key information and progress of delivery on the agreed programmes for the group and the council respectively.
43. No decisions are being sought in this report that could have an impact on Māori.

## **Ngā ritenga ā-pūtea** **Financial implications**

44. No financial decisions are sought and accordingly there are no financial implications directly arising from the information contained in the report.





## **Ngā raru tūpono me ngā whakamaurutanga** **Risks and mitigations**

45. There is a minor risk that the information in this report and the attachments may lack accuracy or completeness due to it not being subject to an audit. Management has performed due diligence by obtaining detailed explanations from all Auckland Council business units as well as group entities supplemented by representation letters provided by CCOs and Ports of Auckland Limited's Audit and Risk committee chairs and chief executives.

## Ngā koringa ā-muri Next steps

46. The 31 December 2022 group results will be presented at the Governing Body on 23 February 2023.

## Ngā tāpirihanga Attachments

No.	Title	Page
A 	Auckland Council Group Quarterly Performance Report 30 September 2022	
B 	Auckland Council Quarterly Performance Report 30 September 2022	
C 	Auckland Council Group Statutory Financial Report 30 September 2022	
D 	Auckland Council Group reconciliation of management to statutory results 30 September 2022	

## Ngā kaihaina Signatories

Authors	Karuna Dahya - Manager Group Performance Reporting Kent Annear - Senior Group Performance Advisor Tracy Gers - Group Accounting & Reporting Manager
Authorisers	Nicola Mills - General Manager Financial and Business Performance John Bishop - Group Treasurer Ross Tucker - General Manager, Financial Strategy and Planning Peter Gudsell - Group Chief Financial Officer Jim Stabback - Tumu Whakarae / Chief Executive



## Set up of the Advisory Panels for the 2022-2025 term

File No.: CP2022/16136

### Te take mō te pūrongo

#### Purpose of the report

1. To endorse the Mayor's proposal to establish demographic and sector advisory panels for the 2022-2025 term.

### Whakarāpopototanga matua

#### Executive summary

2. The Mayor has the power to establish mechanisms for the Council to engage with the people of Auckland, including particular groups (s9 Local Government (Auckland Council) Act 2009).
3. Auckland Council's demographic and sector advisory panels have been a mechanism for the council to incorporate the views and needs of a wide range of communities of interest into council's decision-making. While the model has been effective in some cases, there is opportunity to improve the engagement and effectiveness of the panels.
4. For the 2022-2025 term, the Mayor has decided to establish six demographic and two sector advisory panels and a new local business forum to help the council access advice from different communities and respond to existing and emerging issues.
5. In response to evaluation, budget constraints, and incoming priorities for the term, changes to the advisory panel model are recommended for more effective engagement.

### Ngā tūtohunga

#### Recommendations

That the Governing Body:

- a) ohia / endorse the Mayor's proposal to establish the following six demographic advisory panels during the 2022-2025 term:
  - i) Disability Advisory Panel
  - ii) Pacific Peoples Advisory Panel
  - iii) Rainbow Communities Advisory Panel
  - iv) Youth Advisory Panel
  - v) Ethnic Communities Advisory Panel
  - vi) Seniors Advisory Panel
- b) ohia / endorse the Mayor's proposal to establish the following two sector advisory panels during the 2022-2025 term:
  - i) City Centre Advisory Panel
  - iii) Rural Advisory Panel
- c) ohia / endorse the Mayor's proposal to establish a Local Business Forum
- d) ohia / endorse the terms of reference for the demographic and sector advisory panels.

- e) tuhi ā-taipitopito / note the following liaison councillor roles in association with the demographic panels and councillor member roles in association with the sector panels:
- i) Disability Advisory Panel – Cr Stewart
  - ii) Pacific Peoples Advisory Panel – Cr Fuli
  - iii) Rainbow Communities Advisory Panel – Cr Hills
  - iv) Youth Advisory Panel – Cr Henderson
  - v) Ethnic Communities Advisory Panel - Cr Leoni
  - vi) Seniors Advisory Panel – Cr Fairey
  - vii) City Centre Advisory Panel – Mayor (or Mayor’s alternate) and Cr Lee
  - viii) Rural Advisory Panel – Cr Baker (Chair) and Cr Sayers
  - ix) Local Business Forum – Mayor and Cr Turner

## Horopaki Context

6. The Local Government (Auckland Council) Act 2009 s (9) specifies that one of the roles of the Mayor of Auckland is “to ensure there is effective engagement between the Auckland Council and the people of Auckland, including those too young to vote”. The Mayor has the power to “establish processes and mechanisms for the Council to engage with the people of Auckland, whether generally or particularly, for example, the people of a cultural, ethnic, geographic, or other community of interest”.
7. The demographic and sector advisory panels are a mechanism to obtain advice about Auckland’s diverse communities and communities of interest and comply with the Act.
8. Panels have been in existence in some form since 2010 with the city centre board preceding amalgamation. In the first term of Auckland Council the Pacific People’s Advisory Panel and the Ethnic People’s Advisory Panel were mandated by legislation. In the second term the decision was taken to continue the panels and to extend the number of panels to provide this mechanism for other demographic groups. The model has continued to evolve with regular review and adjustments.
9. During the 2019-2022 term of the council, six demographic<sup>3</sup> and three sector<sup>4</sup> advisory panels advised on council issues and helped enrich the quality of council’s decisions, by:
  - advising on the development and content of the council’s strategies, policies, plans, bylaws and projects
  - advising the council on ways to communicate and engage effectively with their communities of interest
  - bringing to the attention of the council any matters that they consider to be of particular importance for or concern to their community of interest.

## Tātaritanga me ngā tohutohu Analysis and advice

10. The advisory panels have been evaluated during and at the end of last term. The panels are generally well regarded as an engagement mechanism and a model to access advice for the Mayor, Governing Body and staff including CCOs.

<sup>3</sup> Disability, Youth, Pacific People’s, Rainbow Communities, Ethnic People’s and Seniors Advisory Panels

<sup>4</sup> Auckland City Centre Advisory Board, Heritage Advisory Panel and the Rural Advisory Panel

11. There are however opportunities to improve meaningful engagement with, and visibility and effectiveness of, the panels.
12. Assessment of the panels included:
  - evaluation of the status of previous recommendations for panel improvement and the identification of any barriers to implementing recommendations. All recommendations had been incorporated into the panels although giving effect to some of the recommendations was impacted by the pandemic. This included strengthening ties with Governing Body,
  - end of term panel workshops and interviews with panel members.
  - interviews with elected members, Council staff and presenters,
  - panel end of term reports,
  - Demographic Advisory Panels mid and end of term surveys by Insights team of panel members, elected members, internal and external presenters and staff
  - 2022 independent review of the Auckland City Centre Advisory Board commissioned by the Democracy & Engagement Department and conducted by Council's research and evaluation unit (RIMU),
  - informal evaluation was also carried out of the Rural and Heritage advisory panels.

### Proposed approach for the 2022-2025 term

13. The Mayor has decided to establish six demographic advisory panels and two sector advisory panels and a new local business forum for the 2022-2025 term to ensure that the council continues to access advice from communities of interest and respond to existing and emerging issues. In response to evaluation, budget constraints, and incoming priorities for the term, changes to the advisory panel model will be implemented for more effective engagement.
14. The demographic advisory panels are:
  - Disability Advisory Panel
  - Youth Advisory Panel
  - Rainbow Communities Advisory Panel
  - Pacific People's Advisory Panel
  - Ethnic Communities Advisory Panel
  - Seniors Advisory Panel
15. The sector advisory panels are:
  - Rural Advisory Panel
  - City Centre Advisory Panel

### Demographic Advisory Panel proposed approach

16. Key changes for demographic advisory panels are outlined below. Not all panels are at the same point in their development. Operationally there will be flexibility about the way the panels operate (for example, less meetings) that reflect the different communities that they serve and different points in their development of advice provision to Council.

17. For example, in 2021 *Tāmaki Makaurau Tauawhi Kaumātua* Age-friendly Auckland Action Plan was adopted by Council with Auckland being admitted to the World Health Organisation's Global Network of Age Friendly Cities and Communities in March 2022. This achievement was a key initiative of successive Seniors Advisory Panels. The Plan is a region-wide, cross-sector programme developed to improve the wellbeing of older Aucklanders. It was created to respond to the needs of our growing, and increasingly diverse, older Aucklanders. The Plan has an implementation group with cross-sector representation and secretariate support within Council.
18. With this programme in place the Seniors Advisory Panel will be re-established in a *kaitiaki* guardianship and monitoring role with fewer meetings.
19. Feedback from this and previous terms notes it is difficult for Ethnic People's Advisory Panel to identify strategic issues common to everyone because, more than other panels, they are a small group reflecting the lived experience of a very large number of quite different communities. In addition the term 'ethnic' encompasses broad categories of peoples. It is recommended that in consultation of the Chief Liaison Councillor the remit and scope of the Ethnic People's Advisory Panel's focus be considered in recruitment criteria and development of the strategic work programme. In response to ongoing discussion, it is recommended that the name of the Ethnic People's Advisory Panel be amended to Ethnic Communities Advisory Panel.
20. Operational changes to be implemented by staff include:
  - reduce proportion of formal meetings to workshops to better reflect the role of panel members as advice providers not decision makers and to enable less formal and more collaborative engagement between members, elected members and staff,
  - ensure panels meet 'as required' when there is something of substance to discuss and provide input into and avoid meetings when that is not the case,
  - amend the volunteer support staff structure to a co-lead officer model to better share and reflect workload,
  - set clearer expectations during the recruitment and induction process to help incoming panel members better understand the role and to focus activity on levers, roles and responsibilities of Auckland Council,
  - provide increased opportunities to input earlier into strategy development and continue to improve feedback from the organisation on the impact of panel advice,
  - provide enhanced opportunities for cross-panel collaboration focused on Council priorities in the new term where budget allows,
  - implement recommendations – for example mechanisms to strengthen ties and engagement with governing body – that were interrupted by the pandemic.
21. The terms of reference for the demographic advisory panels are attached as Attachment A.

### Sector Advisory Panel proposed approach

22. Key changes proposed for sector advisory panels are outlined below.
23. Staff recommend that the Rural Advisory Panel continue.
24. The Rural Advisory Panel has contributed to improved outcomes for rural communities by offering a wide range of rural sector views and providing strategic advice on the current and emerging needs of rural communities in Auckland. We recommend the panel continue to meet every two months.
25. Staff support the Mayor's appointment of a councillor as Chair of the Rural Advisory Panel for a term of three years.
26. Staff recommend that the Auckland City Centre Advisory Board continue with key changes.

27. The Auckland City Centre Advisory Board (ACCAB) has played a key advisory role to the mayor, council and CCOs since its establishment in 2004. As well as advising the council group on the implementation of the city centre masterplan, the board plays a key role in advocating best value for the ratepayer, promoting buy in and generating support for the City Centre Targeted Rate (CCTR).
28. Following a 2022 RIMU independent review of the form and function of the board, options have been considered to ensure it continues to meet the needs of the council, members and Aucklanders.
29. A key role of ACCAB is to provide advice to the council on the strategic investment needs for the city centre which helps to inform how the CCTR is used. The review recognized ACCAB's potential to continue to play a key advisory role in the city centre to support Council group's response to critical issues and opportunities.
30. Staff recommend that the board be re-established for the 2022-2025 term with updated terms of reference to support a greater focus on strategic issues and outcomes in the city centre. Staff also support the review recommendation that a greater diversity of membership should be considered to advise the council on critical issues facing the city centre and the appointment of an independent chair. It is also recommended that the meetings be held every two months as workshops, to allow for more in-depth discussion and input from members.
31. The terms of reference for the sector advisory panels have been updated and are attached as Attachments B - C.

### Local Business Forum

32. The Mayor has decided to establish a new Local Business Forum, to include representation from Business Improvement Districts (BIDs), business associations and other local business groups. The purpose of the Forum is to enable the sharing of knowledge and ideas about improving local businesses across the region, provide a mechanism to facilitate joint initiatives and funding for local authorities, and provide advice and input to the Mayor and Governing Body on relevant matters.
33. Local business groups, such as BIDs, play a critical role in enhancing Auckland and local areas. The Mayor intends for the forum to amplify the voice of these groups and their communities and encourage innovation in their activities. For example, the forum could provide a place to share ideas about tackling retail crime in local business areas.
34. The forum will sit naturally alongside existing sector advisory panels for the City Centre and Rural areas given its focus on local business areas and town centres.
35. The terms of reference for the Local Business Forum are to be developed in early 2023. The Mayor envisages that it would convene in regional groupings (North, East, West, South, Central), with an annual meeting for the Auckland region.

### Tauākī whakaaweawe āhuarangi Climate impact statement

36. Many of the advisory panels provided advice on climate change during the 2019-2022 term and identified this as a priority within their work programmes. This was expedited through an integrated cross-panel group providing advice on Te Tāruke-ā-Tāwhiri Auckland's Climate Plan and the Transport Emissions Reduction Pathway. There will be further opportunities for the panels to provide input over the coming term.

### Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera Council group impacts and views

37. The advisory panels have connected with the Council Controlled Organisations during the previous term and it is anticipated that work will continue to strengthen this relationship during the 2022-2025 term.

## Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe Local impacts and local board views

38. While the panels offer strategic advice on regional issues primarily to the governing body and staff, panel members have previously welcomed the opportunity to engage with local boards through community forums and events.
39. Local board members may directly engage with the panels to seek strategic advice on specific matters of interest to these communities of interest. Local board staff may seek guidance on how to engage with Auckland's diverse communities.

## Tauākī whakaaweawe Māori Māori impact statement

40. One of the council's strategic priorities for Māori outcomes is to increase participation in decision-making. Last term this was helped by increasing the minimum number of representatives with lived experience in Te Ao Māori and knowledge of contemporary issues facing Māori from one to two people in all panels apart from the Ethnic and Pacific Peoples Advisory Panels. There is an opportunity to increase this further for the Youth Advisory Panel. As part of the recruitment process, we will reach out through appropriate Māori networks.

## Ngā ritenga ā-pūtea Financial implications

41. The FY23 demographic and sector advisory panels budget is \$304,061 and includes panel member meeting fees, community engagement budget, and external suppliers eg New Zealand Sign Language interpreters.

## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations




42. The risk of not establishing the advisory panels could lead to the plans and services provided by the council not reflecting the needs of the diverse communities we serve and dissatisfaction within the communities of interest represented in the advisory panel model.

## Ngā koringa ā-muri Next steps

43. Once the governing body endorses the proposed panel model for this term, staff will implement a recruitment process for the appointment of panel members.
44. Staff will present a report on the appointment of panel members for mayoral approval and endorsement from the governing body by April 2023.



## Ngā tāpirihanga Attachments

No.	Title	Page
A 	Demographic Advisory Panels Terms of Reference 2022-2025	
B 	City Centre Advisory Panel Terms of Reference 2022 - 2025	
C 	Rural Advisory Panel Terms of Reference 2022 - 2025	

## Ngā kaihaina Signatories

Author	Victoria Wicks-Brown - Principal Advisor Panels
Authorisers	Kenneth Aiolupotea - General Manager Democracy and Engagement Jim Stabback - Tumu Whakarae / Chief Executive



## Future for Local Government Review

File No.: CP2022/16588

### Te take mō te pūrongo Purpose of the report

1. To seek approval to prepare a council submission on the Future for Local Government Review's Draft Report.

### Whakarāpopototanga matua Executive summary

2. The Future for Local Government Review Panel released its Draft Report for consultation on 28 October 2022.
3. The Report contains 29 recommendations on a wide range of areas including: revitalising citizen-led democracy, achieving Tiriti-based partnership between Māori and local government, the approach to allocating roles and functions across different players, achieving genuine partnership between central and local government, more equitable funding, designing a local government system to enable the change we need, and putting in place effective system stewardship.
4. The council has formed positions in previous terms on a number of recommendations contained in the Report. These will be the starting point for preparing the submission and there will be an opportunity for this council to reconsider those positions through the drafting process and via a workshop in February.
5. The Review Panel has engaged with Auckland Council elected members three times since the Review was established and has called for formal submissions on the Draft Report. Submissions close on 28 February 2023.

### Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) whakaae / approve the preparation of a council submission in response to *He mata whāriki, he matawhānui*, the Future for Local Government Review Panel's Draft Report.

### Horopaki Context

6. The Minister for Local Government established the Future for Local Government Review (the Review) in April 2021 and established a Review Panel (the Panel). The purpose of the Review is to identify how our local democracy and governance system needs to evolve over the next 30 years, to improve the wellbeing of communities and the environment and to actively embody the Treaty partnership.
7. The Panel released its Interim Report in October 2021. The case for change described a local government under pressure without all the levers needed to deliver on community wellbeing. The sector therefore needs to work collaboratively with others including central government, iwi/Māori organisations, business and community groups. It noted that trust had broken down and that there is a need for greater understanding between central government and local government.

8. The Panel released its Draft Report *He mata whāriki, he matawhānui* (the Report) on 28 October 2022. The Report can be found at <https://www.futureforlocalgovernment.govt.nz/reports/>
9. The Report makes 29 recommendations and asks a range of questions intended to inform the Final Report to the Minister for Local Government by June 2023.
10. The Panel states that we are in a period of change (climate change, pandemics, biodiversity loss, social and economic inequity). This is causing many of our communities to lose trust in democratic institutions and to disengage. Government reform is creating further uncertainty for the role of local government in communities.
11. The challenges facing Aotearoa New Zealand are too big for central government to address alone. Local government has a fundamental role to play in responding to these complex issues and improving the wellbeing of communities. This will require renewal and change (shifts) to many aspects of the local government system.
12. The Panel previously indicated five shifts are needed to make this change: strengthened local democracy, authentic relationships with hapū/iwi and Māori, a focus on wellbeing, genuine partnership between central and local government, and more equitable funding. Two additional shifts – system design and stewardship – will also need to be considered.
13. The Report sets out recommendations and asks questions in relation to: revitalising citizen-led democracy, Tiriti-based partnership between Māori and local government, allocating roles and functions, local government as champion and activator of wellbeing, replenishing and building on representative democracy, and equitable funding and finance.
14. The Panel has engaged with Auckland Council elected members three times since commencement of the Review: July 2021, March 2022 and December 2022.

## Tātaritanga me ngā tohutohu Analysis and advice

15. The purpose of the Review is highly relevant to local government and Auckland Council. It is therefore appropriate that the council makes a submission. Submissions close 28 February 2023.
16. The response to the Panel's final recommendations will be a decision for the next government.
17. Some recommendations in the Report are of a functional order (e.g. allocation of roles), some more foundational (e.g. Te Tiriti based partnerships) and some about the 'system' we work within. The Report does not necessarily set out the relationship/ interdependencies between all the components.
18. It is proposed that council's submission should draw these connections where possible to ensure there is a clear understanding of how all elements of the future system will work together and potential impacts and risks. Council should also seek further clarity on the future funding framework for local government and the pathway to build the required capability and capacity to carry out its future role.
19. The council has formed positions in previous terms on a number of recommendations contained in the Report. These will be the starting point for preparing the submission but there will be an opportunity for this council to reconsider those positions through the drafting process.

## Tauākī whakaaweawe āhuarangi Climate impact statement

20. The Report acknowledges that councils have a significant role in mitigating and adapting to climate impacts in their areas. It also notes that the future climate challenge for local government is likely to be greater than the challenge it has faced over the past 30 years to address the infrastructure deficit.

21. Current funding streams to manage the impacts of climate events are already being challenged, placing many communities at risk and requiring a long-term approach to addressing these issues. The sums involved to mitigate and respond to climate effects are likely to be significant.
22. Accordingly, the Report recommends (23) that central government develops an intergenerational fund for climate change, with the application of the fund requiring appropriate regional and local decision-making input.
23. In its submission on the Draft National Adaptation Plan earlier this year, council argued that central government funding is crucial and must have a long-term focus.

## Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera Council group impacts and views

24. CCO chairs and chief executives have been provided with a summary and high-level analysis of the Report.
25. CCO staff are included in the experts across the council group who will develop the council's submission for approval.

## Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe Local impacts and local board views

26. The Report proposes that putting wellbeing at the core of council's purpose and its roles and functions will unlock greater wellbeing outcomes for communities. Councils have an opportunity to strengthen and expand their role in three key ways: as anchor institutions, place-makers, and systems networkers and convenors.
27. The Report also proposes a framework to guide the allocation of roles and functions between different actors: central government, local government, hapū/iwi and community. The framework starts with a local-first approach (the subsidiarity principle) and is guided by te ao Māori values.
28. The Panel has engaged with local board members over the course of the Review in July 2021, March 2022 and most recently on 5 and 6 December 2022 through three separate in-person sessions held across Auckland.
29. Local boards will be provided with an opportunity to input into council's submission and to append formal feedback to the submission.

## Tauākī whakaaweawe Māori Māori impact statement

30. A finding of the Review is that the system needs to ensure a more meaningful expression of rangatiratanga and a more culturally specific exercise of kāwanatanga by councils, with te ao Māori values reflected at all levels of the system.
31. In response, the Report proposes fundamental changes to Te Tiriti o Waitangi provisions of the Local Government Act 2002, a strategic role for Māori in identifying and addressing priority outcomes that will lift community wellbeing and strengthened specific mechanisms for partnership and engagement (including the incorporation of tikanga Māori).
32. It also proposes improvements to Māori representation at the council table, and a concerted investment in the capability and capacity of both local government and Māori to build and maintain a Tiriti-based partnership in local governance.
33. Staff have engaged with iwi on the system shifts proposed by the Panel at earlier stages in the Review process. Now that the Report has been released, iwi have been asked for their views to be considered for inclusion in council's submission.
34. There has been ongoing engagement with IMSB staff on the Review and they will have an opportunity to provide feedback on council's submission.

## Ngā ritenga ā-pūtea Financial implications

35. The submission will be developed within existing resources.
36. The recommendations of the Review Panel are multi-faceted and there is insufficient information to anticipate or quantify financial implications for the council.

## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

37. No risks have been identified in relation to preparation of council's submission.

## Ngā koringa ā-muri Next steps

38. Staff will proceed with drafting a submission for approval at the Governing Body meeting on 23 February 2023.
39. A workshop will be scheduled for early February to enable councillors to provide feedback on a draft submission prior to finalisation.

## Ngā tāpirihanga Attachments

There are no attachments for this report.

## Ngā kaihaina Signatories

Author	Denise O'Shaughnessy - Manager Strategic Advice
Authorisers	Jacques Victor – General Manager Auckland Plan Strategy and Research Jim Stabback - Tumu Whakarae / Chief Executive



## Summary of Governing Body information memoranda and briefings - 15 December 2022

File No.: CP2022/16177

### Te take mō te pūrongo

#### Purpose of the report

1. To receive a summary and provide a public record of memoranda or briefing papers that may have been distributed to the Governing Body or its committees.

### Whakarāpopototanga matua

#### Executive summary

2. This is a regular information-only report which aims to provide greater visibility and openness and transparency of information circulated to Governing Body members via memoranda/briefings or other means, where no decisions are required.
3. The following memos were circulated to members of the Governing Body:

Date	Subject
22.11.22	Civil Defence and Emergency Management – Newsletter Edition 2 <a href="https://sway.office.com/6bq9WVVOgf5xtY9dp?ref=email">https://sway.office.com/6bq9WVVOgf5xtY9dp?ref=email</a>
22.11.22	CONFIDENTIAL memorandum: Legal Advice on the four well-beings and this year's annual budget decisions (NO ATTACHMENT)
25.11.22	Waka Kotahi – Warkworth and North Auckland planning for future growth – transport projects update
7.12.22	Potential sale of Council property assets
7.12.22	CONFIDENTIAL and Legally Privileged: Legal advice on obligations to consider climate change in annual budget decision-making (NO ATTACHMENT)
8.12.22	CONFIDENTIAL memorandum: Annual Budget 2023/2024 decision making - Early Childhood Education (ECE) (NO ATTACHMENT)
9.12.22	Local board funding reductions – Annual Budget 2023/2024

4. The following workshops/briefings have taken place for the Governing Body:

Date	Subject
30.11.22	CONFIDENTIAL: Council-controlled Organisations Letters of Expectations (NO ATTACHMENT)
7.12.22	Annual Budget – Mayoral Proposal
7.12.22	Annual Budget – Proposed Consultation Items and related topics






5. This document can be found on the Auckland Council website, at the following link:  
<http://infocouncil.aucklandcouncil.govt.nz/>
6. Note that, unlike an agenda report, **staff will not be present to answer questions about the items referred to in this summary.** Governing Body members should direct any questions to the authors.

## Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) whiwhi / receive the Summary of Governing Body and other committee information memoranda and briefings – 15 December 2022.

## Ngā tāpirihanga Attachments

No.	Title	Page
A 	Waka Kotahi – Warkworth and North Auckland planning for future growth – transport projects update ( <i>Under Separate Cover</i> )	
B 	Potential sale of Council property assets ( <i>Under Separate Cover</i> )	
C 	Local board funding reductions – Annual Budget 2023/2024	
D 	Workshop Annual Budget - Mayoral Proposal ( <i>Under Separate Cover</i> )	
E 	Workshop Annual Budget - Proposed Consultation Items and related topics ( <i>Under Separate Cover</i> )	

## Ngā kaihaina Signatories

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