

I hereby give notice that an extraordinary meeting of the Finance and Performance Committee will be held on:

Date: Thursday, 31 May 2018
Time: 10.30am
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

Komiti ā Pūtea, ā Mahi Hoki / Finance and Performance Committee OPEN ADDENDUM AGENDA

MEMBERSHIP

Chairperson

Cr Ross Clow

Deputy Chairperson

Cr Desley Simpson, JP

Members

Cr Josephine Bartley

Cr Dr Cathy Casey

Deputy Mayor Bill Cashmore

Cr Fa'anana Efeso Collins

Cr Linda Cooper, JP

Cr Chris Darby

Cr Alf Filipaina

Cr Hon Christine Fletcher, QSO

Mayor Hon Phil Goff, CNZM, JP

Cr Richard Hills

IMSB Member Terrence Hohneck

Cr Penny Hulse

Cr Mike Lee

Cr Daniel Newman, JP

Cr Greg Sayers

Cr Sharon Stewart, QSM

IMSB Member David Taipari

Cr Sir John Walker, KNZM, CBE

Cr Wayne Walker

Cr John Watson

(Quorum 11 members)

Sandra Gordon

Senior Governance Advisor

28 May 2018

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10-year Budget 2018 - 2028 - Mayor's final proposal

File No.: CP2018/08548

Item 9

Te take mō te pūrongo / Purpose of the report

1. To set out the mayor's recommendations for the final 10-year Budget 2018-28 (Long-term Plan) for consideration and decisions by the Finance and Performance Committee.

Whakarāpopototanga matua / Executive summary

2. This 10-year Budget is focused on building the infrastructure our city needs to deal with unprecedented population growth while protecting our quality of life and making Auckland a world class city. This Budget sets out \$26.2 billion of capital investment over the next decade in our communities.
3. Through this Budget, I have sought to balance our expenditure so that council stays within its prudential limits, while making investments allowed by the introduction of new revenue through targeted rates and the Regional Fuel Tax.
4. The Budget contains the largest ever council transport investment of \$12 billion over the next ten years, including \$4.3 billion from leveraging the Regional Fuel Tax. The effect will be transformational with improvements in public transport (rail, light rail, buses, and ferries) and cycling and walking, as well as addressing vital improvements to road safety and our road network.
5. The Budget is also transformational in protecting and enhancing our natural environment. Through a water quality targeted rate, we can dramatically improve water quality on our beaches, and in our waterways within a decade; not 30 years as previously planned. A natural environment targeted rate will allow us to protect our native bush and wildlife from disease, weeds and pests to safeguard our natural heritage for future generations. Significant resources will also be put into dealing with the impact of climate change and managing our coastal areas.
6. By investing in water and transport infrastructure, we can build more houses to cope with the shortage of affordable housing, which is putting pressure on the lives of many Aucklanders.
7. While building infrastructure is the focus of our budget, we have not overlooked the things that make our city vibrant, inclusive and interesting to live in.
8. We have significantly increased our investment in sports and recreation, in facilities such as swimming pools, the Art Gallery and the Zoo, and infrastructure to host the America's Cup.
9. Social investment has been boosted with the creation of a Western Initiative which will improve job and life skills in west Auckland, a grant to the Auckland City Mission to help with homelessness and promotion of a smoke free Auckland. Funding for Local Board initiatives and the Independent Maori Statutory Board have ensured that the needs of all Aucklanders have been considered. Organisations serving Aucklanders such as Surf Lifesaving and the Auckland Rescue Centre Trust have received additional assistance. We have boosted funding to enhance reserves including in Orakei and Parakai, and our Maunga which we hope will be recognised with World Heritage Status.
10. All of this has been achieved while keeping the rise in average general rates at 2.5 percent for the remainder of this term of Council.
11. This has been helped by efficiency savings achieved by value for money reviews and the Corporate Property Strategy, which achieves the economies of scale allowed by amalgamation.
12. This Budget is a transformational step towards achieving our vision of Auckland as a world class city

Ngā tūtohunga / Recommendation/s

That the Finance and Performance Committee:

- Item 9**
- a) agree to recommend to the Governing Body in respect of the final long-term plan 2018-2028 (10-year budget 2018-2028) the following items as proposed in the consultation document:
 - i) the introduction of a water quality targeted rate to raise \$452 million to fund acceleration of the Water Quality Improvement Programme, set differentially on capital value with 25.8 per cent of the revenue requirement to be raised from businesses.
 - ii) the introduction of a natural environment targeted rate to raise \$311 million for environmental initiatives, including addressing Kauri dieback and targeted ecological protection set differentially on capital value with 25.8 per cent of the revenue requirement to be raised from businesses.
 - iii) the implementation of a reporting process to provide transparency and accountability over the use of the proceeds of the water quality and natural environment targeted rates.
 - iv) average general rates increases of 2.5 percent for the first two years and 3.5 percent for each year after that.
 - v) amend the rating treatment of the online accommodation sector so that business rates and the accommodation provider targeted rate are applied to properties let via web-based accommodation services depending on the number of nights booked and the location of the property as set out in the modified option b) in Attachment D the agenda report (that is, with an additional differential category of between 136 and 180 nights added).
 - b) agree to recommend to the Governing Body that the budget for the final 10-year budget 2018-2028 be based on the draft budget, adjusted for the updates set out in the staff reports, and to incorporate the following changes and specific decisions (Attachment A of the agenda report):

Transport

- i) if the Governing Body decides to adopt the Regional Fuel Tax Proposal for Auckland for submission to Ministers, agree that the Regional Fuel Tax Proposal revenue and capital investment be included in the 10-year Budget.
- ii) agree the transport budgets (including Auckland Transport and Auckland Council's interest in City Rail Link Limited) be based on the draft budgets, adjusted for the updates set out in the staff reports.

Water

- iii) approve the water supply, waste water and stormwater budgets based on the draft budgets, which include the Water Quality Targeted Rate funding, adjusted for the updates set out in the staff reports.

Parks and Community

- iv) agree the establishment of a Sport and Recreation Facilities Investment Fund with additional capital expenditure of \$100 million to create a total fund of \$120 million on the basis that each project be subject to a full business case process and be in alignment with the Sports Facilities Investment Plan (under development).
- v) agree the establishment of a Climate Change Response Fund of \$40 million for pro-active monitoring and planning and reactive response to infrastructure damage as a result of climatic events, including non-coastal slips.

- vi) agree additional operational funding of \$1 million in the next two years for the development of coastal compartment management plans and additional capital funding of \$90 million for coastal asset management.
- vii) agree additional capital funding of \$25 million for the Regional Facility Network Plan to progress the network of swimming pools.
- viii) agree additional operational funding of \$5 million for the extension of The Southern Initiative to the west Auckland areas of Whau, Henderson-Massey and Waitakere (The Western Initiative) and request that the staff work with council procurement on social procurement policy implementation and with ATEED on local economic development.
- ix) agree additional regional grants funding of \$4.3 million to increase the total of three regional funds to \$2 million per year in accordance with the Community Development and Safety Committee resolution of 17 May 2018.
- x) agree additional operational funding of \$1.4 million for the implementation of the Smoke free policy.

Centres Development

- xi) agree the centres development budgets (including Panuku Development Auckland) be based on the draft budgets, adjusted for the updates set out in the staff reports.
- xii) agree the re-phasing of the city centre programme of works and the increase in capital expenditure from the draft budget of an additional \$55 million to support Auckland hosting the America's Cup and APEC events in 2021.
- xiii) agree additional funding for the Whau Multipurpose Community Centre of \$16 million in accordance with the confidential resolution of the Environment and Community Committee of 12 September 2017.

Regional Facilities Auckland

- xiv) agree the Regional Facilities Auckland budget be based on the draft budget, adjusted for the updates set out in the staff reports, noting the following changes:
 - Additional capital expenditure of \$18.7 million for renewals at the zoo
 - Additional operating expenditure of \$5.7 million for transport and logistical costs associated with animal acquisition at the zoo
 - Additional operating funding of \$20 million for the Auckland Art Gallery
 - Additional capital funding of \$5.9 million and operational funding of \$3.6 million for facility security and visitor safety

Local Boards – One Local Initiatives

- xv) endorse the One Local Initiative budget matters as set out in the One Local Initiative report by the Chair of the Finance and Performance Committee.

Māori Outcomes

- xvi) agree additional operational funding for Māori responsiveness outcomes to be funded through the re-prioritisation of the existing draft budget.

Co-governance Entities

- xvii) agree additional capital funding of \$16.8 million and operational funding of \$6.7 million for the Tupuna Maunga Authority.

- xviii) agree additional capital funding of \$7.7 million and operational funding of \$6.6 million for the Ngati Whatua Orakei Reserves Board.
- xix) agree additional capital funding of \$8.7 million and operational funding of \$2.8 million for Te Poari o Kaipatiki ki Kaipara (Parakai).

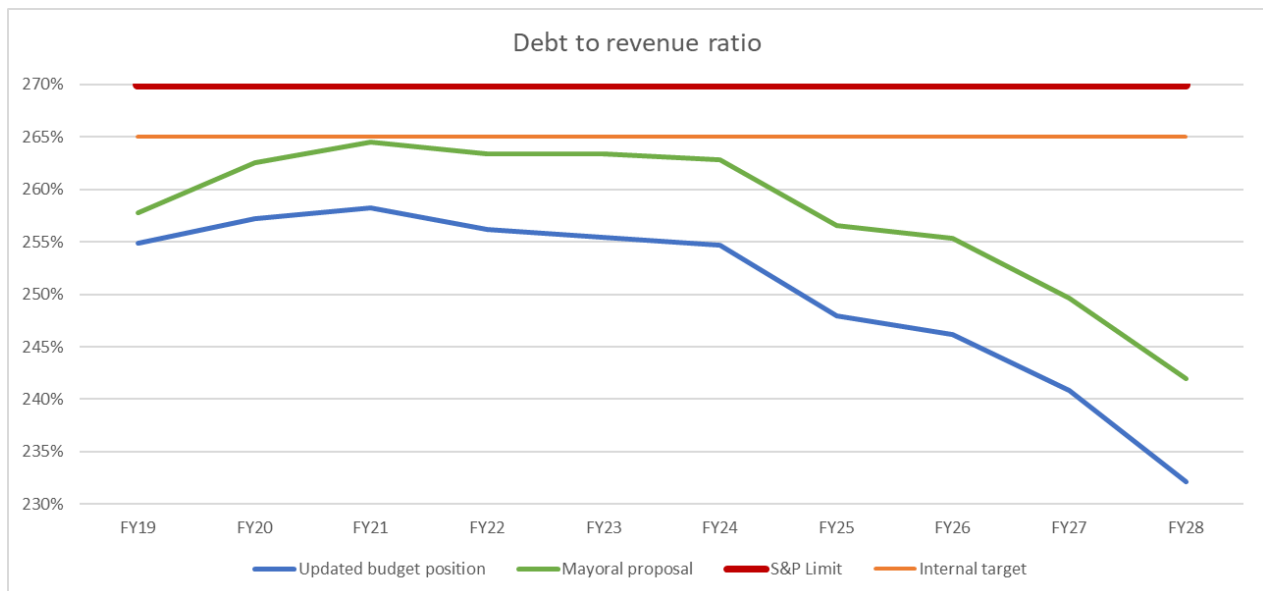
Other items

- xx) agree the transfer of the Festival of Photography operational grant of \$72,000 per annum to the Regional Arts and Culture grant programme with a transitional three-year funding agreement.
 - xxi) agree an extension of capital grant funding of \$3.7 million to Surf Lifesaving Northern Region for the development or renewal of facilities at Karioatahi, North Piha and Orewa, subject to appropriate funding agreements.
 - xxii) agree capital grant funding of \$2 million to the Auckland Marine Rescue Centre Trust for urgent repair and renewal of the building, subject to an appropriate funding agreement.
 - xxiii) agree additional operational funding of \$204,000 for each of the first three years to the Mangere Mountain Education Trust.
 - xxiv) agree a one-off operating grant of \$475,000 to the Auckland City Mission to cover building consent fees, resource consent fees and development contributions payable in respect of the redevelopment of the Hobson Street site.
 - xxv) agree operating funding of \$150,000 in an event year and \$50,000 in a non-event year (total \$1 million) to support the Sculpture in the Gardens biennial event.
 - xxvi) agree a one-off operational grant to the Hibiscus Youth Council Centre of \$100,000 for 2018/2019.
 - xxvii) request a report back to the Environment and Community Committee following a review of council's provision of financial support to youth centres including the establishment of criteria for awarding funding through the Regional Community Development and Safety grant programme.
- c) agree to recommend to the Governing Body the adoption of the following decisions on solid waste services, targeted rates and charges:
- i) introduction of weekly pay as you throw 120 litre refuse bin collection using pre-paid bin tags for the former Auckland and Manukau city areas following introduction of the rates funded food scraps service and consequent removal of the current refuse targeted rate currently planned for 2020/2021.
 - ii) increase to the waste management targeted rate in Papakura of \$67 to fund food waste collection services for the 2018/2019 year onwards.
 - iii) increase to the waste management targeted rate in other areas of urban Auckland of \$67 to fund food waste collection services from 2021/2022 onwards, subject to further refinement based on the experience of the Papakura roll-out and subject to further consultation prior to introduction.
- d) agree to recommend to the Governing Body the disestablishment of the Council-controlled organisation Auckland Council Investments Limited as follows:
- i) approve a shareholder directive to Auckland Council Investments Limited relating to the transfer of all assets, liabilities and obligations of Auckland Council Investments Limited (including the shares in Ports of Auckland Limited and Auckland International Airport Limited) to Auckland Council.

- ii) approve a shareholder directive to remove Auckland Council Investments Limited from the companies register following the transfer of all assets, liabilities and obligations to Auckland Council.
 - iii) adopt the draft memorandum of understanding between Auckland Council and Ports of Auckland Limited attached to Attachment F of the agenda report.
 - iv) recommend that the Appointments, Performance Review and Value for Money Committee adopt a revised Auckland Council Board Appointment and Remuneration Policy that includes Annex A of the draft memorandum of understanding between Auckland Council and Ports of Auckland Limited.
 - v) recommend that the Governing Body adopt relevant amendments to its Terms of Reference to reflect the transfer of the assets, liabilities and obligations of Auckland Council Investments Limited (including the transfer of shares in Ports of Auckland Limited and Auckland International Airport Limited) to Auckland Council.
 - vi) delegate to the chief executive the power to authorise any action necessary or desirable to effect the transfer of the assets, liabilities and obligations of Auckland Council Investments Limited (including the transfer of shares in Ports of Auckland Limited and Auckland International Airport Limited) to Auckland Council, and the disestablishment of Auckland Council Investments Limited.
 - vii) note the relationship principles document in respect of Auckland Council and Auckland International Airport Limited contained in Attachment F of the agenda report.
 - viii) note that all prior resolutions, delegations, approvals, agreements, authorisations by the Governing Body or its committees relating to Auckland Council Investments Limited now apply to Auckland Council.
 - ix) amend the budget to reflect estimated cost savings of at least \$800,000 per annum.
- e) agree to recommend to the Governing Body that the final 10-year Budget 2018-2028 give effect to decisions made in relation to issues covered by other reports on this agenda.

Horopaki / Context

- 13. The initial Mayoral Proposal I set out in November last year prioritised investment in transport, housing and the environment. It included a regional fuel tax to fund a substantial increase in transport investment and additional funding for cleaning up Auckland's beaches and streams and investment in our natural environment.
- 14. My final proposal takes forward these priority areas and reflects a record investment of \$26.2 billion over the next 10 years. It is a balanced budget that keeps council within its prudential limits, made possible by the introduction of new revenue sources, being the regional fuel tax and targeted rates.
- 15. Based on the draft 10-year Budget included in the consultation document, updated for the latest forecasting assumptions and budget information, and incorporating the budget decisions set out in this proposal, council's debt to revenue ratio remains below our 265% internal limit.



Key consultation items for the 10-year Budget

16. The water quality targeted rate was proposed to fund the accelerated Water Quality Improvement Programme to clean up the beaches, harbours and streams in our region. It received strong support through consultation and I support it going ahead unmodified from the draft budget. Refer to Attachment B.
17. The natural environment targeted rate was proposed to fund a substantial increase in the protection of our natural environment, including an urgent need to address the spread of Kauri dieback disease. Two options were consulted on at two different levels of spending. There was strong support through consultation for a rate of at least the lower level of spending. However, in the meantime, council decided to close areas of the Waitakere and Hunua ranges due to the spread of Kauri dieback disease. This is indicative of the need to significantly increase the protection of our natural environment and I am therefore proposing the council proceeds with the proposed natural environment targeted rate at the higher level of funding of \$311 million. Refer to Attachment C.
18. Targeted rates are a mechanism that require the rates revenue raised be spent specifically for the purpose for which it was collected. This means there is a higher level of transparency and it is critical we have that accountability to ratepayers. I am proposing that a reporting process be set up to ensure that the expenditure on and delivery of the water quality and natural environment programmes can be monitored. A reporting process is required for the regional fuel tax in the draft legislation.
19. I am honouring my commitment on general rates by proposing that the average general rates increase is not more than 2.5 percent for the first two years of the 10-year Budget and not more than 3.5 percent for each of the remaining years. This reflects my expectation that council will control spending and continue to find operational efficiencies. Refer to Attachment A.
20. Rapid growth in the use of online accommodation marketplaces like Airbnb and bookabach to provide short term rental accommodation has created an inequity with traditional accommodation providers. Online providers are often essentially running a business but paying residential rates. After considering feedback received through the consultation process I recommend applying business rates to online accommodation providers as follows:
 - Residential (up to 28 days booked continue to be rated residential)
 - Medium-occupancy online accommodation provider (between 29 and 135 days being rated 75% residential and 25% business)

- Moderate-occupancy online accommodation provider (between 136 and 180 days being rated 50% residential and 50% business)
- Business (over 180 days rated as business)

I also propose that online providers pay the accommodation provider targeted rate based on the proportion of business rates paid depending on the number of nights booked and subject to the differentials that currently exist.

No other changes to the accommodation provider targeted rate are proposed. Refer to Attachment D.

10-year Budget matters (Attachment A)

Transport

21. With the introduction of the Regional Fuel Tax we will achieve a milestone transport infrastructure investment package of \$12 billion. This, along with our operating costs, delivers our share of ATAP's \$28 billion package. This transport budget enables us to catch-up on years of under-investment and to take steps to invest for the future.

Water

22. Over the next 10 years, Watercare and Healthy Waters will be working together to deliver the Water Quality Improvement Programme, a key feature of which is the central interceptor and related works in the western isthmus. Combined with other water quality projects around the region, funded by the water quality targeted rate, we will be addressing water quality issues that are unacceptable in the 21st century.

Parks and Community

23. I am supporting the establishment of the Sports and Recreation Facilities Investment Fund at \$100 million. This contestable fund will enable council to work with community groups to increase the provision of indoor and outdoor sports facilities needed for our growing population. I also support additional capital funding of \$25 million for the Regional Facility Network Plan to progress the network of swimming pools.
24. I am also supporting the establishment of a Climate Change Response Fund of \$40 million. Half of this fund will be used to address emergency infrastructure repair works needed as a result of climate change-related events. The other half will be used to proactively monitor and remediate at-risk infrastructure.
25. Climate change is putting substantial pressure on the assets council owns along Auckland's 3,200 km of coastline. These assets include sea walls, wharves, boat ramps and coastal pathways. I am supporting the request for additional operating expenditure for the development of coastal compartmental management plans which will inform the coastal asset management plans. This spending will support a managed response to the effects of climate change on council's coastal assets rather than a reactive response that would cost more in the long run. Once the coastal plans are complete the capital budget will need to be re-visited, however it is prudent to provide for some capital expenditure in this 10-year budget and I am proposing an additional amount of \$90 million.
26. Following the successes of The Southern Initiative I support the expansion of the programme to west Auckland to create The Western Initiative. I believe that the most significant impact council can have is through social procurement in order to create jobs in our poorer communities. I would like to see this group working closely with council procurement to start making a meaningful difference in this area. ATEED is the council's organisation tasked with delivering economic development outcomes and due to the clear overlap of interests, I expect The Southern/Western Initiative team to work collaboratively with ATEED. For these reasons I am proposing \$5 million of operational funding for The Western Initiative with an expectation that outcomes can be achieved through collaboration across the council family.

27. I support the additional regional grants funding sought by resolution at the 17 May 2018 Community Development and Safety Committee as follows:
- b) *seek that the 2018 Long Term Plan provide for increased funding of the following programmes such that they total \$2 million:*
 - *Regional Arts and Culture grant programme*
 - *Regional Community Development and Safety grant programme*
 - *Regional Events Fund programme.*
28. In support of the implementation of Auckland Council's smoke free policy I am proposing operating expenditure of \$1.4 million. This is less than the requested amount but on balance provides for some progress to be made while recognising this is a lower priority at this time.

Centres Development

29. Auckland's city centre is an important place of business and employment for the whole region and increasingly a place where people choose to live. The city centre and waterfront and the events it hosts attract visitors from across the city, the country and the world. There are a number of strategic work programmes in the city centre which support Auckland's growth and leverage the benefits of the America's Cup and APEC events scheduled for 2021. The City Rail Link is a significant transport project that will play a role in transforming the city centre above and below ground.
30. I am supporting an additional \$55 million of capital funding being included in the budget and the bringing forward of \$53 million of existing budget to support the downtown development programme over the next three years. It will also ensure council can leverage full benefits from the America's Cup, APEC and the other major transport and infrastructure projects in the city centre, such as the City Rail Link.
31. Based on officers' advice, the remaining city centre programme will not have additional budget allocated to it in this 10-year budget as timing is dependent on City Rail Link works and managing the overall level of disruption in the city centre.
32. The revised proposal for the Whau Multipurpose Community Centre is supported in accordance with the confidential resolution of the Environment and Community committee meeting of 12 September 2017.

Māori outcomes

33. I acknowledge the advice of the Independent Māori Statutory Board in developing their business cases for this 10-year budget process and appreciate the way they have worked with council to refine their funding request. In line with the letters of expectation to the CCOs earlier this year, I support an increased focus on Māori outcomes through the Māori responsiveness framework and the overall budget request of an additional \$35 million over the 10-year period. These outcomes will be delivered through collaboration across the council family including, for example, our parks and governance teams, ATEED and Auckland Transport and therefore I expect budgets in those areas to be ring-fenced for these purposes.

Co-governance Entities

34. The Tupuna Maunga Authority plan has been through consultation and received broad support. I support the 10-year budget increases in capital and operational expenditure to protect and restore the maunga, progress the development of visitor infrastructure and support the UNESCO world heritage bid.
35. I asked the Ngati Whatua Orakei Reserves Board to consider how their funding request could be scaled back based on deliverability and prioritisation of projects. I support their revised funding request which includes a \$1 million capital grant for the construction of an iconic Pou at the harbour entrance and further funding for the restoration and infrastructure at Pourewa Creek Recreation Reserve, including the creation of employment- and revenue-generating activities.

36. I also asked Te Poari o Kaipatiki ki Kaipara (Parakai) to consider how their funding request could be scaled back. I support their revised funding request which focuses on immediate health and safety improvements of aged facilities at the reserve and commences infrastructure investment to develop the front of the reserve to provide enhanced public space.

Other items

37. The recommendations in respect of other budget items reflect a judgement on the relative priority of those items, weighed against funding availability and respectful of previous funding arrangements.
38. Regarding the Festival of Photography, it's important to provide some certainty while transitioning them to the most appropriate council process, being the Regional Arts and Culture grant programme. Therefore my proposal allows for a three-year transition period at the currently funded amount.
39. Council has been providing capital funding to Surf Lifesaving Northern Region for the redevelopment and renewal of certain facilities in Auckland and this request is an extension to that programme which was clearly signalled in advance. The importance of these services, performed largely by volunteer lifeguards, deserves to be recognised and this contribution will enable much needed upgrades/replacements to make their work easier.
40. The Auckland Marine Rescue Centre is the control centre for the Coastguard and Surf Lifesaving as well as housing the Harbourmaster and the Maritime Police for the northern region. The building is in a poor state of repair and I support capital funding of \$2 million towards the repair of the centre, acknowledging that further funding will need to be sought from other parties. I also support the investigation of a replacement marine rescue centre that may consolidate the various helicopter services operating from the waterfront.
41. I support some additional operational funding for the Mangere Mountain Education Trust for the next three years, however it would seem that there is an opportunity for the Mangere Mountain Education Trust to consider whether its operations could be joined up with those of the Tupuna Maunga Authority in the future.
42. The Auckland City Mission is undertaking a substantial redevelopment of its Hobson Street site to create Mission HomeGround, a facility providing housing, healthcare and an expanded detox facility alongside other community facilities. I am pleased that council can offer some support to achieving the Auckland City Mission's project by providing an operating grant of \$475,000. The grant will be used to cover the cost of building consent fees, resource consent fees and development contributions.
43. The Sculpture in the Gardens biennial event at the Auckland Botanic Gardens attracts around 350,000 visitors. The event is free of charge and has dramatically increased the number of visitors to the Gardens. I support a modest amount of additional operational funding to support the Gardens to run this event.
44. The Hibiscus Youth Council Centre has requested funding as a last resort as they are otherwise facing closure. I support a one-off operational grant of \$100,000 for 2018/2019. However, council has no policy or needs assessment regarding the provision of funding of youth services across the region. I support a review of council's current funding of youth services and establishment of a policy for the allocation of funding through the Regional Community Development and Safety grant programme and in conjunction with consideration of service provision by central government agencies.
45. Other funding requests have been considered, however I don't propose to progress them further at this stage due to low prioritisation or a need for further work to be done.

Solid waste services, targeted rates and charges (Attachment E)

46. Refer to officer advice as set out in Attachment E.

Auckland Council Investments Limited (Attachment F)

47. In my initial 10-year budget proposal I sought advice on the possible disestablishment of the council-controlled organisation ACIL, which was subsequently proposed and approved as a consultation item.
48. Based on consultation results and subsequent work done by council officers (refer to Attachment F) and Ports of Auckland Limited officers to develop a Memorandum of Understanding, I am confident that the disestablishment of ACIL should progress. The Memorandum of Understanding will provide the basis to ensure that there continues to be appropriate separation of the shareholder (Auckland Council) from the operations of the port company. The disestablishment will provide savings to council of around \$8 million over the 10-year period.







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

49. Local board views on regional budget matters are the subject of a separate report on the 10-year Budget.

Tauākī whakaaweawe Māori / Māori impact statement

50. Through the 10-year Budget consultation there has been specific engagement with mana whenua. This is documented in the feedback reports which have been presented previously. The proposed 10-year Budget supports the Maori outcomes increase in funding. It also supports increases in the funding of the co-governance entities and establishment of the Western Initiative.

Ngā tāpirihanga / Attachments

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Ngā kaihaina / Signatories

Author	Mayor of Auckland, Hon Phil Goff
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Attachment A: Key budget issues

Purpose

1. To provide a budget update and information to support the decision-making on final budgets for the long-term plan (10-year Budget 2018-2028).

Executive Summary

2. The proposed budgets in the Consultation Document for the 10-year Budget included proposals that would lift the investment in infrastructure for Auckland from \$18.7 billion in the last plan to \$24-25 billion over the next 10 years. This was proposed to be funded from several sources including a Regional Fuel Tax, new targeted rates, and general rates increases of 2.5 per cent per annum in the first two years and 3.5 per cent per annum for the remaining eight years.
3. Public consultation ran between 28 February and 28 March 2018 and the council received over 32,000 submissions. This feedback, alongside an independent survey, was analysed by staff and reports were prepared for decision-makers. These reports were presented to the Finance and Performance Committee on 9 May 2018 and are available on the Auckland Council website.
4. Budgets have also been reviewed and updated for new information and for decisions made after adoption of the consultation material. This included new projections of interest rates, port-related budgets, Regional Fuel Tax revenues, and decisions around urban development budgets and supporting the 36th America's Cup.
5. The updated budget position includes capital investment of \$25.9 billion while maintaining rates increases as proposed in the consultation document. The debt to revenue ratio for this updated budget peaks at 258 per cent in 2020/2021. Given our internal limit of this ratio is 265 per cent there is capacity for an additional budget of \$290 million in the first three years of the budget and around \$500 million after that (primarily in the last four years).
6. Through the 10-year Budget consultation and our internal budget refresh period a number of budget requests have come forward. This report steps through these proposals and the additional expenditure that would need to be budgeted for each.

Context

7. Each council in New Zealand is required every three years to prepare a long-term plan covering a period of at least ten years. The plan's purpose is to:
 - describe the activities of the local authority; and
 - describe the community outcomes of the local authority's district or region; and
 - provide integrated decision-making and co-ordination of the resources of the local authority; and
 - provide a long-term focus for the decisions and activities of the local authority; and
 - provide a basis for accountability of the local authority to the community.
8. Preparation of the long-term plan involves preparation of supporting policies and strategies (such as the Financial and Infrastructure strategies) and consultation with the community on key issues through a Special Consultative Procedure.
9. At Auckland Council we refer to our long-term plan as the 10-year Budget.
10. A number of decisions are required for staff to develop a final 10-year Budget document for audit review and then adoption by 30 June 2018. These decisions include confirming (or not confirming) budget proposals set out in the consultation document and responding to new budget requests.

Consultation Document

11. Consultation items were agreed by the Governing Body on 11 December 2017 and the Consultation Document and Supporting Information were adopted on 21 February 2018. The consultation issues included:

Regional Fuel Tax and transport investment

12. The first key issue in the consultation document related to the introduction of a regional fuel tax to pay for improvements to our transport system. This issue will be debated at the Governing Body meeting on 31 May 2018. For the purposes of this report, decisions relating to the proposed regional fuel tax are subject to the decisions to be made by the Governing Body on 31 May 2018.

Water quality improvement

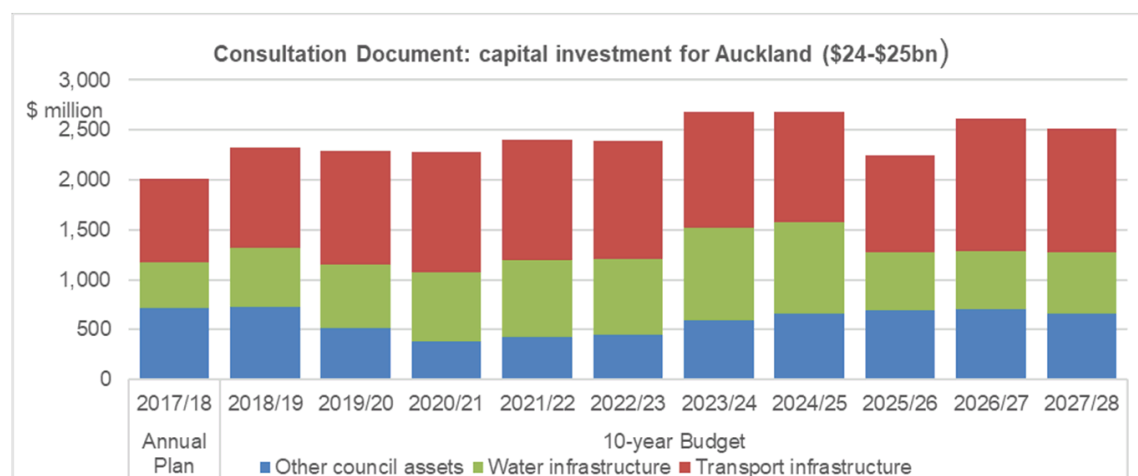
13. The consultation document included a proposal to accelerate investment in improving the water quality of our harbours, beaches and streams. A separate paper has been prepared detailing this proposed investment and associated funding sources including a proposed targeted rate.

Environmental improvements

14. Additional investment in environmental initiatives was also proposed in the Consultation Document. Two levels of investment were presented both proposed to be funded by targeted rates. A separate paper has been prepared detailing this proposal.

Budgets, service levels and general rates

15. The consultation document and supporting material included information around council's financial and infrastructure strategies, proposed budgets and service levels. This included capital expenditure of \$24-25 billion over the ten years and operating expenditure of around \$4 billion each year. These were supported by a proposed increase in average general rates of 2.5 per cent per annum in the first two years and 3.5 per cent per annum for the remaining eight years.



Waste charges

16. Proposals to fund the collection of food scraps through a targeted rate and to continue to roll out user pays refuse collection was also included in the consultation document. A separate paper has been prepared detailing these proposals.

Rating of the online accommodation sector

17. The consultation document included a proposal to reclassify residential properties rented via web-based accommodation services as business or mixed-use ratepayers, depending on the number of nights booked. The proposal consulted on also included the application of the accommodation provider targeted rate to such properties, on a differential basis depending on the number of nights booked and the location of the property. The details of this proposal are presented in a separate paper.

Other changes

18. A number of other budget matters were discussed in the consultation document and supporting information. These included a proposal to disestablish council-controlled organisation Auckland Council Investments Limited (ACIL) for which a separate paper has been prepared.

Consultation process

19. Public consultation for the Auckland Plan and 10-year Budget ran between 28 February and 28 March 2018.
20. Feedback was received across three broad feedback channels – written, in-person and digital. In summary, these results were for both the 10-year Budget and Auckland plan:
 - 26,556 written submissions were received
 - 5374 people attended around 100 Have Your Say events and community events. These events included an event for Mana Whenua, four Māori events and one for regional stakeholders.
 - 114 feedback points were provided through digital channels (Twitter and Facebook).
21. Separate to the consultation process, Colmar Brunton were commissioned to undertake an independent quantitative survey of 4000 Aucklanders focussing specifically on measuring Aucklanders' views on a regional fuel tax to raise more funding for transport projects and new targeted rates to increase funding of water infrastructure and speed up delivery of cleaner harbours, beaches and streams, and to invest more in environmental initiatives. The survey was conducted between 22 February and 4 April 2018. The survey design and conclusions have been overseen by the University of Auckland.
22. The following approach was used to ensure decision-makers are informed about feedback received on the 10-year Budget:
 - Staff with specific subject matter expertise reviewed feedback received relevant to their own area and summarised the issues raised to ensure councillors understand community views.
 - 21 separate reports were prepared summarising the feedback for each local board area and were considered by each local board between 26 April and 4 May 2018.
 - A separate report was prepared summarising feedback received on the Tūpuna Maunga Authority draft Operational Plan. This report was considered on 9 May 2018 when joint deliberations were held between the Tūpuna Maunga o Tāmaki Makaurau Authority and the Finance and Performance Committee.
23. In addition to the summary of feedback reports, all detailed feedback received has been made available to elected members and is publicly available on the Auckland Council website.
24. On 9 May 2018, the Finance and Performance Committee received reports on both the feedback received on the consultation document issues and another report presenting all other feedback. Both reports have been made available on the council website on the 10-year Budget page.
25. On 16 and 17 May 2018 discussions were held between local boards and the Finance and Performance Committee. These discussions provided an opportunity for local board views to be considered ahead of the committee making final decisions for the 10-year Budget 2018-2028.

Budget updates

26. To ensure high-quality budget documents financial forecasts should be updated with the latest information available. For the 10-year Budget this includes our significant forecasting assumptions, the latest projections of the cost to deliver committed service levels, and any budget-related decisions made by the Governing Body or its committees.

Budget review

27. A detailed review of budget information has been undertaken to ensure the latest cost, revenue and timing projections are included in the 10-year Budget.

28. Key adjustments included:

- Confirmed inflation and growth projections
- Revised interest rate projections
- Updated capital expenditure timings and depreciation projections
- Refreshed port-related budgets from ACIL including increased capital expenditure of around \$270 million as well as increased operational revenues and costs.
- Updated forecasts for a Regional Fuel Tax if implemented. Revised modelling indicated revenue of \$150 million per annum rather than \$130 million. This would mean an additional \$200 million over ten years which, when matched by funding from central government, allows a \$400 million increase in the transport capital programme.
- Updated forecasts of potential subsidies from the National Land Transport Fund. The ATAP report released in April supported an assumption of \$8.1 billion of funding over the period of the plan.
- Minor updates to revenue and expenditure budgets for Watercare Services Limited.
- Additional investment in community infrastructure to be supported by an update to our contributions policy.

Panuku Development Auckland programme

29. On 20 March 2018 the Finance and Performance Committee approved the preferred option of funding Panuku Development Auckland's Transform and Unlock programme from the proceeds of property sales from the respective urban development areas, noting that sale proceeds will be ring-fenced for the programme as a whole, rather than for individual locations. This programme and budget alignment will deliver amenity, activation and infrastructure as well as acquire strategic sites, consistent with Auckland Council approved plans. New housing and private investment will be supported by the upgraded facilities, improved amenity, increase in vibrancy and safety of centres.

30. The Strategic Development Fund was also adjusted to allow Panuku more flexibility in maximising redevelopment value of the fund.

31. The increase in urban development budget for the next three years and 10 years is \$188 million and \$406 million respectively. This will be funded through the equivalent amount of property sales across the urban development areas.

America's Cup

32. At the 29 March 2018 Governing Body meeting, the Wynyard Hobson proposal was approved as the base option for the 36th America's Cup. This proposal is for the use of the Viaduct Events Centre as Emirates Team New Zealand's base, and for five bases on the landside of Wynyard Point.
33. A construction budget of \$123 million was approved. This is to be funded with a \$65.8 million contribution from the Crown, with the rest funded by Auckland Council.
34. A further \$42.1 million for commercial and base related costs, as well as \$7.3 million for event-related services was also approved. The Crown is to contribute \$8.1 million to the commercial and base related costs.
35. The 10-year Budget has been updated to reflect this decision, with a \$123 million increase in capital expenditure over the first three years, a \$65.8 million capital revenue increase and a net operating expenditure increase of \$41.3 million.
36. At the Governing Body meeting, it was also noted other programmed capital projects and renewals in the central city and waterfront will need to be brought forward into the first three years of the of the LTP. This is captured as part of the city centre proposal.

Updated budget position

37. Incorporating the budgets and proposals from the consultation document, updates to our forecasting assumptions, new information on core budgets, and decisions made since adoption of the consultation document an updated budget position has been prepared.

Capital investment

38. The updated budget position includes capital investment for Auckland of \$25.9 billion. This includes \$12 billion of investment in transport infrastructure and \$7.1 billion in water infrastructure.

General rates

39. This level of investment can be funded while maintaining general rates increases as proposed in the consultation document (an average increase of 2.5 per cent per annum in the first two years and 3.5 per cent per annum for the remaining eight years).

40. Feedback on rates increases through consultation was evenly split 44% supporting, 46% not supporting and 10% giving another response. Feedback comments in this area discussed issues such as:

- affordability of rates increases, particularly in relation to inflation and to ratepayers on low incomes
- the level of investment required to support the growth occurring in Auckland
- cost control and efficiency savings
- Auckland Council undertaking activities outside core roles expected from council

41. Fifteen Iwi Authorities submitted to the 10-year Budget, and six provided specific feedback on general rates. Of these three were in support, two were in partial support and one did not support.

42. The proposed general rates increase was supported by some business stakeholder groups and some of the social and civic stakeholder groups. Much of the commentary in support in the feedback of these groups acknowledged the demands of growth and the need to fund investment in the city. However, they also stressed the need for the council to continue to make cost savings.

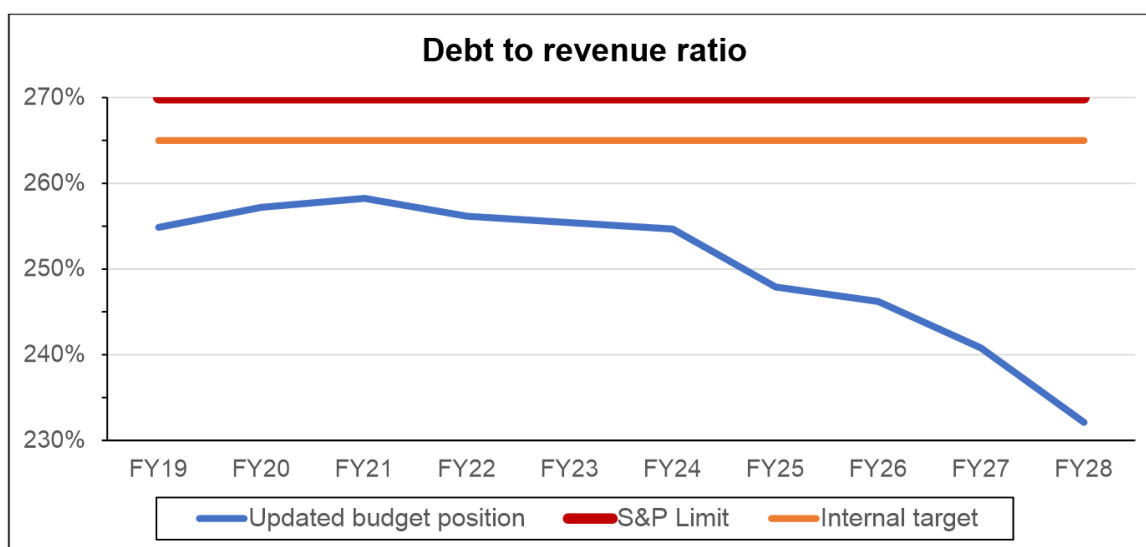
Key parameters

43. The following table shows the key rates and debt parameters after reflecting the consultation budgets adjusted for the new information described above.

Average general rates increase				Debt to revenue ratio	
2018/2019	2019/2020	2020/2021	2021-2028	Maximum	Year
2.5%	2.5%	3.5%	3.5%	258%	2020/2021

Additional capacity

44. The ability of the council to commit additional budget while maintaining the above rates settings is dependent on forecast levels of borrowing, particularly with respect to our financial strategy target of borrowing not exceeding 265 per cent of revenue. In this updated budget position our debt to revenue ratio peaks at 258 per cent in 2020/2021. The margin between this and our internal limit would enable additional budget of \$290 million to be committed in the first three years of the 10-year Budget. Additional capacity is available in later years of the budget, particularly beyond 2023/2024, and additional budget of around \$500 million could be added into this period.



Budget decision-making

45. Through the 10-year Budget consultation and our internal budget refresh period a number of budget requests have come forward. Attachment A-1 includes a list of the requests that have come through and have been discussed at committee workshops.
46. As set out in Attachment A-1, the total of all requests is for \$354 million within the first three years. This cannot be accommodated within our 265 per cent borrowing limit, where we have capacity for only \$290 million.
47. Information on each of the requests is included in this report, and its attachments, to support prioritisation decisions.

Parks and community

Sports and Recreation Facilities Investment Fund

48. There is a proposal to create a specific fund to proactively invest in changing recreation preferences and deliver value for money by leveraging external investment. Further information on this proposal is included in Attachment A-2.
49. This proposal would require an additional \$104 million of capital budget.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Sports and Recreation Facilities Investment Fund	Capital	8,136	5,187	10,581	23,904	80,234	104,138

Climate Change

50. The draft Infrastructure Strategy, included with the supporting information for the Consultation Document, highlighted the issue of coastal asset management. The consultation process led to a wider discussion around climate change impacts on coastal and non-coastal assets.
51. For coastal assets there is a proposal to develop coastal compartment management plans, which will inform a region wide coastal asset management plan (AMP). This will require operating budget of \$1 million over the first two years of the 10-year Budget. While this plan is being developed it is proposed that renewals budgets for coastal assets are increased to \$10 million per annum for the first three years of the plan (an additional \$11 million in total). A further \$79 million will be provisioned for years four to ten of the 10-year Budget subject to the completion of the compartment management plans
52. For non-coastal assets the proposal is to provide a capital budget of around \$2 million per annum to proactively fund capital solutions to non-coastal damage such as landslips, and also to create a \$20 million response fund to be used for reactive storm damage major capital works (this could be used for both coastal and non-coastal works).

53. More information on this proposal is included in Attachment A-3.

54. In total this proposal includes an additional \$1 million operating budget and \$90 million capital budget for coastal assets, an additional \$2 million capital investment per annum for proactive work on non-coastal assets, and the creation of the \$20 million response fund.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Coastal management	Operating	500	500		1,000	1,400	2,400
	Capital		2,160	8,880	11,040	78,983	90,023
Non-coastal asset	Capital	2,000	2,080	1,665	5,745	13,141	18,886
Climate change response fund	Capital	20,000			20,000	0	20,000

Recreational and aquatic facility network development

55. It has been proposed that the 10-year Budget is adjusted to provide for increased investment in recreational and aquatic facilities to help deliver the outcomes sought in the Community Facilities Network Plan. This proposal seeks additional investment of \$25 million in the last five years of the 10-year Budget. More information on this proposal can be found in Attachment A-4.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Recreational and aquatic facility network	Capital				0	25,000	25,000

Western Initiative

56. The Southern Initiative (TSI) is seeking an investment of \$950,000 a year over 10 years to establish a place-based initiative and team in west Auckland. Its aim is to stimulate and enable community and social innovation in response to a number of social and economic challenges the west faces. In alignment with the Auckland Plan it will focus on creating sustainable opportunities for prosperity, belonging and participation and Māori identity and wellbeing.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Western Initiative	Operating	950	969	988	2,907	7,495	10,402

Regional grant funds

57. On 17 May 2018 the Community Development and Safety Committee resolved to

b) seek that the 2018 Long-term Plan provide for increased funding for the following programmes such that they total \$2 million:

- Regional Arts and Culture grant programme
- Regional Community Development and Safety grant programme
- Regional Events Fund programme

58. There is a need to consider this request including the additional operating budget of around \$400,000 per annum, totalling \$4.3 million over the period of the plan.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Regional grant funds	Operating	393	401	409	1,203	3,101	4,304

Smokefree Policy Implementation

59. Auckland Council has a target to become a smokefree city by 2025. A proposal has been received to increase the implementation of this policy over the next three years.

60. This proposal would require additional operating expenditure of \$2.8 million over the first three years of the 10-year Budget.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Smokefree Policy Implementation	Operating	920	938	957	2,815	0	2,815

Centres development

City Centre

61. A proposal has been received to accelerate the city centre downtown development programme. This will create a more family, pedestrian and environmentally friendly city centre and will create a vibrant downtown for the America's Cup and APEC, which will be held in 2021. It will also leverage benefits from the construction of the City Rail Link and other major transport projects. Further information on this proposal is included in Attachment A-5.

62. There is a need to consider this proposal including the additional \$55 million capital investment over the first three years of the 10-year Budget and the bring-forward of \$53 million of capital budget from outer years of the 10-year Budget into the first three.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Downtown development programme	Capital	84,900	23,100		108,000	-53,252	54,748

Whau Community Centre and Library

63. There is a proposal to increase the budget currently allocated to the renewal of the Avondale Community Centre by \$16 million to support the development of a multipurpose community facility.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Whau Community Centre and Library	Capital			16,000	16,000	0	16,000

Regional Facilities Auckland

64. A number of proposals have been received from Regional Facilities Auckland (RFA) for additional investment, essential renewals, or changes to the timing of existing budgets.

65. The Auckland Zoo has experienced large increases in visitor numbers over the years with infrastructure designed for 390,000 visitors serving an average of 680,000 visitors. As standard renewals are undertaken issues with the underlying infrastructure are highlighted. Remedying these issues and delivering scheduled renewals will require an additional \$23 million of capital investment into underlying infrastructure in the first three years of the plan of which \$4.3 million is brought forward from later in the 10-year Budget.

66. RFA have proposed a change in timing of capital expenditure items that would mean an additional \$23 million in the first three years but an overall reduction of \$1.3 million. The change is primarily to accelerate renewals across its facilities as a catch up for deferred essential renewals.

67. There is a request for an additional \$2 million per annum in operating funding to support operations and exhibitions at the Auckland Art Gallery.

68. An additional operating budget of around \$500,000 per annum is requested to support the acquisition programme for Auckland Zoo. Costs in this area are focused around the significant logistical and transport costs of animal acquisition.

69. RFA places visitor safety and security as a priority. RFA commissioned an independent assessment of RFA's preparedness for a security threat against NZ Government Protective Security requirements. This assessment has led to a request for additional capital and operational funding of \$9.5 million over 10 years to improve facility security.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Zoo additional renewals	Capital	14,053	5,292	3,655	23,000	-4,298	18,702
RFA Capex bring forward / minor reduction	Capital	9,944	6,439	6,650	23,033	-24,341	-1,308
Art Gallery operating budget	Operating	2,000	2,000	2,000	6,000	14,000	20,000
Zoo animal acquisitions	Operating	500	536	561	1,597	4,131	5,728
Visitor safety improvements	Capital	1,000	500	515	2,015	3,906	5,921
	Operating	410	415	321	1,146	2,430	3,576

Māori Outcomes

70. Council currently funds Māori outcomes at an average budget of \$11.1 million per year, amounting to \$111 million total over 10 years. The Independent Māori Statutory Board has advocated for additional funding, on top of this baseline funding, of approximately \$3.5 million per year i.e. total additional funding of \$35 million over ten years. This would bring the total Te Toa Takitini – Māori Responsiveness Outcomes spend (Māori outcomes) to \$146 million over ten years.

71. There is a need to consider this funding including the additional \$35.1 million budget of which \$8.71 million is in the first three years.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Te Toa Takitini	Capital	100	1,250	1,250	2,600	0	2,600
	Operating	1,670	1,920	2,520	6,110	26,291	32,401

Co-governance entities

Tūpuna Maunga Authority

72. The Tūpuna Maunga Authority has prepared their draft operational plan for the 2018/2019 year and also a 10-year work programme. The work programme requires additional funding of \$23.5 million over the 10-year period including both capital and operating items.

73. The additional operating funding includes budget for rabbit eradication (rabbits are a major threat to the cultural heritage and archaeological features that remain on the Tūpuna Maunga), and to enable the transfer of Maungauika / North Head and on-site staff.

74. The additional capital funding within the first four years is to bring forward the protection and restoration of the tihi (summits) through removing redundant infrastructure, reinstating open space areas, developing significant track and viewing platforms, and implementing a tree management programme to replace exotic trees and weeds with native vegetation. The capital funding in the outer years will enable visitor infrastructure, including information centres.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Tupuna Maunga Authority	Operating	494	520	336	1,350	5,350	6,700
	Capital	1,412	3,292	3,286	7,990	8,843	16,833

Ngāti Whātua Ōrākei Reserves Board

75. A funding proposal for the Ngāti Whātua Ōrākei Reserves Board is focused on revenue generation models and the delivery of an iconic experience in time for the America's Cup.

This proposal would require additional funding of \$14.6 million over ten years with \$4.2 million falling in the first three years.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Ngāti Whātua Ōrākei Reserves Board	Operating	443	612	772	1,827	4,776	6,603
	Capital	-85	2,269	191	2,375	5,581	7,956

Te Poari o Kaipātiki ki Kaipara

76. Te Poari o Kaipātiki ki Kaipara is a co-governance entity that oversees Kaipātiki (formerly the Parakai Recreation Reserve). Additional funding is proposed to revitalise Kaipātiki and reconnect it with the surrounding communities. The priority over the next three years is to open up and enhance the front of the reserve, deliver an ecologically enriched back zone and better connect the reserve to the Kaipara River via an excellent main track. This proposal would require additional funding of \$14.9 million over ten years with \$5.9 million falling in the first three years.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Te Poari o Kaipātiki ki Kaipara	Operating	152	133	147	432	2,344	2,776
	Capital	1,526	2,482	1,505	5,513	6,562	12,075

Other items

Auckland Domain

77. The Auckland Domain Masterplan identified two options for additional infrastructure investment in the Auckland Domain. The options would implement the masterplan over either 10 or 20 years. To implement in 10 years would require \$31.2 million of capital investment over the plan while implementing over 20 years would require \$23 million over the same period.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Auckland Domain	Capital	3,036	3,096	3,158	9,290	21,954	31,244
	Operating	82	146	231	459	3,694	4,153

Central City Library - Tāmaki Pātaka Kōrero

78. There is a request for additional operational budget of \$420,000 to support investigation of investment options related to the Central City Library.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Central City Library - Tāmaki Pātaka Kōrero	Operating	210	210		420	0	420

MOTAT

79. A request has been received from the Museum of Transport and Technology (MOTAT) for \$60 million of grant funding, of which \$45 million would be in the first three years of the plan. This funding would support capital works on the MOTAT site to improve the care and display of MOTAT's heritage collection and provide high quality space for exhibitions and other experiences.

80. The cultural heritage review (currently underway) will determine the future direction of Auckland Council's investment in the museums and galleries sector. Until that is complete, it is not possible to know how MOTAT's plan fits with future wider sector investments which Council and the museums sector may prioritise and develop.

81. There is also the related issue of the Western Springs area, which could be developed as a holistic precinct. MOTAT's Plan isn't necessarily incompatible with such a precinct (in fact it may well be well aligned) but would be better pursued as part of a broader plan.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
MOTAT	Capital	15,000	15,000	15,000	45,000	15,000	60,000

Māngere Mountain Trust

82. A request has been received to increase the annual operating funding of the Māngere Mountain Education Trust from \$94,000 to \$300,000. This increased funding would enable an increase in capacity and capability to sustain growth and develop key revenue areas of education and tourism. This would increase breadth, depth and quality of programmes and experiences, by improvements to environment, infrastructure, technologies and staffing.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Māngere Mountain Trust	Operating	204	204	204	612	1,428	2,040

Surf Lifesaving

83. Surf Lifesaving Northern Region (SLNR) seeks to continue the redevelopment and remedial repairs of Auckland's lifesaving facilities. The three facilities funding is sought for, with council's costs being 35 per cent of the total, are Kariaotahi, North Piha, and Orewa.

84. SLNR capital projects are funded by Auckland Council under the terms of an agreement with Surf Lifesaving Northern Region in respect of the 'Surf 10:20' programme promoted by SLSNR (10 clubs, \$20 million). Council allocated \$1.9 million towards Surf 10:20 in the Long-term Plan 2015-2025 (over three years).

85. Projects are considered on a case-by-case basis and Council has discretion to approve the release of funds for a project. At the time of the funding allocation (March 2015) it was understood this funding would allow for a 35 per cent contribution towards the total redevelopment of lifesaving specific capital works at Red Beach, Karekare and Karioatahi. Due to cost escalations the balance of funding available for Karioatahi no longer meets the 35 per cent contribution. Therefore, it is included in the current funding request.

86. This request includes additional capital expenditure of \$3.7 million in the first three years of the plan.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Surf Lifesaving	Capital	1,100	1,350	1,250	3,700	0	3,700

Marine Rescue Centre

87. The Marine Rescue Centre Trust has requested a contribution towards the costs of whether-proofing the marine rescue centre building. Current estimates of the project costs are \$3 million.

88. The Trust owns and operates the building and marina known as the Auckland Marine Rescue Centre, and is the landlord to Auckland Coastguard, Coastguard Northern Region, Surf Life Saving Northern Region, New Zealand Police Auckland Maritime Unit and Auckland Harbour Master. The Marine Rescue Centre is located at Mechanics Bay.

89. The existing first floor glazing and deck is leaking badly, causing deterioration to the building, and presenting a health and safety issue to the staff who work in the building. Low cost solutions have already been tried to remedy the leaks, however these were unsuccessful.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Marine Rescue Centre	Capital	3,000			3,000	0	3,000

External funding requests

90. Through our consultation process on the 10-year Budget a number of requests for funding have been received from external parties. A list for the requests received is contained in Attachment A-6.

91. As detailed in the attachment the majority of requests most appropriately either sit with existing grant mechanisms or are the subject of ongoing policy review processes. The four below requests need to be dealt with through the 10-year Budget process.

External Funding requests – Auckland City Mission

92. The Auckland City Mission is a charitable organisation that provides professional health and social services to marginalised Aucklanders, including the homeless, elderly, families and individuals in crisis. To accommodate the growing demand for services, the Auckland City Mission is redeveloping their Hobson Street site. The new facility will include social housing in the form of 80 single apartments and intensive wrap around services. This approach aligns with the Housing First approach, which is supported by council. The redevelopment project is estimated to cost \$75 million. Funding is set out in the table below. There is currently a \$27 million funding gap.

City Mission capital	\$10 million
City Mission bank facility	\$10 million
Government	\$18 million
Foundation North grant	\$10 million
Fundraising target (begins March 2018)	\$27 million
Total	\$75 million

93. Funding is specifically asked from the council to cover the costs of necessary consenting fees and development contributions. It is estimated that this would be around \$475,000.

Building consent fees	\$26,000
Resource consent fees	\$34,000
Development contributions	\$415,000
Total	\$475,000

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Auckland City Mission	Operating	475			475	0	475

External Funding requests – Festival of Photography

94. A request has been received from the Auckland Festival of Photography Trust. The trust requested a minimum contribution of \$100,000 per annum towards festival expenses to cover capacity building and increasing costs due to the popularity and profile of the festival.

95. Historically the festival was funded from the Auckland City Council and the Auckland Council events funds on an unconfirmed (but expected) annual basis. With the implementation of the Community Grants Policy (2015) all recurrent and ad hoc funding lines were merged into a central fund to service requests through regional contestable grants programmes.

96. In response to a public submission to the Long-term Plan 2015-2025 the Governing Body approved funding of \$72,000 per annum directly to the festival, outside the contestable grants programme.

97. Staff recommend the current \$72,000 budget is transferred to the regional grants pool and the Auckland Festival of Photography Trust is invited to apply via the same process as other organisations.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Festival of Photography	Operating	100	102	104	306	789	1,095

External Funding requests – Sculpture in the Gardens

98. The biennial sculpture exhibition at Auckland Botanic Gardens is one of Auckland Council's most popular and prestigious events with visitor numbers of 320,000 to 400,000. It is easily accessible and enjoyed by a wide local and international audience contributing to the cultural richness of Auckland. The exhibition is funded and largely managed by the Friends of Auckland Botanic Gardens.

99. There is a request for additional budget to support the event. It is proposed that Council budget \$150,000 in the financial year the event runs, and \$50,000 in the alternate years.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Sculpture in the Gardens	Operating	52	152	54	258	850	1,108

External Funding requests – Te Whau Coastal Walkway

100. A request has been received from the Whau Coastal Walkway Environmental Trust.

101. Te Whau Pathway is a collaborative project between the independent Whau Coastal Walkway Environmental Trust, Ngāti Whatua Ōrākei, Te Kawerau a Maki, the Whau and Henderson-Massey Local Boards, Auckland Council and Auckland Transport. An MOU between Council and the Trust is in place to manage the delivery of the project.

102. \$25.19 million over six years is requested from Auckland Council as a part contribution to the project. Equivalent funding from NZTA will be requested along with other fund raising by the Trust to complete the entire 12km pathway. The cost estimate for the entire route is \$65 million.

\$000 inflated	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Te Whau Coastal Walkway	Capital	4,198	4,198	4,198	12,594	12,595	25,189

Local Boards – One Local Initiatives

103. Proposals for specific priority initiatives (One Local Initiatives or OLIs) were received from each of the Local Boards. While some of these are addressed through this report others are addressed through the Regional Land Transport Plan and the Proposal for One Local Initiatives report on this agenda. The recommendations within that report would be affordable within the current budget position.
104. If funding for the OLIs was brought forward to align with local board preferences, this might require \$30-50 million of additional expenditure in the first three years of the 10-year Budget. Any decision to bring forward could also create challenges in terms of delivery capacity.

Implementation

105. Once the key budget decisions are made, staff will update the draft budgets and produce a long-term plan (10-year Budget 2018-2028) for audit review and then adoption by the Governing Body by 30 June 2018.

Attachments

Attachment A-1	Schedule of budget change requests
Attachment A-2	Sports and Recreation Investment Fund
Attachment A-3	Coastal Management and Climate Change Response Fund
Attachment A-4	Development of the recreational and aquatic facility network
Attachment A-5	City Centre Investment and 2021 Events
Attachment A-6	External funding requests

Signatories

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Item 9

Attachment A

Attachment A-1: Schedule of budget change requests

\$'000 inflated	Decision	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Parks and community	Sports and Recreation Facilities Investment Fund	Capital	8,136	5,187	10,581	23,904	80,234	104,138
	Coastal management	Operating	500	500		1,000	1,400	2,400
		Capital						
	Non-coastal asset	Capital		2,160	8,880	11,040	78,983	90,023
		Capital	2,000	2,080	1,665	5,745	13,141	18,886
Centres Development	Climate change response fund	Capital	20,000			20,000	0	20,000
	Recreational and aquatic facility network	Capital				0	25,000	25,000
	Western Initiative	Operating	950	969	988	2,907	7,495	10,402
	Regional grant funds	Operating	393	401	409	1,203	3,101	4,304
	Smokefree Policy Implementation	Operating	920	938	957	2,815	0	2,815
Regional Facilities Auckland	Downtown development programme	Capital	84,900	23,100		108,000	-53,252	54,748
	Whau Community Centre and Library	Capital			16,000	16,000	0	16,000
	Zoo additional renewals	Capital	14,053	5,292	3,655	23,000	-4,298	18,702
	RFA Capex bring forward / minor reduction	Capital	9,944	6,439	6,650	23,033	-24,341	-1,308
	Art Gallery operating budget	Operating	2,000	2,000	2,000	6,000	14,000	20,000
Māori outcomes	Zoo animal acquisitions	Operating	500	536	561	1,597	4,131	5,728
	Visitor safety improvements	Capital	1,000	500	515	2,015	3,906	5,921
		Operating	410	415	321	1,146	2,430	3,576
	Te Toa Takitini	Capital	100	1,250	1,250	2,600	0	2,600
		Operating	1,670	1,920	2,520	6,110	26,291	32,401
Co-governance entities	Tupuna Maunga Authority	Operating	494	520	336	1,350	5,350	6,700
		Capital	1,412	3,292	3,286	7,990	8,843	16,833
	Ngāti Whātua Ōrākei Reserves Board	Operating	443	612	772	1,827	4,776	6,603
		Capital	-85	2,269	191	2,375	5,581	7,956
	Te Poari o Kaipātiki ki Kaipara	Operating	152	133	147	432	2,344	2,776
		Capital	1,526	2,482	1,505	5,513	6,562	12,075

\$'000 inflated	Decision	Budget type	2018/19	2019/20	2020/21	Total years 1-3	Total years 4-10	Total 10-years
Other items	Auckland Domain	Capital	3,036	3,096	3,158	9,290	21,954	31,244
		Operating	82	146	231	459	3,694	4,153
	Central City Library - Tāmaki Pātaka Kōrero	Operating	210	210		420	0	420
	MOTAT	Capital	15,000	15,000	15,000	45,000	15,000	60,000
	Māngere Mountain Trust	Operating	204	204	204	612	1,428	2,040
	Surf Lifesaving	Capital	1,100	1,350	1,250	3,700	0	3,700
	Marine Rescue Centre	Capital	3,000			3,000	0	3,000
	Auckland City Mission	Operating	475			475	0	475
	Festival of Photography	Operating	100	102	104	306	789	1,095
	Sculpture in the Gardens	Operating	52	152	54	258	850	1,108
	Te Whau Coastal Walkway	Capital	4,198	4,198	4,198	12,594	12,595	25,189
Subtotal		Operating	9,555	9,758	9,604	28,917	78,079	106,996
		Capital	169,320	77,695	77,784	324,799	189,908	514,707
Total			178,875	87,453	87,388	353,716	267,987	621,703

Attachment A-2: Sports and Recreation Investment Fund

Issue

Auckland has a shortage of sports facilities to meet the current population as well as accommodate growth in future population. Most notably there is a 30-court shortage of indoor court facilities currently and this is forecast to grow by 24 more courts over the 10-year Budget period. Examples of other sport facilities with demonstrated shortages are outdoor netball courts (70 courts), tennis courts (40 courts) and hockey turfs (15 turfs).

There is currently no funding mechanism to support the development of regional and sub-regional facilities and address the shortfall in facilities.

It is proposed to establish a Sports and Recreation Facilities Investment Fund - \$104 million over 10-years.

This would allow the council to proactively invest in changing recreation preferences and deliver value for money by leveraging external investment.

Context

Sport sector organisation

The sport sector has organised itself. There have been code plans developed by many of the sports codes in Auckland which quantify the shortfalls in facility provision, prioritising and planning the development of new facilities. The sector has also published the Auckland Sport Sector: Facilities Priority Plan which is a new regional cross code process, which validates the preparatory work that codes have done and identifies the facility priorities for sport.

Auckland Council

Council has a Sport Facilities Investment Plan under development. This plan will identify how council should invest into sport and recreation facilities and address inequities in sport investment.

Local Board feedback through the Investment Plan discussion document identified a capital funding gap for regional / sub-regional sport facilities.

Council is seen as having a role as a foundation funder towards sport and recreation facilities. Other funders are known to look to whether Auckland Council has committed foundation funding before considering whether they will support an initiative. Council staff facilitate an investors forum to align investment from major funders of sport and leverage council cornerstone funding. This forum is supportive of the Sport Facilities Priorities Plan for the sector and has identified and been concerned by the lack of applications in Auckland over the last few years.

10-year Budget submissions

The major theme of the significant stakeholder submissions and presentations was the creation of a \$250 million sport and recreation facility partnership fund.

Over 2600 submissions were received relating to Parks, Sport and Recreation this represents 10 per cent of the total submissions to council through public consultation. Of these submissions 2150 actively sought greater levels of investment in Parks, Sport and Recreation (predominantly sports and recreation facilities).

Options

Option A - Status quo

Current investment in sports and recreation in the current budget.

This option does not respond to population growth, maintaining what exists and changing demographics, participation rates and preference. Additionally, it does not respond to the sport sector organisation around facility development priorities and providing a funding mechanism to enable development.

Option B – Reactive funding

Proposes to assess and respond to individual sporting codes submissions for facility investment on a case by case basis through the 10-year Budget or subsequent annual plan processes. This approach is not responsive to sport and recreation facilities plans and has a limited ability to proactively partner.

Option C – Sport Facility Investment Fund

Uses the Auckland Sport Sector Facilities Priorities Framework and Council's Sports Facilities Investment Plan to determine funding priorities. This approach:

- Is responsive to population growth, changing preferences and resource constraints
- Has a flexible implementation model using partnerships, PPP's or fully council funded
- Leverages external investment of at least \$1 for every \$1 invested and up to 4:1 ROI

Considerations

Value of sport

- 100,000 young people and 500,000 Aucklanders are involved in sport and recreation each week
- 84 per cent of New Zealanders believe sport and physical activity bring people closer together and create a sense of belonging.
- **Inactive people** are up to twice as likely to have depressive symptoms than active people.
- **Elimination of physical inactivity** would remove between 6 per cent and 10 per cent of major non-communicable disease (heart disease, type 2 diabetes, and breast and colon cancers)
- **Regular exercise** can reduce the risk of dementia and Alzheimer's disease by up to 40 per cent
- 25 per cent of youth in South Auckland inactive, 65 per cent with a poor body mass index
- 21 per cent of four-year olds are obese
- New Zealand is the third most obese nation in the world

Gaps in provision

- Indoor courts current shortfall of 30 courts
- Outdoor netball courts shortfall of more than 70 courts
- Outdoor tennis courts shortfall of approximately 40 courts
- Hockey turfs shortfall of an estimated 15 new turfs plus replacement surfaces on existing turf.

Next steps – Funding criteria:

Should option C proceed then criteria for investment would be consistent with the council partnership policy and sport sector priorities. Only high impact and sound business cases would be selected to progress to committee for funding resolutions. The outputs and return on investment would be monitored and evaluated through the modified CBAX system.

Attachment A-3: Coastal Management and Climate Change Response Fund

Proposal/Issues

To seek approval for additional funding for a coastal management, landslips management and climate change response fund, including:

- \$1 million opex for the first two years of the 10-year Budget 2018-2028 to develop coastal compartment management plans, which will inform a region wide coastal asset management plan.
- \$11 million additional capex over the first three years of the 10-year Budget 2018-2028 to fund coastal renewals, with a provision for a further \$79 million for years four to ten.
- \$20 million additional capex for reactive emergency works (storm damage).
- \$20 million additional capex over ten years (\$2 million per year) for proactive capital works related to non-coastal landslips.

Context

Coastal Management

Auckland Council owns and manages approximately \$350 million of coastal protection, access and amenity related assets over Auckland's 3,200km of coastline. Historic under investment that has primarily addressed reactive works has resulted in an asset base that is in relatively poor condition with insufficient funds available to renew all damaged assets for the next 10 years. The predicted impacts of climate change, coupled with failing assets, has led to community groups and local boards requesting improved coastal protection, with calls to better manage our coastal assets.

An Auckland Council Coastal Management Framework was developed to help council better manage its coastal assets, and to better mitigate the risks associated with coastal erosion and the combined effects of predicted climate change. The framework was approved by the Environment and Community Committee in August 2017 with a specific request to:

"... request a report on funding implications to address issues of coastal erosion, inundation and safety, as part of the Long-term Plan 2018-2028."

The coastal management framework will enable council to move from the current default position of reactionary 'like-for-like' renewals to a prioritised work programme that is based on improved asset management planning underpinned by business cases leading to improved asset investment.

Currently there is no funding for capital asset investment for renewals after mid-2020, even if current expenditure were to be reduced. Future investment after 2019/2020 will be required to replace failing coastal assets, especially those that provide protection to high value or critical infrastructure.

Climate Change Response Fund

Consultation on the proposed coastal budget options led to a wider discussion about funding responses to climate change, acknowledging that Auckland Council needs to be able to respond quickly to infrastructure damage that arises from increasingly frequent storms, and fund urgent or emergency works. We also need to be able to differentiate storm damage responses from our business as usual renewals.

Reactive Funding for Emergency Works (Storm Damage)

At present, there is no allocated fund for emergency works or storm damage. To mobilise emergency works (other than civil defence responses), council staff have to seek approval to spend funds, or work at risk without appropriate financial approvals for emergency responses, such as those at New Lynn culvert or Rawene landslip. Therefore, a one-off sum of \$20 million is proposed to be used for reactive storm damage major capital works. This could be used for both coastal and non-coastal works.

Proactive Funding for Non-Coastal Works

The recent storms over the last two years have also identified a work stream not currently budgeted for, which is non-coastal damage such as landslips, arising from storms or other natural hazard effects. This year, council has responded to 147 landslips, some of which require minor operational stabilisation and repair, and some of which require design and construction of a capital solution to manage the slip or mitigate damage. It is proposed to include a sum to proactively fund capital solutions to non-coastal damage such as landslips, of \$2 million capex a year, or \$20 million over the 10 years.

Work Programmes

- *Coastal compartment management plans* - \$500,000 opex per year for the first two years of the LTP to develop a suite of coastal compartment management plans to inform a region wide Coastal Asset Management Plan.
- *Coastal Asset Renewals* - \$11 million additional capex for the first three years of the 10-year Budget to fund pressing coastal renewals. There is currently \$19 million capex for coastal renewals included in the 10-year Budget which will be exhausted in year 2. Note, this does not include the Orewa seawall which is assumed to be funded through the One Local Initiative process. A further \$79 million will be provisioned for years four to ten of the LTP subject to the completion of the compartment management plans.

Climate Change Response fund

- Reactive Emergency Works (Storm Damage) - \$20 million one off fund to support reactive works in response to damage from extreme weather events.
- Proactive Landslip Management - \$20 million additional capex over the ten years of the 10-year Budget 2018-2028 (\$2 million a year) to fund capital solutions to non-coastal damage such as landslips.

Description of the issue for decision making

Auckland Council owns a large number of coastal assets. Historically, there has been a pattern of under-investment in these assets. Sea level rise and storm damage from extreme weather events are also increasing the demand on budgets for coastal asset renewals.

Decision making on renewal of coastal assets has often been ad hoc and reactive. There is a need for an asset management plan to guide and prioritise decision making on coastal assets and additional funding for coastal renewals.

Climate change is also leading to increasing numbers of extreme weather events, causing storm damage and landslips. Currently, the council has no budget available to respond to this type of event. Proactive and reactive funding is needed to support responses to these emergencies, whilst the suite of coastal compartment management plans which will better identify regional areas most at risk are completed.

Consultation Feedback

General

A relatively small number of comments (approximately 40) were received on climate change preparedness and coastal management through regional consultation on the 10-year Budget. A wide range of issues were raised, such as the need to respond to changing weather patterns, extreme weather events, coastal erosion and sea walls.

More feedback was received relating to specific coastal issues or priorities which local boards consulted on. In general, feedback was supportive of these initiatives. For example, the Hibiscus and Bays Local Board consulted on their key advocacy priority to address coastal erosion and protect Orewa Beach Esplanade and Reserves. In total, 857 submitters responded to this priority, with 69 per cent fully supporting and 18 per cent partially supporting the project.

Mana Whenua

Five iwi authorities noted their concerns regarding climate change and asked council to take more action regarding this issue: Ngāi Tai Ki Tāmaki, Ngātiwai, Te Uri O Hau, Te Ahiwaru/Makaurau Marae Māori Trust and Waikato-Tainui.

In particular, Ngāi Tai Ki Tāmaki noted that they were already being adversely affected by climate change, through regular flooding in one of their papakainga at Maraetai, and the need for council to respond to this through infrastructure and climate mitigation and adaptation plans. They also stated that they wished to be involved in council decision making relating to provision of climate change response infrastructure in their area. Te Uri o Hau also supported the inclusion of mana whenua in the design of climate change policy, monitoring and adaptation plans.

Waikato-Tainui stated their support for the Howick Local Board initiative relating to a regional fund for coastal management and the need for the council to develop mitigation and

prevention plans for climate change. Ngātiwai also noted the need for council support to develop some coastal infrastructure in their rohe, such as a wharf.

Stakeholders

Various environmental stakeholders provided feedback asking the council to develop climate change adaptation plans. For example, both Friends of Oakley Creek and the Saint Lukes Environmental Protection Society noted that climate change and the impact of more frequent and severe weather events would require council to invest in infrastructure and plans to respond to this.

The Manukau Harbour Restoration Society, New Zealand Recreation Association and Whau Coastal Walkway Trust all submitted asking for the council to invest more in specific coastal assets. For example, the Manukau Harbour Restoration Society asked for investment into a public jetty at Clarks Beach and a sand nourishment program to rebuild quality public beaches (Clarks Beach, Kiwi Esplanade Onehunga Bay, etc).

Surf Life Saving also submitted in support of more funding for their service at any additional beaches that were developed and asked that council consult them on decision making relating to the coastal environment.

Local board views

Five local boards (Franklin, Great Barrier, Hibiscus and Bays, Howick, Papakura) made resolutions on the 10-year Budget 2018-2028 advocating for the development of coastal compartment management plans and a regional fund to respond to coastal erosion.

Four local boards made resolutions asking the council to address specific coastal issues in their area through the 10-year Budget. These included:

- \$18 million capital funding for implementation of the Orewa Beach Esplanade Enhancement Project – Hibiscus and Bays
- improvements to Tāmaki Drive including mitigating flooding risks – Orākei
- support to address coastal erosion occurring at Wai-o-taki Nature Reserve – Maungakiekie-Tāmaki.
- managed retreat of coastal roads – Great Barrier.

Waiheke Local Board did not give specific feedback on coastal issues but noted that improvement of infrastructure is required on Waiheke due to flooding and slips.

Consideration

Investment options

Three options are outlined below for coastal investment and climate change response. These are:

- Option One: No additional funding

- Option Two: Additional funding for coastal management and a climate change response fund
- Option Three: Reactive and ad hoc coastal management works

Option One: No additional funding - involves reactive investment when coastal assets fail. The current operating budget allocated for coastal maintenance is \$600,000 per year, or \$6 million over the term of the 10-year Budget. The capex budget allocated is \$19 million over the first three years of the 10-year Budget and no funding thereafter. This means there will not be funding available to deliver significant coastal renewals after 2019/2020. The status quo also provides no additional funding for proactive or reactive climate response works.

Option Two: Involves moving to a delivery model where asset replacement is based on a prioritised need for protection and development of new assets. This requires an initial opex investment to develop coastal compartment management plans that include public engagement, which will then inform a region wide coastal asset management plan.

Opex: The opex funding required for the development of compartment management plans and a coastal asset management plan is \$1 million allocated over the first two years of the 10-year Budget 2018-2028.

It is estimated that approximately \$200,000 per annum operating budget will also be required from years four to ten of the 10-year Budget to deliver additional coastal maintenance works identified through the coastal asset management plan.

Capex: The asset management plan will also more accurately inform the capital funding requirements for the remainder of the 10-year Budget. At this stage the increased capital investment required is estimated to be \$11 million of capex over the first three years of the 10-year Budget to supplement the status quo funding of \$19 million, and approximately \$79 million from years four to ten.

The costs of coastal works for years four to ten are estimates that will be confirmed through the development of the suite of coastal compartment plans, informing a coastal asset management plan and will be updated as part of the next long-term plan.

Option Two also includes the Climate Response Fund for reactive emergency works and proactive non-coastal works. For the Climate Response Fund, it is proposed that as part of the annual plan process, any un-spent funds are carried forward with a consideration of a top-up if required.

The table below shows the additional funding recommended through Option Two.

\$ million	2018/2019	2019/2020	2020/2021	2021/2022 to 2027/2028	10-year total
Option One: Current opex for coastal maintenance	0.6	0.6	0.6	4.2	6.0
Option Two: Additional opex for coastal compartment management plans and work arising	0.5	0.5	0	1.4	2.4
Total Opex in Option Two	1.1	1.1	0.6	5.6	8.4
Option One: Current capex for coastal renewals	10	8	1	0	19
Option Two: Additional capex for coastal renewals	0	2	9	79	90
Option Two: Reactive Emergency Works Fund (storm damage) (to be rolled over annually)	20				20
Option Two: Proactive Non-Coastal Works (landslips)	2	2	2	14	20
Total Capex in Option Two	2	12	12	93	149

In total, under Option Two \$1 million of additional opex is recommended for approval in the first three years of the 10-year Budget and \$37 million of additional capex.

Option Three: Involves replacing assets when they are assessed to be in poor condition, infrequent new works, and construction of the Orewa seawall during the first 2 years of the 10-year Budget. Current demand for renewals and larger scale interventions is assumed to continue.

Without the benefit of a coastal asset management plan to guide and prioritise investment, it is expected that capital expenditure would be more ad-hoc and therefore potentially higher. Total capex on coastal assets has been estimated at \$150 - \$200 million over the 10 years. The assessment of future demand for capital investment assumes that up to 35-40 per cent of assets could require replacement and additional work in the next 10 year, without prioritisation in place.

Option Three also does not include any funding for reactive emergency works or proactive non-coastal works.

Based on current data, all options have certainty for the first two years. Figures after year two are assumptions, to be verified in the next long-term plan review.

Recommended Option

Option Two is recommended which proposes a coastal asset management plan which would guide and prioritise investment from 2020 onwards. It is expected that this would reduce the investment required in renewal of coastal assets, by 25 per cent or more compared to the ad hoc approach outlined in Option Three. It would also allow for more localised expenditure on new issues arising. This approach is also more likely to deliver long-term sustainable solutions than Option Three.

Option Two also allows council to offer effective responses to emergencies such as extreme weather events and landslides.

It is recommended that funding required for the first three years of coastal management with a provision for years four to ten subject to the completion of the coastal compartment management plans be included in the 10-year Budget. Funding for the full cost of coastal renewals will be confirmed through the next long-term plan once the asset management plan is complete and the council has a better understanding of what is needed.

Funding for the climate response fund (reactive emergency works and proactive non-coastal works) is recommended to be included for the full ten years.

Funding options

Broadly speaking the council has two options for funding this work, either through a targeted rate or general rates. It is not considered that a targeted rate funded by a specific geographic region would be appropriate to fund the activities outlined in this report, as most of them will be regional in focus. Given the emergency and reactive nature of the works it is also impossible to predict which regions might benefit most from the climate response fund.

Levying a targeted rate across the region to fund these works is an option, but this would give council less flexibility to adjust or change amounts during the next three years of the 10-year Budget. Given that the budgets involved are allocated to respond to emergencies, which are unpredictable in nature, general rates are seen as a more appropriate funding option.

Attachment A-4: Development of the recreational and aquatic facility network

Proposal

Additional funding to enable the implementation of the regional plan for the development of recreational and aquatic facilities within the time frames needed to meet minimal levels of community provision as set out in the Community Facilities Network Plan.

Consultation feedback

Public feedback has expressed serious concern about access to recreational and aquatic facilities and dissatisfaction about over-crowded pools and long wait times in peak periods such as school holidays. Public concerns have been expressed about this lack of access being a barrier to teaching kids to swim and potential contributing to higher rates of drowning.

Local board views

Local Boards are strongly supportive of additional investment in this area. Three local boards decided to make advocating for investment in this activity their single highest priority for this 10-year budget, despite this being a regional network investment decision with benefits spread wider than individual local board boundaries.

Consideration

High quality recreational and aquatic facilities play a critical role in achieving the Auckland Plan outcomes and being a city where everyone can participate and belong.

The Community Facilities Network Plan is council's key strategic document guiding recreational and aquatic facility provision. A key objective is ensuring facilities are fit-for-purpose and able to meet minimal levels of provision in response to community demand. The plan identifies that the most urgent areas needing increased provisions are:

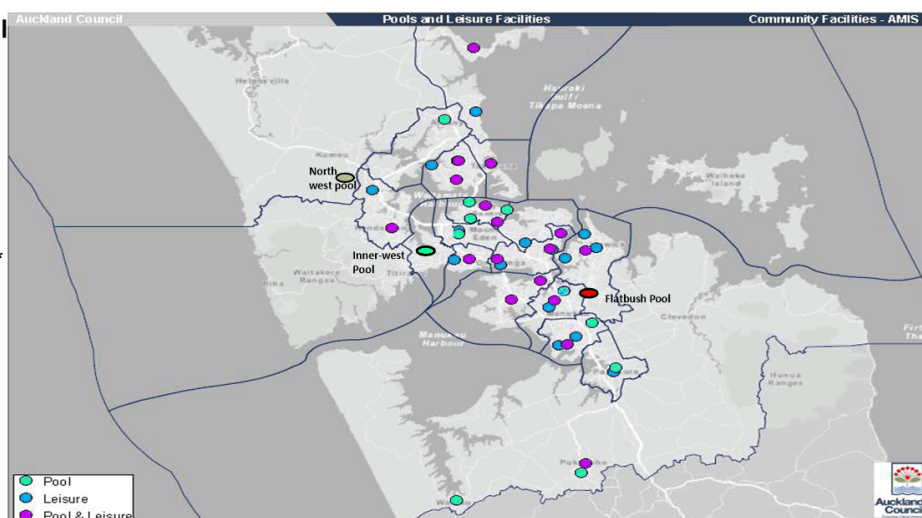
- Flatbush
- the inner west
- the north west

Auckland Council Pool and Leisure sites – current

Community Facilities Network Plan – priorities

- North-west pool *
- Inner-west pool *
- Flatbush pool

*Location to be
determined



Planning for the new facility in Flatbush is well progressed and delivery will commence as soon as practicable.

The Community Facilities Network Plan identified a gap in aquatic provision in the inner-west based on growth that has already occurred. The population in the Whau catchment (76,000+) is already well over the provision thresholds in the network plan. An indicative business case developed in 2017 on aquatic and leisure provision in the inner west confirmed the case for investment in a new pool in the Whau area.

The Community Facilities Network Plan also identified a potential gap in aquatic provision in the north-west based on the level of forecasted growth. As a result, there is a priority action in the network plan to investigate the need and determine when aquatic provision will be required in the north-west to service this growth. This investigation work is underway, and the findings will be formally reported later in the year.

Investment options

- **Option 1:** Investment to progress in line with existing budgets
- **Option 2:** Increased investment of \$25 million spread over the last five years of the 2018-2028 period of the 10-year Budget

Implications of Option 1:

- Inner west pool not completed by the end of the 10-year budget period (2028)
- North west pool delivered later in second decade
- Existing issues with overcrowding and lack of access will get worse over time

Implications of Option 2:

- Inner west pool completed by 2028
- North west pool progressed early in the second decade
- Community access to pools maintained or improved as Auckland grows

Attachment A-5: City Centre Investment and 2021 Events

Proposal/Issues

To approve:

- \$55 million additional capex funding to be spent over the first three years of the Long-term Plan 2018-2028 (LTP)
- the bring forward of \$53 million existing capex budget from the outer years of the LTP into the first three.

This will accelerate the city centre downtown development programme. This will create a more family, pedestrian and environmentally friendly city centre and will create a vibrant downtown for the America's Cup and APEC, which will be held in 2021. It will also leverage benefits from the construction of the City Rail Link and other major transport projects,

Context

Auckland's city centre is an increasingly important 'economic engine' for both the region and the whole of New Zealand and has experienced growth significantly above forecasts over the last five years. Auckland is the host city for two key and high profile events in 2021, namely the America's Cup 36 and APEC, which have the potential to provide significant economic and legacy benefits for Auckland and New Zealand.

The City Centre Masterplan presents a 20-year vision that sets the direction for Auckland's city centre as its cultural, civic, retail and economic heart. It presents a vision of a city centre that is more family, pedestrian and environmentally friendly. The City Centre Masterplan identifies numerous projects to implement the vision, requiring investment in stormwater, transport and community services infrastructure.

Description of the Issue for Decision Making

There are a number of strategic work programmes in the city centre focused on supporting growth and leveraging the benefits of the America's Cup 36 and APEC, as well as the construction of significant transport projects, such as the City Rail Link. There is currently insufficient funding to deliver the full work programmes and realise the benefits.

Because of this, it is recommended that an additional \$55 million capex funding be included in the LTP and \$53 million of existing budget be brought forward from the outer years. This will be spent over the first three years of the LTP and support the city centre downtown development programme. It will also ensure council can leverage full benefits from the America's Cup 36, APEC and the other major transport and infrastructure projects in the city centre, such as the City Rail Link.

Consultation Feedback

General

A relatively small number of submitters (approximately 50) provided feedback on development of the city centre at a regional level. There was no clear theme in these comments, but some topics raised included:

- the council should reduce their focus on the city centre
- the council should continue investing in the city centre and support more people living there
- the city centre is unsafe.

Less than ten comments were received relating to the America's Cup 36.

The Waitematā Local Board also included a consultation question relating to the provision of public amenities in the city centre. 52 per cent of submitters fully and 28 per cent partially supported this proposal. The board also received a petition signed by over 1,200 people asking them to improve pedestrian safety for residents living in the Cook Street, Nelson Street and Union Street area.

Mana Whenua

No iwi authorities provided feedback specifically on the city centre investment options or the America's Cup.

Stakeholders

The Auckland City Centre Advisory Board noted that the city centre plays a vital economic role in the Auckland region, a social role in bringing people together and a cultural role as an arts and culture hub. They strongly supported more investment in the development of the city centre, to:

- provide more people-centric transport systems and infrastructure
- improve the city's west-east connections and invest in western parts of the city centre (progressing the Victoria Quarter Plan)
- leverage off private sector development, and events like Americas Cup and APEC
- invest in a public amenities strategy, to provide toilets, places to rest, meet and study, lockers to store belongings, showers etc.

Women in Urbanism and the Basement Theatre also submitted in support of more investment in the city centre, to provide quality public spaces (such as the Victoria Street Linear Park) and shared hubs for artists (respectively).

The Chamber of Commerce expressed qualified support for city centre development but noted that infrastructure and transport investment is also required to support other major employment hubs, such as Southdown and Auckland Airport, and rapidly growing business and residential zones such as Drury and Silverdale.

Local board views

The Waitematā Local Board included advocacy in their resolutions on the LTP that the council should:

- partner with the Waitematā Local Board to enhance provision of city centre public facilities such as toilets, showers and lockers for homeless people and support development of Mission HomeGround.
- work with Auckland Transport to 'progress the City Centre Master Plan objectives for the Victoria Quarter area including Nelson Street' to deliver a quality urban environment and prioritise pedestrian safety
- work with Auckland Transport and the New Zealand Transport Agency to implement a 30 km safe speed zone in the city centre
- provide improved safety and amenity for pedestrians in the city centre.

The board also made several resolutions in relation to the draft Waste Management and Minimisation Plan requesting that:

- the America's Cup 36 be run as a zero waste event
- targeted litter reduction education be provided in the city centre
- better commercial waste collection solutions be identified for businesses in the city centre to avoid them putting out bags on the street each day.

No other local boards made resolutions specifically relating to the city centre investment options or the America's Cup 36, although the Papakura Local Board did state their support for a city centre congestion charge. The Rodney Local Board also provided feedback on the Auckland Plan that 'the draft plan maintains a narrow focus on the city centre and dense urban living and will not resonate with communities that do not meet that description, including those that live within...the Rodney ward.' The Manurewa Local Board also noted feedback from their community that 'spending in south Auckland is considerably less than funds invested into central city projects.'

Consideration

Work Programmes

The city centre investments are structured in a number of work programmes, encompassing projects funded by council, Auckland Transport and Panuku and delivered as integrated programmes of works. They include:

- **Downtown** – delivers a connected and accessible waterfront, prepares for the growth of cruise and ferry services and supports further activation of Queens Wharf. The programme has been brought forward to align with the America's Cup event in 2021.
- **Midtown and Uptown** - delivers improved pedestrian and public spaces around key transport hubs. The programme is aligned with and leverages off development opportunities from the City Rail Link and bus infrastructure, as well as the New Zealand International Convention Centre.
- **America's Cup 36 Infrastructure** – delivers infrastructure for the America's Cup event as well as legacy for the city centre. The America's Cup 36 Infrastructure has a budget of

\$123 million - \$57 million of this is contributed by the council and \$66 million is contributed by central government.

- **Wynyard Quarter and Westhaven** – builds on the success of the waterfront's regeneration and continues to deliver an accessible and sustainable waterfront. In addition, progresses planning and engagement for Wynyard Point.

A full list of projects to be delivered within each of the programmes is shown in Appendix A

Investment options

Baseline

While the majority of the city centre projects/programmes are able to be accommodated through the existing allocation, there is a shortfall of \$55 million in years 1-3 and \$95 million capex in years 4-10. Without additional funding, the following work will not be delivered:

Downtown Programme (years one to three)

- The downtown programme includes a number of projects, which are intended to revitalise the downtown and make it a more family, pedestrian and environmentally friendly space. Some of these projects are funded at baseline levels but many have significant shortfalls.
- Due to the highly interrelated projects within the programme, and the shortfall across numerous projects under current budgets, delivery of the entire programme will be placed at risk if additional budget is not approved.

Midtown Programme (to be delivered in years four to ten)

- Victoria Linear Park stages 2 and 3
- Wellesley Street streetscape and amenity upgrade, to align with the Wellesley Street Bus Corridor project funded by Auckland Transport.

Recommended Additional Funding

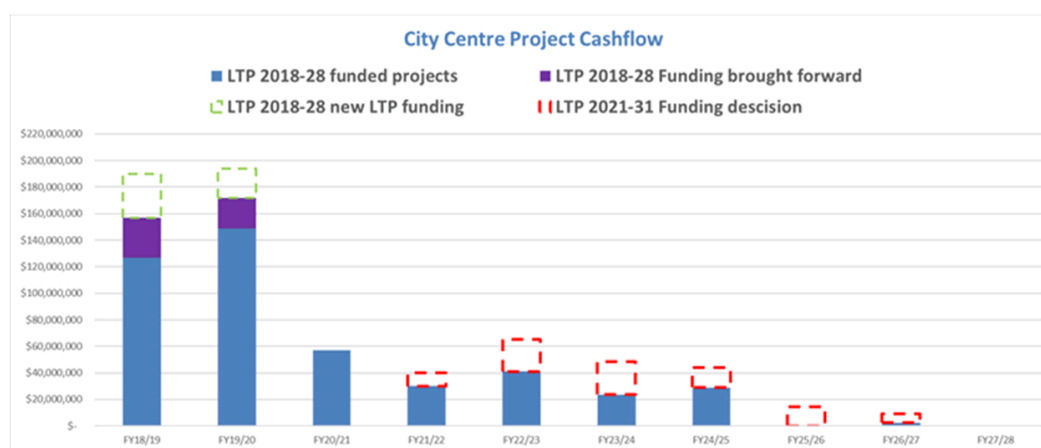
If additional funding of \$55 million capex is approved for the first three years of the LTP and \$53 million of existing capex brought forward from the outer years, this will allow the council to fully deliver the downtown programme of works. This will have the following benefits:

- Align the city centre's development with the America's Cup 36 and APEC events in 2021.
- Leverage off opportunities from the City Rail Link, bus infrastructure and other transport infrastructure developments, to minimise disruption and maximise efficiency.
- Alignment of council family investments, public and private developments to achieve a holistic outcome.
- Supporting growth – continue to improve access into the city centre and create high quality public spaces for people to live, work and play.

A summary of the 10-year funding required for city centre programmes is shown in the table below. Figures include projects funded through the LTP, Regional Land Transport Plan and City Centre Targeted Rate.

\$ million	Total funding	Forecasted Cost	Shortfall
Downtown	\$375	\$430	\$55
Midtown & Up Town	\$335	\$430	\$95
Wynyard Quarter and Westhaven	\$144	\$144	

The projected cashflow for the LTP period for council projects is shown below:



The shortfall of \$55 million in the first three years is associated with the downtown programme, due to works being brought forward to support major events in the area. This also requires bringing forward of \$53 million from the outer years of the LTP.

The shortfall of \$95 million in years 4-10 is associated with the midtown programme, as:

- currently only \$33 million is allocated to stage 1 of the Victoria Linear Park. An additional \$31 million will likely be needed to implement stages 2 and 3.
- \$64 million will likely be needed to fund streetscape and amenity upgrade for Wellesley Street, to align with the Wellesley Street Bus Corridor project funded by Auckland Transport.

Because the planned expenditure on the midtown programme is in years 4-10, and costs and timings of these projects still need to be confirmed, they have been excluded from this LTP. They will be considered in the next 10-year budget. This will allow further time to develop the most optimal solutions for this part of the city aligned with the transport investment, as well as considering alternate funding sources such as further development contributions funding, the possible extension of the City Centre Targeted Rate and private sector investment.

Funding Options

It is proposed that the additional \$55 million capex shortfall needed for city centre development over the next three years be funded through general rather than targeted rates. This is because benefits from the downtown programme and support for the America's Cup 36 will be distributed across the region, rather than only accruing to businesses and residents who live in the city centre.

There is potential for some of the \$11 million for the berthing of superyachts, which is included within the proposed downtown programme, to be recovered from operating revenue managed by Panuku.

Appendix One: List of City Centre Programmes and Projects

Downtown Programme

- Wharf Upgrades
 - Halsey Wharf wave attenuation and surrounding seawall
 - Wynyard Wharf works
 - Hobson wharf wave panels
 - Queen wharf redevelopment including mooring dolphin
 - Berthing – superyachts
- Streetscape Upgrades
 - Quay Street including seawall
 - Britomart
 - Lower Queen Street
 - Lower Albert Street
- Other Works
 - Downtown public spaces, bus interchanges
 - Britomart East
 - Stormwater Daldy Street outfall
 - Wynyard Crossing – bridge
 - Phase One Ferries (Pier 3 & 4)
 - Utilities and services

Midtown and Uptown

- Streetscape upgrades
 - Hobson/Nelson Streets
 - Albert Street
 - Federal Street
 - High Street
 - Cross Street

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- Mills Lane
 - Beresford Square
 - Emily Place
 - Victoria Linear Park Stage One
- Karangahape public realm upgrades
- Learning quarter bus interchange and amenity upgrades
- Wellesley Street Bus Corridor

America's Cup 36 Infrastructure

- Wynyard Point
 - Site preparation works (Base C - Base G)
 - Wynyard Point syndicate building foundation (Base C - Base G)
 - Wynyard Wharf works: Infill and breakwater
- Halsey Wharf works and breakwater (Base A: Team NZ Base)
- Hobson Wharf works (Base B)
- Dredging
- Berthing
 - America's Cup Syndicates
 - Berthing - Other Floating Berth Works

Wynyard Quarter and Westhaven

- Green link from Victoria Park to North Wharf
- Daldy Street linear park and the neighbourhood park
- Pedestrian promenades around the Viaduct Basin and Westhaven.
- Development agreements with private partners.
- Planning and engagement for Wynyard Point

Attachment A

Attachment A-6: External funding requests

Submission #	Submitter Name	Description of Request	Value of Request	One off or ongoing	Current State (existing funding level; confirmed agreements/plans; relevant historic info)	Officer Comment
9213	Auckland Mountain Bike Club Inc	That funding be allocated in the 2018-2028 Long-term Plan to accelerate the delivery of mountain bike facilities	\$5,000,000	One off	Mountain Biking facility priorities are identified in Auckland Sports Sector Priorities Plan and also within the Bike Facility Code Plan.	Specific mountain bike track Improvements and new developments are identified in the Auckland Sports Sector Priorities Plan and the Bike Facility Code Plan for the Auckland Region. Mountain biking clubs need to use the tools and approach identified in the Auckland Sport Sector Facility Priorities Plan to build the case and demonstrate to council and other funders the rationale for investment. The sport and recreation investment plan (under development - programmed to be consulted on and then completed late 2018) will outline how the council invests in sport and recreation. Informal recreation opportunities like mountain biking need to be considered as part of this plan development. The club should continue to advocate for park specific improvements and upgrades when budget is available, including the regional parks network developments. Local Boards have discretion to prioritise on local needs.
9281	Auckland Citizens Advice Bureaux Inc	Additional funding for CABx to: - add value to existing centres of population - extend the current network of Bureaux - continue to provide services through 32 sites	\$201,000 - \$280,000	Ongoing	ACABx was established in 2013 as a board made up of representatives from across Auckland bureaux. ACABx distributes the funds to local bureaux. Auckland Council funded Auckland Citizens Advice Bureaux Incorporated (ACABx) \$1.839 million in 2017/2018. In April 2018, the Environment and Community Committee (ENV/2018/48) approved the extension of the current \$1.8 million funding agreement with Auckland Citizens Advice Bureaux Incorporated for an additional one year (2018/2019). Auckland Council and ACABx have a Funding Agreement and a Strategic Relationship Agreement. Both the current agreements expire on 30 June 2018 and the outcome of the council's review will be reflected in any new agreements negotiated.	In April 2018, the Environment and Community Committee (ENV/2018/48) approved the extension of the current \$1.8 million funding agreement with Auckland Citizens Advice Bureaux Incorporated for an additional one year (2018/2019) conditional on a joint review of the population-based funding model. Changes to the funding model will be agreed by the committee before 1 April 2019. The joint review will focus on issues of funding equity and distribution across the region. Social deprivation and other factors (e.g. usage of bureaux) will also be considered.
	Auckland City Mission	Auckland City Mission are fundraising to deliver their Homeground facility by 2020. They currently have a \$30 funding gap.				Auckland City Mission is seeking Auckland Council's support in consenting cost and development contributions relating to its redevelopment to address homelessness issue. The cost is estimated to be \$475,000. This request was received before the LTP public consultation.
6313	Auckland Croquet Association Inc	Request for funding for lawn maintenance - Auckland Croquet Association would like Croquet Clubs to be considered when funding commitments to other sports are reviewed.	Approx. \$10,000 per annum per club (\$110,000 per annum)	Ongoing	There is no regional facilities plan for croquet, and it is not included in the Auckland Sports Facilities Priorities Plan. The croquet clubs on council land will be under a Community Occupancy Agreement (council lease) and will be responsible for the maintenance of their leased area. There are 11 croquet clubs in Auckland.	The sport and recreation investment plan (under development - programmed to be consulted on and then completed late 2018) will outline how Council invests in sport and recreation. Budget for investment in regional priorities is based on assessment of current and future need and seeks to address areas of most significant need first. Local Boards have discretion to prioritise on local needs. The clubs could seek funding from the Local Board funding programmes.
5766	Auckland Festival of Photography Trust	Funding to cover capacity building and to cover increasing costs due to the popularity and profile of the Festival. Propose:- \$35,000: Festival team capacity building and professional development. - \$30,000: public programme development. - \$25,000: support to generate long term income.	\$100,000minimum per annum	Ongoing	Currently funded \$72K per annum in the 2015-25 LTP. The festival also receives funding from various council grants and has applied for local board support (including accommodation support). The festival also benefits from a significant amount of indirect venue provision from council: a portion of festival events/exhibitions are held in council owned and partner facilities who are able to support the festival through the funding provided to them by council.	Prior to implementation of the Community Grants Policy (2015) the Festival was funded from the Auckland City Council and the Auckland Council Events funds on an unconfirmed annual basis. In preparation for the implementation of the Community Grants Policy all recurrent and adhoc funding lines were merged into a central fund to service requests through regional contestable grants programmes. There was a transition period for a number of organisations including but not limited to Black Grace, Pacific Living Arts Festival and Manukau Symphony Orchestra. In response to a public submission to the 2015 LTP the Governing Body approved funding of \$72k directly to the festival and outside of the contestable grants programme. Currently the Festival of Photography is the only regional arts and culture, non-asset based organisation that receives a grant outside of the policy. The festival receives the second highest Auckland Council regional arts and culture, non-asset based grant in the region. There is opportunity for the festival to leverage more funds for specific aspects of their operations through a willingness to engage with the contestable process and align their outcomes with those of the respective funding schemes.

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Attachment A

Submission #	Submitter Name	Description of Request	Value of Request	One off or ongoing	Current State (existing funding level; confirmed agreements/plans; relevant historic info)	Officer Comment
8126	Auckland Justices of the Peace Association's	Request for annual funding of \$100,000 per year to meet its annual operating expenses.	\$100,000 per annum	Ongoing	<p>The council does not currently fund any Justice of the Peace services.</p> <p>Half of the Auckland Justice of the Peace Association's service desks are located at the 31 Citizens Advice Bureaux sites throughout Auckland. Via council funding of Citizens Advice Bureaux services and accommodation, the Justices of the Peace have access to facilities and administration resources to support their service, providing a safe environment to see clients.</p>	Justices of the Peace are appointed by the Minister of Justice, on behalf of the Crown. Each Justice of the Peace operates as an individual appointee, serving the community on their own behalf. Alongside their independence is a support network of the national Federation of Justices, overarching a group of regional associations, such as the Auckland Justice of the Peace Association.
9552	Friends of the Auckland Botanic Gardens	Completion of the Pacific Pathway and funding for Sculpture in the Garden		One off	<p>There is \$1.2 million, current CAPEX funding confirmed for pathway construction.</p> <p>Currently no dedicated funding is provided by Council for this exhibition.</p>	<p>The Pacific Pathway has been designed to be delivered in stages. There is currently sufficient funding of \$1.4 million to complete stages 1 and 2 taking the path to the lake. The remaining two stages taking the path to the Rose Garden will require a further \$1.6 million funding. This required budget will be allocated through prioritisation of the regional parks improvement funding.</p> <p>Sculpture in the Gardens costs around \$420,000 per exhibition. The Friends will continue to raise most required funding but seek Council support.</p>
4119	Hibiscus Coast Cricket Club Inc.	The HCCC seeks the support and allocation of funding from the Auckland Council to enable the building of a "Pavilion" at Metro Park.	\$1.8 million capex + \$100,000 for detailed design QS and consent	One off	<p>Planning underway to hold workshop with the local board early Q3 to discuss: feasibility Report, pavilion, outdoor courts and indoor court. The board are considering the allocation of residual LDI in 17/18 FY.</p>	<p>The Local Board is considering investing \$100,000 into the pavilion. Investment would be through the trust, not the cricket club.</p> <p>The HCCC: This group does not have an active lease with council. It does hold landowner approval to have its portable office and storage container on the grassed area. In the landowner approval letter, it is mentioned that the site is part of the planned future site for the Metro Park East club facilities. The landowner approval was granted based, inter alia, on the local board's outcome to create easy access to recreation facilities.</p> <p>The group will likely seek a community lease once the floorplan is known through the design process. Additionally, the pavilion will be a shared solution for the Park which is important.</p>
4421	Hibiscus Coast Youth Council	Seeking a \$100,000 annual operating grant to meet one third of their costs and act to secure these services for our future.	\$100,000	Ongoing	<p>There is no current funding agreement however the centre have previously been funded by the local board (\$120,900 contestable over the past 5 years). A further \$135,000 operating funding was granted from Community Services between 2012 - 2016.</p>	<p>Further information provided back to F and P Workshop May 24th 2018 as requested. The current 10-year budget exercise assumes no change to the current level of service. However, the Governance Framework Review will look at minimum service levels and the expectation is that, subject to confirmed funding, staff will review the level of service in preparation for the FY20 annual plan and 10-year budget 2021 - 2031. The Local Board have confirmed funding of \$30k to support an independent review with the support of the HCYC Trust Board.</p>
16500	Howick Gymnastics Club, Pakuranga Bowling Club, Pakuranga Tennis Club and Mountain Riders BMX	Multipurpose facility on Lloyd Elsmore Park	\$2.25 million +	One off	<p>\$226k of LDI has been allocated and not yet spent by Howick Gymnastics Club by the Howick Local Board for the support of this development.</p>	<p>Multisport approach is encouraged by council. The combined codes could seek to build a case through the tools and approach identified in the Auckland Sport Sector Facility Priorities Plan and then seek to demonstrate to council and other funders the rationale for investment. The Sport Facility Investment Plan (under development - programmed to be consulted on and then completed late 2018) will provide more direction on investment into Sports Facilities.</p> <p>Budget for investment in regional priorities is based on assessment of current and future need and seeks to address areas of most significant need first. Local Boards have discretion to prioritise on local needs.</p>
13519	Howick Historical Village	<p>Given the estimated annual operational cost budget of \$1.7 million, if self-generated income could be increased to \$400,000, the Howick Local Board grant for services continued at \$320,000, additional grant/sponsorship income achieved of \$480,000 HHV would need additional funding from Regional Facilities of an estimated \$500,000.</p> <p>In addition to the annual Opex funding there would be an estimated one-off Capex costs for the Collections/Orientation/Exhibition Gallery of \$8 million.</p>	<p>\$500,000 opex</p> <p>\$8 million capex</p>		<p>The Howick Local Board currently provides a grant of approximately \$330,500 per annum to the Howick Historical Village.</p> <p>Howick Historical Village also leases land from Auckland Council.</p> <p>There are 4 significant properties owned by the Howick Historical Village; Howick Historical Village, Bell House, Hawthorn Dene and The Parsonage</p>	<p>Auckland Council is currently undertaking the Cultural Heritage review. This review is seeking to confirm what the strategic priorities for investment in the Auckland cultural heritage sector should be.</p> <p>Council has limited funds and it would need to balance the desire to preserve early European settler history (which is the focus of the Howick Historical Village) with other sector priorities, in line with the results of the Cultural Heritage Review.</p> <p>The Cultural Heritage Review may result in different sector arrangements, and Regional Facilities Auckland may not be the most appropriate location for Howick Historical Village.</p> <p>Staff are of the view that the Cultural Heritage Review should be completed before any long term decisions are made regarding the Howick Historical Village.</p> <p>Issues regarding the leasing of additional land could be progressed via discussions between the local board, and the Parks Sport & Recreation department.</p>

Submission #	Submitter Name	Description of Request	Value of Request	One off or ongoing	Current State (existing funding level; confirmed agreements/plans; relevant historic info)	Officer Comment
18536	Metropark Community Sports Trust	\$100,000 for design, costing and consent of the Pavilion building. Additional funding allocated from the Sports Infrastructure Development Programme for the outdoor courts development Provision of funding for a temporary building to support the netball and hockey facilities to include control rooms, storage and changing rooms. Provision of funding to establish carparking to support the new facilities.	\$100,000 +	One off	\$1 million in the Council's Sports Infrastructure Development Programme for development of netball courts at Metro Park East. Planning underway to hold workshop with the local board early Q3 to discuss: feasibility Report, pavilion, outdoor courts and indoor court. The board are considering the allocation of residual LDI in 17/18 FY.	<p>The Local Board is considering investing \$100,000 into the pavilion, design, costing and consent. Multisport approach is encouraged by council. The Trust (combined codes) could seek to build a case through the tools and approach identified in the Auckland Sport Sector Facility Priorities Plan and then seek to demonstrate to council and other funders the rationale for investment.</p> <p>The Sport Facility Investment Plan (under development - programmed to be consulted on and then completed late 2018) will provide more direction on investment into Sports Facilities.</p> <p>Budget for investment in regional priorities is based on assessment of current and future regional needs and seeks to address areas of most significant need first. Local Boards have discretion to prioritise on local needs.</p>
13568	Netball Northern Zone	Continued support to implement the Auckland Regional Netball Facilities Plan, specifically at Silverdale, Papakura, Scott's Point and North Harbour Netball Centre buildings	Minimum of \$6.1 million	One off	Recently completed renewal of netball courts at Windmill Rd (\$1 million) and \$1 million budgeted for Metro Park (Silverdale) Condition of courts in Papakura is still considered good and not a priority for renewal / rubberisation.	Netball's priorities for development are identified in the Auckland Sports Sector Priorities Plan and the Netball Facility Code Plan for the Auckland Region. Netball need to use the tools and approach identified in the Auckland Sport Sector Facility Priorities Plan to build the case and demonstrate to council and other funders the rationale for investment. The sport and recreation investment plan (under development - programmed to be consulted on and then completed late 2018) will provide direction on how Council invests in sport and recreation. Codes like netball on outdoor hard court surfaces need to be considered along with other sport and recreation facility provision. Netball should continue to advocate for netball facilities within park specific developments. Budget for future years is allocated within the available funding envelopes in accordance with regional and local board priorities. Local Boards have discretion to prioritise on local needs. The clubs and regions could seek funding from the Local Board funding programmes.
16062	Pulman Park	Inclusion of 4 items in the Council's 10 year long term plan & budget: 1. Infrastructure (ground) asset renewal Bulk funding 2. Increase to grounds maintenance budget 3. Lighting of the fields 4. Rubberising of the outdoor courts (netball)		Ongoing	\$375,000 pa is budgeted under the current Maintenance Agreement.	<p>1. The Bruce Pulman Park Trust has a historical lease for the Park. The Trust has made a number of ground asset improvements and Council is responsible for the ongoing renewals. These renewals are managed in accordance with Councils AMP and renewals schedule. Variations to Council's procurement and financial policies would be required to bulk fund a third party for renewals of Council's assets. A renewals programme has been developed to provide certainty to the Trust and inform the Local Board work programme.</p> <p>2. The allocation of funding for the maintenance of Bruce Pulman Park is subject to the lease agreement and the BPPT/Council maintenance agreement. The maintenance agreement allows for an annual review of specifications and for the Trust to make an application to Council to consider. Community Facilities are currently working to complete the annual review with the Trust.</p> <p>3. Auckland Council Sports Field Supply and Need Study 2017 takes a regional view to prioritise funding for the provision of sports. The region is split into 65 analysis blocks which can be amalgamated into Local Board areas. Papakura, in which Bruce Pulman Park is located, is one such analysis block. While Papakura has a small shortfall in lit capacity for Rugby, there is a surplus in lighting capacity in the other winter codes and could be made available to meet all community needs. The current development at Opaheke Park in Papakura will supply additional lit capacity. This will largely offset any current network shortfall and when surpluses are taken into account will more than provide for the community for the next 10 years to 2028. There is no support in the Sports Supply and Needs 2017 study for new growth funding to be used in Papakura at Bruce Pulman Park when compared to the need in other local board areas.</p> <p>4. Netball's priorities for development are identified in the Auckland Sports Sector Priorities Plan and the Netball Facility Code Plan for the Auckland Region. Rubberisation of the courts at Papakura is not identified as a priority in the plan. The condition of the courts in Papakura is still considered acceptable and not a priority for renewal / rubberisation. Budget for investment in regional priorities is based on assessment of current and future need and seeks to address areas of most significant need first. Local Boards have discretion to prioritise on local needs. The Trust could seek funding from the Local Board funding programmes to contribute to lighting for rugby at the park.</p> <p>Parks Sport and Recreation staff along with the Papakura Local Board are currently working through a process to assess and determine club utilisation of sites to optimise the use of sports parks in the area, including Bruce Pulman Park.</p>

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Attachment A

Submission #	Submitter Name	Description of Request	Value of Request	One off or ongoing	Current State (existing funding level; confirmed agreements/plans; relevant historic info)	Officer Comment
13947	Silverdale United Rugby and Sports Club Inc.	Funding to upgrade field lighting and provide additional sand based fields.		One-off	There is no budget allocated within the 2018/2019 Hibiscus and Bays Local Board work programme for the Silverdale United Rugby and Sports Club Inc. Budget for future years is allocated within the available funding envelopes in accordance with regional and local board priorities.	<p>The Supply and Needs Study 2017 considered the catchment of Silverdale/Red Beach and Dairy Flat North and found no shortfall of lit capacity to 2028 for Rugby. The Club Network Optimisation Plan 2017 assessed Silverdale United as being well catered for by way of both field and asset allocation. Upgrades and budget allocation within the regional sport field development programme, is allocated in accordance with regional priorities to increase field capacity.</p> <p>Local Boards have discretion to prioritise on local needs. The club could seek funding from the Local Board funding programmes.</p>
13967	Silverdale War Memorial Park ,Park Users Committee	1. Funding for the redevelopment of the old Silverdale Bowling Club and surrounds 2. Removal of the council storage depot 3. Funding for the construction of a noise deflection wall by the tennis club 4. Reinstatement of the Parks Committee with official recognition		One off	There is no funding allocation at the Silverdale War Memorial Park in the Hibiscus and Bays Local Board work programme for 2018/2019. Budget for future years is allocated within the available funding envelopes in accordance with regional and local board priorities.	A procurement plan is currently being developed to enable engagement of professional services and commence needs assessment.
13715	TAPAC	Seeks recognition as regional facility and ongoing operating funding		Ongoing	Auckland City Council invested in the initial capital build of this multi-use arts facility on Ministry of Education land. The facility is well used and provides a range of activities supporting the wider network of facilities across Auckland. Council has funded the facility through a variety of contestable funding schemes since opening but no annual funding for the facility is in place.	The facility is an important part of the regional network of community arts and culture facilities but does not reach the threshold of being considered "regional". Whilst the offering may attract users from across the region, making the facility a "destination" facility, the service offering is not unique and can be found in various forms elsewhere. The service is of greatest value to Waitamata and Albert-Eden residents. The services and outcomes provided are well aligned for council funding via Local Board ABS Opex funding programmes.
11690	Waitakere City Football Club	A new Fred Taylor Park Multisport Complex. With the huge growth in the area need more changing rooms, an astro turf and lighting on all of the pitches that we have at 184 Fred Taylor Drive.		One off	There is no work programme or funding currently associated with this proposal	<p>Multisport approach is encouraged by council. The combined codes could seek to build a case through the tools and approach identified in the Auckland Sport Sector Facility Priorities Plan and then seek to demonstrate to council and other funders the rationale for investment. Sport Facility Investment Plan (under development - programmed to be consulted on and then completed late 2018) will provide more direction on investment into Sports Facilities.</p> <p>Waitakere City United Club is allocated sufficient field hours to meet its needs. It is noted the available field lighting is insufficient to meet the clubs needs. The surplus supply of fields to this club would not support the addition of an artificial turf.</p> <p>Waitakere City United use a number of sites across the Henderson Massey and Upper Harbour Local Board areas, predominately in Henderson-Massey area.</p> <p>The Henderson Massey Local Board does overall have a shortfall in sports flood lighting, and a surplus of fields. Therefore funding is directed towards lighting and has been directed to the development of Moire Park.</p> <p>The Scott Point development, in Upper Harbour, will provide a large increase to the network in both field and lighting capacity in the future.</p>
13628	Whau Coastal Walkway Environmental Trust	Requests \$25 million council funding for Te Whau Pathway project to deliver 12 km of shared pathways	\$25.19 million	One off	<p>\$5.5 million has been spent on Te Whau Pathway to date and \$2.3 million is available in FY 18/19 to build the next stage of the project. However, Long -term Plan funding is required to complete the entire 12km pathway between the two harbours; between Te Atatu South on the Waitemata to Green Bay on the Manukau.</p> <p>Te Whau Pathway is a collaborative project between the independent Whau Coastal Walkway Environmental Trust, Ngati Whatua Ōrakei, Te Kawerau a Maki, the Whau and Henderson-Massey Local Boards, Auckland Council and Auckland Transport.</p> <p>An MOU between Council and the Trust is in place to manage the delivery of the project.</p>	\$25.19 million over six years is required from Auckland Council as a part contribution to the project. Equivalent funding from NZTA will be requested along with other fund raising by the Trust to complete the entire 12km pathway. The cost estimate for the entire route is estimated at \$65 million. Budget for future years is allocated within the available funding envelopes in accordance with regional and local board priorities.

Water Quality Targeted Rate

Proposal

As part of the consultation on the long-term plan, the council sought the community's views on a proposal for a targeted rate to accelerate the water quality improvement programme. The proposal would allow for total investment of \$856 million over ten years to deliver cleaner harbours, beaches and streams. The investment would be funded:

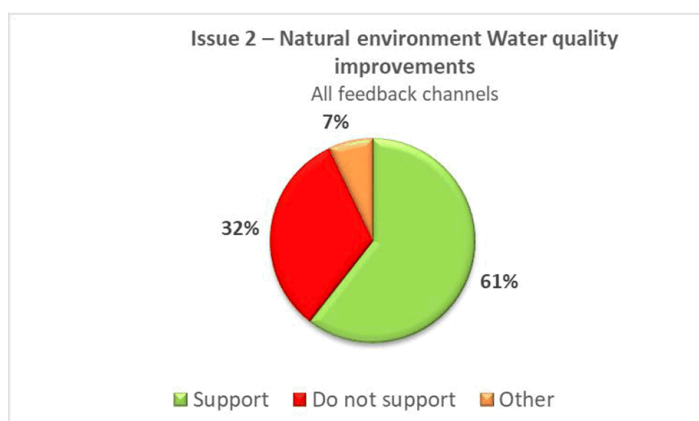
- \$404 million from Watercare's user charges (from within current projected price increases)
- \$452 million from Water Quality targeted rate.

The rate was proposed to be set on capital value, with 25.8 per cent of the revenue requirement being raised from business¹.

The proposed investment would fund:

- stormwater upgrades and waste water/stormwater separation in the Western Isthmus
- infrastructure for stormwater contaminant removal across the region - e.g. Kaipara
- rehabilitation of urban and rural streams – e.g. Oamaru creek in East Tamaki
- introduction of a proactive regional septic tank monitoring programme.

Feedback



61 per cent of submitters were in favour of the proposal while 32 per cent were opposed. 30 per cent of comments from those opposed to the proposal indicated support for the objectives, but disagreed with other aspects of the proposal, such as the funding mechanism or geographic focus.

Key themes from submitters who supported the proposal were:

- water quality improvements are urgently needed
- support for protection of environmental values of waterways and harbours
- value of recreational use of water, especially swimming at beaches

¹ This is the same percentage as target level for business rates under long-term differential strategy

Water Quality Targeted Rate

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Those opposed noted:

- concerns about affordability of additional rates
- proposed funding from government
- argued for funding from additional savings and reduction of waste.

The Colmar Brunton survey showed 60 per cent in support of the proposal and 35 per cent opposed.

Mana Whenua

10 iwi provided specific feedback on the targeted rate. Nine supported the proposal and one offered conditional support. See Report 1 Summary of feedback (Consultation Document issues) for further details.

Stakeholders

Submissions on the water quality targeted rate were received from 17 water and infrastructure sector stakeholders. All stakeholders commented in support of the water targeted rate proposal, noting that it is critical to clean up our waterways and harbours and to do it more quickly or within an agreed time period. A strong theme was the need to have a clear plan and targets for work delivered through this rate.

Local boards

The majority of local boards supported the proposed water quality targeted rate: Albert-Eden, Devonport-Takapuna, Great Barrier, Henderson-Massey, Hibiscus and Bays, Kaipātiki, Māngere-Ōtāhuhu, Manurewa, Ōtara-Papatoetoe, Puketāpapa, Rodney, Waiheke, Waitākere Ranges, Waitemātā, Whau (15 local boards).

While noting their support many local boards also made qualifications, key themes being:

- Projects need to be spread equitably around the region (Hibiscus and Bays, Manurewa, Waiheke, Waitākere Ranges and Whau)
- Some of the spending should be on local projects, managed by local boards (Franklin, Hibiscus and Bays, Kaipātiki, Manurewa and Māngere-Ōtāhuhu).

Other local boards supported the desired outcomes, just not the vehicle (targeted rates). For example, three local boards wanted a 'fixed levy' or 'flat rate' rather than a targeted rate (Ōrākei, Howick and Franklin). The Papakura Local Board would prefer that additional funding for water quality projects be generated by a rates increase and the Upper Harbour Local Board proposed that council should re-prioritise its budgets to avoid the need for a water quality targeted rate.

Consideration

Investment options

1. There are areas of Auckland's beaches, harbours, streams and aquifers that are significantly affected by poor water quality. Many waterways and beaches are unsafe for swimming after storm events, and some beaches are permanently closed to swimming. This is a result of pollution from a number of sources including:
 - wastewater overflows from the Western Isthmus combined sewer network when stormwater overwhelms the system capacity
 - pollution from road run-off
 - sedimentation from urban and rural land use
 - old or poorly maintained onsite wastewater systems (septic tanks etc).

Attachment B

Water Quality Targeted Rate

- impacts from farming such as livestock in streams and fertiliser runoff.

The Water Quality Improvements Programme of work has been developed to address these issues. There are two options:

- accelerate the water quality improvement plan through an additional investment of \$856 million across the LTP period. \$452 million of the investment would be funded from the proposed Water Quality Targeted Rate, while the remaining \$404 million would be funded by Watercare from water charges.
- continue to fund existing water quality improvement plans from within general rates: This is the status quo option, that will mean that expected improvements will not be achieved for thirty years or more.

Feedback showed strong support for improved water quality, and majority support for a targeted rate to support this outcome.

If council proceeds with the proposal then the Water Quality Programme will be accelerated so the expected outcomes will be achieved by the end of the LTP period. Wastewater overflows into the Waitematā Harbour will be reduced from hundreds of events to six or less per outflow each year. The average value residential property (\$1.08 million) will pay \$66 per year, or \$1.30 per week. The average value business property will pay \$308 per year (\$5.90 per week).

If the proposal does not proceed then there will be no additional costs to ratepayers. The intended water quality outcomes will take 30 years to be achieved under existing asset management plans. Water quality problems including beach closures will continue for many years to come. By the end of the LTP period, the Waitematā Harbour will still experience hundreds of wastewater overflows each year.

A more detailed analysis of the investment options is set out in Attachment A: Options table.

Funding options

A targeted rate is proposed because ratepayers can clearly identify the costs and benefits of the programme. The rate should be charged to all ratepayers as the benefits of the investment accrue to all Aucklanders.

The proposal is for a rate set differentially to raise 25.8 per cent of the revenue requirements under either option from businesses. This was set at the target for the proportion of general rates revenue the long-term differential strategy² (LTDS) seeks to raise from business.

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

A number of respondents also suggested that the rate be set as a fixed charge rather than on capital value. Officers note that the owners of higher value properties will in general be better able to afford an increase in rates than the owners of lower value properties. However, higher value properties already pay higher rates. The relation between property (capital) value and ability to pay is stronger for businesses than non-businesses. This is because a business's investment in property will reflect their potential to generate income.

Attachment B Funding options discussion considers in detail alternative funding choices.

Consideration of statutory criteria

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

² The LTDS progressively lowers the share of general rates revenue to be raised from businesses from 32.4 per cent in 2018/2019 to 25.8 per cent by 2037/2038.

Water Quality Targeted Rate

Attachment A: Options Table

Option	Rationale	Description	Outcomes	Costs and funding
Option One: Status Quo Continue to fund existing water quality improvement plans from within general rates	<i>Deliverable within current budgets</i>	<ul style="list-style-type: none"> Continue with existing works included in the Asset Management Plans of Watercare and Healthy Waters Includes Central Interceptor project and some stormwater upgrades 	<ul style="list-style-type: none"> Reduces the number of locations in the Western Isthmus that experience wastewater overflows every time it rains from 43 points to 31 points by 2028. The number of overflow points in the Western Isthmus that spill more than twice a year reduces from 218 to 214 by 2028. 	<ul style="list-style-type: none"> Costs in line with current budgets and deliverable with current funding sources
Option Two: Implement a water quality targeted rate to accelerate the water quality improvement programme	<i>Delivers best water quality outcomes</i>	<ul style="list-style-type: none"> Leverage the investment in Central Interceptor by bringing forward investment in the Western Isthmus from outer years of Asset Management Plans to achieve improved water quality outcomes within ten years Infrastructure for stormwater contaminant removal across the region Rehabilitation of urban and rural streams Introduction of regional septic tank monitoring 	<ul style="list-style-type: none"> By 2028 reduce overflow points on the Western Isthmus to ten locations that are anticipated to overflow 2-6 times per year on average. Reduced Faecal Contamination of waterways from onsite wastewater systems in high risk areas Reduced Sediment runoff in to the Kaipara Harbour 	<ul style="list-style-type: none"> Total additional cost across the LTP period of \$856 million Healthy Waters component, \$452 million, to be funded by a Water Quality Targeted Rate set on capital value (discussion in appendix B) Watercare component, \$404 million, to be funded from water charges.

Attachment B: Funding option discussion

Introduction

The council proposed an acceleration of the water quality improvement programme through an additional investment of \$856 million across the LTP period, funded as follows:

- Healthy Waters component, \$452 million, to be funded by a Water Quality Targeted Rate set on capital value with the business share set at 25.8 per cent
- Watercare component, \$404 million, to be funded from water charges.

Alternatively the council could continue to fund the existing water quality improvement plans from within general rates.

In considering options for funding the Water Quality Investment Programme, the key questions to be answered are:

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

General rates or Targeted rate

Upgrades to stormwater infrastructure are currently funded from the general rate. This reflects the shared public good of this activity. For 2018/2019 the \$41 million (including GST) required for the Water Quality Improvements Programme (WQIP) would represent a 2.25 per cent increase in general rates.

General rates are charged partly as a fixed uniform charge for all properties or separately used part of a property; and as differentiated rate set on each property's capital value. The council's capital value based general rate is differentiated in part to reflect the differences in costs for stormwater attributable to different sectors of ratepayers. Businesses pay more, as their larger areas of impermeable surface area require greater investment in stormwater infrastructure. Rural areas pay less as most rural properties are not served by the stormwater network.

The distribution of costs between the full stormwater activity and proposed activities for the WQIP differ. The majority of spending is to bring the stormwater network for the predominately residential areas of the Western Isthmus up to the standard of other areas. Six per cent of stormwater assets are located in rural areas, whereas just over ten per cent of the Water Quality Improvement programme will be spent in rural areas.

Compared to general rate funding, a targeted rate provides for more transparency in decision making and implementation. It can only be used to fund the projects it was raised for, enabling greater visibility of expenditure and accountability for outcomes. A targeted rate can also be set on a different basis from the general rate to reflect differences in the level of benefit received or cost imposed by different groups of ratepayers.

A WQIP targeted rate is proposed for funding so ratepayers can clearly identify the costs and benefits of the programme. Consulting on a separate targeted rate is likely to generate more feedback from the public that informs the question of whether ratepayers are willing to take on additional costs to improve water quality.

Ratepayer benefits of the Water Quality Improvements Programme

Water Quality Targeted Rate

All Aucklanders will benefit from improved water quality across the Auckland Region's harbours and streams. The direct benefits to individual ratepayers will vary depending on the use they make of Auckland's waterways.

The cost of activities undertaken by the WQIP varies across the region. Just over eighty per cent of the investment will be spent upgrading the stormwater network in the Western Isthmus. The majority of this spending will be on separating stormwater and waste water for those properties served by the combined network. This work will bring the stormwater infrastructure in the Western Isthmus up to the standard of the rest of the network.

Properties on the combined network will not receive any additional benefit from this activity compared to other properties however. Their stormwater will continue to be conveyed away as it had been before the work was undertaken. Property owners will usually be required to pay the costs of connecting to the new networks if they develop their properties however.

The primary benefit of the Western Isthmus upgrades is the reduction of waste water overflows into the Waitemata Harbours from hundreds of events per annum to two to six events, and a reduction in Stormwater volumes into the Manukau harbour. For ratepayers, the visible benefits of this programme are:

- significant reduction of offensive beach litter (such as prophylactics, toilet paper and feminine hygiene products) across the extents of the Waitemata harbour (The nature of litter produced from waste water tends to be more offensive than that from other sources. It is also persistent in the environment and able to travel long distances on currents and tides.)
- removal of permanent closure notice for Meola Reef and Coxes Beach
- reduction of intermittent beach closures.

It might be expected that properties adjacent to beaches currently closed to swimming will benefit from higher land values as a result of the beaches being reopened. However, establishing the extent to which particular properties will benefit is difficult, as improvements to water quality will be incremental and over a long time frame. Additionally, the beaches where a permanent swimming ban is to be lifted, Meola Reef (an estuary) and Coxes Bay (a muddy bay enclosed by a sea wall and road) have not been and are unlikely to become popular swimming spots. The effect of water quality improvements on property values at these locations will be difficult to establish. The effect on properties adjacent to swimming beaches currently subject to intermittent closures is likely to be negligible.

Just over ten per cent of the Water Quality Improvements investment will occur in rural areas, for activities including:

- rehabilitation of rural streams
- sediment containment for the Southern Kaipara Harbour
- development of fish passages
- development of a proactive compliance and monitoring programme for onsite wastewater systems.

Again, the benefits of these activities accrue to the wider users of waterways, rather than individual property owners.

The remainder of the rate will be spent on contaminant containment and rehabilitation of streams in urban areas outside of the Western Isthmus.

Analysis of benefits does not provide strong support for differentiating the rate between ratepayer groups.

Cost drivers for the Water Quality Improvements Programme

Water Quality Targeted Rate

The table below identifies the major causes of water pollution across the Auckland Region:

Source	Comments
Waste water overflows	Parts of the Western Isthmus are still served by a combined stormwater/waste water network that overflows during heavy rain events. Overflows occur in both the Waitemata and Manukau Harbours, and affect streams across the Western Isthmus.
Impermeable Surface Area (ISA)	Buildings and hard landscaping such as driveways and parking areas prevent the absorption of water into the ground. In urban areas and towns such water flows must be captured by the stormwater network to prevent flooding. Stormwater will contain contaminants washed off the hard surface areas including metals, paint, dust and oils. Business properties are permitted a higher amounts of ISA than residential – typically 90-100 per cent coverage compared to 60 per cent for suburban properties. Rural properties are permitted 10 per cent coverage but rarely utilise this limit, and run-off is able to be filtered by surrounding open land.
Roads	25 per cent of the region's Impermeable Surface Area is roading. Roads are significant source of pollutants such as oils and metals. Dust from unsealed rural roads is washed as sediment into waterways.
Septic Tanks	Onsite wastewater systems built under old standards (pre 2004) and those that are poorly maintained can pollute waterways. Beaches and streams close to areas where there are dense clusters of poor performing systems, hilly terrain and clay soils have the highest risk. Water quality monitoring confirms that settlements on West Coast and Waiheke are affecting water quality.
Sediments	Rural land uses that disturb soil and stock churning up rural streams leads to sediment flows into waterways. Urban land uses can also accelerate stream erosion, introducing large volumes of sediment into the estuaries and harbours. Sediment reduces water visibility and smothers aquatic habitats. (Earthworks for property development can also result in sediment run-off – the council requires sediment to be contained onsite as part of consent conditions.)
Livestock and fertiliser run-off	Livestock and fertiliser use can lead to run-off of excess nutrients into waterways.

The major investment in the WQIP is to address overflows of waste water from the combined stormwater/waste water network in the Western Isthmus. Water pollution in this case can be directly attributed to those properties and roads connected to the combined network. However, these properties do not differ from properties located in other urban stormwater catchments. Overflows are a result of historic design practices when untreated overflows diluted with Stormwater were once acceptable, rather than any particular activities or land uses occurring within the catchment.

Beyond the Western Isthmus network upgrades, it is possible to identify the following differences between ratepayer sectors and proposed investments:

Urban Stream rehabilitation and urban stormwater contaminant removal (4 per cent of investment)

While some land uses (e.g. heavy vehicle yards and petrol station forecourts), generate higher volumes of contaminants, such properties are normally required to install onsite treatment systems as a condition of consent. It is not possible to attribute a greater share of costs to specific business uses.

Urban properties with larger areas of impermeable surfaces will contribute a greater share of stormwater, and contaminants. It is not feasible to set a rate on actual impermeable surface area, as the council does not currently hold this information. The costs of obtaining and maintaining data on ISA would outweigh any benefit of setting a rate on this basis.

A larger proportion of costs can be attributed to urban businesses relative to urban residential properties as they are permitted larger amounts of ISA. Businesses are typically allowed 90-100 per cent land coverage compared to 60 per cent for suburban residential properties.

Sediment removal from Southern Kaipara, and rural stream rehabilitation (8 per cent of investment)

Costs are driven by rural land uses that expose soil in the catchments, stock intrusion into waterways and how erosive the underlying ground is. The Kaipara harbour is particularly sensitive to the effects of sedimentation as it is a nationally significant snapper spawning ground and the size and shape of the harbour promote the settlement of sediments in the harbour rather than washing them out to sea.

Compliance and monitoring programme for on-site waste water systems (2 per cent of investment)

This investment funds the establishment of a database of properties to be monitored. It is proposed that the on-going costs are funded through a fee charged to owners of monitored system.

An examination of the cost drivers suggests a small basis for charging business more than non-business properties.

Affordability and capital value or fixed charges

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

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

Targeted Rate Models

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

Currently the water quality improvement activities are funded from general rates. If the council does not proceed with the programme now, then upgrades to the Western Isthmus stormwater network are planned to be funded from general rates in the outer years of the Healthy Waters Departments 30 year Asset Management Plan. Setting the targeted rate on a similar basis to the general rates would maintain existing policy settings.

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

Proposed model: Model 1 -Capital value model:

The table below shows the rate in the dollar and how much business and non-business properties of different value would pay, for a capital value based rate. The business share of the rate is set at 25.8per cent. This equates to a differential of 1.74.

Prop erty Value		Non-business pays:	Business pays:
Rate (per \$ of CV):		\$0.00006145	\$0.00010690

Water Quality Targeted Rate

		Non-business pays:	Business pays:
	\$300,000	\$18.43	\$32.07
	\$500,000	\$30.72	\$53.45
	\$890,000	\$54.69	\$95.14
	\$1,080,000	\$66.36	\$115.46
	\$1,500,000	\$92.17	\$160.36
	\$2,000,000	\$122.89	\$213.81
	\$2,882,000	\$177.09	\$308.10
	\$3,000,000	\$184.34	\$320.71
	\$5,000,000	\$307.23	\$534.52
	\$10,000,000	\$614.46	\$1,069.04

Alternative rating models considered prior to consultation

Fixed rate models: Model 2 and Model 3

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

Business Share:	Business Differential	Non-Business pay: (per SUIP)	Business pay: (per SUIP)
Model 2: 14.6%	1.6	\$73.95	\$119.20
Model 3: 25.8%	3.3	\$64.25	\$210.43

Model 3: Fixed and Capital value model

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

		Non-business pays:	Business pays:
	Rate (per SUIP)	\$10.49	\$10.49
	Rate (per \$ of CV):	\$0.00005141	\$0.00010157
Property Value:	\$300,000	\$25.91	\$40.96
	\$500,000	\$36.20	\$61.28
	\$890,000	\$56.25	\$100.89
	\$1,080,000	\$66.02	\$120.19
	\$1,500,000	\$87.61	\$162.85
	\$2,000,000	\$113.32	\$213.64
	\$2,882,000	\$158.67	\$303.23

Water Quality Targeted Rate

\$3,000,000	\$164.73	\$315.21
\$5,000,000	\$267.56	\$518.36
\$10,000,000	\$524.63	\$1,026.24

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

The table below shows the impact of each of the models on the urban and rural business, urban and rural residential, and farm/lifestyle properties.

General rates category:	Model:			
	Fixed (Business share 14.6%)	Fixed (Business share 25.8%)	Capital Value	Fixed and Capital Value
Urban Business	1.2%	2.2%	2.1%	2.1%
Urban Residential	3.4%	2.9%	2.8%	2.8%
Rural Business	0.6%	1.0%	2.0%	2.0%
Rural Residential	4.1%	3.5%	3.0%	3.1%
Farm and Lifestyle	2.7%	2.4%	4.0%	3.8%

Attachment C: Statutory decision making criteria

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

1. When deciding from what sources to meet its funding needs, council must consider the matters set out in section 101(3) of the Local Government Act 2002.
2. For the proposed targeted rate to fund expenditure on WQIP, council must consider, in relation to this activity:
 - the community outcomes to which the activity primarily contributes
 - the distribution of benefits between the community as a whole; any identifiable part of the community; and individuals
 - the period over which the benefits are expected to occur
 - the extent to which individuals or a group contribute to the need to undertake the activity
 - the costs and benefits (including consequences for transparency and accountability) of funding the activity distinctly from other activities.
3. Having considered these matters, the council must stand back and consider the overall impact of any allocation of liability for revenue needs on the community. This involves elected members exercising their political judgement and considering the proposal in the context of council's funding decisions as a whole.

Assessment of options

The following section considers the proposed funding options against the statutory criteria.

The community outcomes to which the activity primarily contributes

Services provided by the WQIP include upgrades of the stormwater network, rehabilitation of urban and rural streams, and the introduction of monitoring of onsite waste management systems. These services will improve Auckland's water quality, which contribute to the following community outcomes as set out in the LTP 2015-2025:

1. A green Auckland:
 - through working with local boards and communities on a range of initiatives that protect and restore important environments and waterways through participating in environmental programmes and partnering with trusts and volunteers to deliver these programmes
 - by ensuring the effects of runoff to the environment are managed and our stormwater network is robust to cater for urban growth and changing environmental conditions
2. A beautiful Auckland loved by its people:
 - through ensuring that our natural environment and heritage is valued, understood and celebrated
3. Maori identity:
 - by empowering mana whenua and mataawaka to participate in natural resource management decision-making processes to realise shared aspirations and mutual outcomes and protect our Māori cultural heritage

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

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

Water Quality Targeted Rate

See "Ratepayer benefits of the Water Quality Improvements Programme" in Attachment B to this report.

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

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

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

See "Cost drivers for the Water Quality Improvements Programme" in Attachment B.

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

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

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

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

Consideration of overall impact

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

The overall affordability of any increase in funding demands on the community needs to be assessed against the pressing need for more investment to improve the health and safety of Auckland's waterways. Investment in improved water quality:

- provides benefits to the environment
- improves the everyday lives of residents
- facilitates the intensification of development in the Western Isthmus and enables urban development in East Tamaki thus easing the pressure on housing.

The total cost of a targeted rate applied over the region on a per SUIP basis is around \$78 (GST inc) per property per annum or less than a \$1.50 per week. Higher capital value properties and business properties will in general be better able to manage increases in rates and accordingly consideration may be given to applying the rate on capital value or differentiating the rate between business and non-business properties. There is a correlation between capital value and income for residential properties with the average household income being higher in areas with higher capital value. Business properties can expense rates and claim back GST.

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

Natural Environment Targeted Rate

Proposal

As part of consultation on the long-term plan, the council sought the community's views on two options for increased investment in the natural environment funded by a targeted rate. The targeted rate was proposed to be set on capital value and applied differentially so businesses funded 25.8 per cent¹ of the revenue requirement. The proposed options were:

- **Option A:** Additional investment over 10 years of \$136 million (total of \$245 million)
\$21 per year for the average value residential property².
- **Option B:** Additional investment over 10 years of \$311 million (total of \$420 million)
\$47 per year for the average value residential property.

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

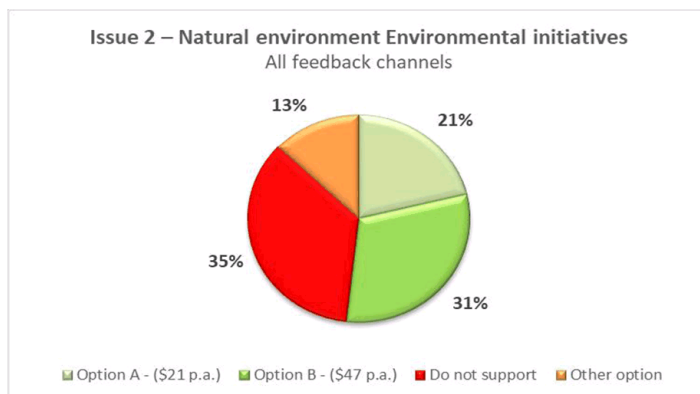
Status Quo	Option A:	Option B
No targeted rate for natural environment	Targeted rate will raise \$13 million in 2018/19	Targeted rate will raise \$29 million in 2018/19
<p>Risk of kauri dieback spreading is over 80 per cent</p> <ul style="list-style-type: none"> • 30 per cent of significant ecological sites within council parks have adequate control of pest plants and animals • 28 per cent of rural Auckland has adequate possum control • High risk of marine pests establishing with risk to ecosystems and cost to aquatic industries 	<p>Risk of kauri dieback spreading is 30-50 per cent</p> <ul style="list-style-type: none"> • 35 per cent of significant ecological sites within council parks have adequate control of pest plants and animals • 28 per cent of rural Auckland has adequate possum control • High risk of marine pests establishing with risk to ecosystems and cost to aquatic industries. 	<p>Risk of kauri dieback spreading is 15-25 per cent</p> <ul style="list-style-type: none"> • 65 per cent of significant ecological sites within council parks have adequate control of pest plants and animals • 50 per cent of rural Auckland has adequate possum control • Lower risk of marine pests establishing with risk to ecosystems and cost to aquatic industries.

Feedback

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

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

Natural Environment Targeted Rate



Key themes from submitters who supported Option B or higher investment

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

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

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

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

Mana Whenua

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

Stakeholders

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

Local boards

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

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

Natural Environment Targeted Rate

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

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

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

Consideration

Current state

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

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

Investment Options

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

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

If Option A is adopted:

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

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

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

Natural Environment Targeted Rate

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

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

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

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

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

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

A more detailed analysis of the investment options is set out in Attachment A: Options table.

Attachment B: Programmes funded by the Natural Environment Targeted Rate sets out the specific projects to be funded under each option.

Funding options

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

The proposal is for a rate set differentially to raise 25.8 per cent of the revenue requirements under either option from businesses. This was set at target proportion of general rates revenue the long-term differential strategy³ (LTDS) seeks to raise from business.

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

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

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

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




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

Consideration of statutory criteria





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

Natural Environment Targeted Rate

Attachment A: Options Table

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

Natural Environment Targeted Rate

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

Natural Environment Targeted Rate

Attachment B: Programmes funded by Natural Environment Targeted Rate

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

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

Option B – Targeted ecosystem and species protection including kauri dieback

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

Attachment C: Funding options discussion

Funding

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

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

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

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

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

General rates or targeted rate

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

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

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

Ratepayer benefits of increased investment in the natural environment.

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

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

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

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

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

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

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

Cost drivers for Natural Environment investment

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

Affordability and capital value or fixed charges

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

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

Targeted Rate Models

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

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

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

Proposed model: Model 1 -Capital value model:

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

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

Natural Environment Targeted Rate

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

Alternative rating models considered prior to consultation

Fixed rate models: Model 2 and Model 3

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

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

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Model 3: Capital value model:

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

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

Model 4: Fixed and Capital value model

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

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

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

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properties are charged a lower rates differential to reflect the lower investment in stormwater and transport services in rural areas compared to urban areas.

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

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

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

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

Attachment D: Statutory decision-making criteria

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

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

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

Assessment of options

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consideration of overall impact

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

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

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

Higher capital value properties and business properties will in general be better able to manage increases in rates and accordingly consideration may be given to applying the rate on capital value or differentiating the rate between business and non-business properties. There is a correlation

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between capital value and income for residential properties with the average household income being higher in areas with higher capital value. Business properties can expense rates and claim back GST.

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

Rating of the online accommodation sector

Proposal

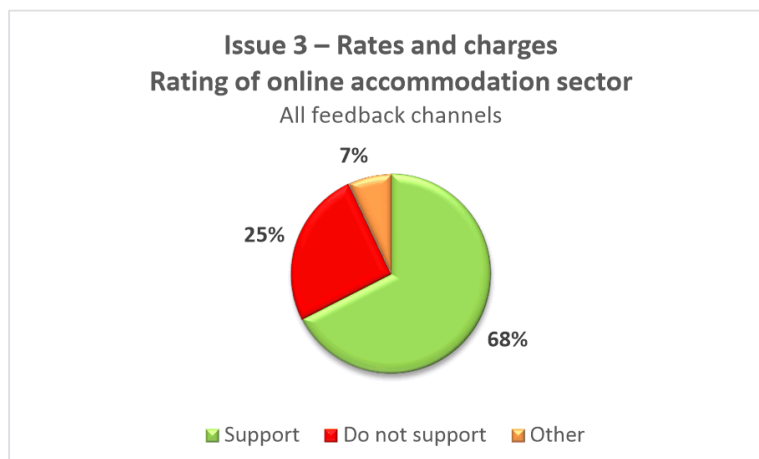
As part of the consultation on the long-term plan, the council sought the community's views on a proposal to change the amount of rates charged for properties let via web-based accommodation services, such as Airbnb and Bookabach. Under the proposal online accommodation providers across the region would be charged business rates (rather than residential rates) where they let their property for more than 28 nights. If the property was located in the APTR area then the APTR would also apply. The level of the rates will depend on the number of nights booked and location of the property as set out in the table below:

Number of nights booked	Rating treatment
Up to 28 nights	<ul style="list-style-type: none"> continue to be rated as residential APTR does not apply
Between 29 and 135 nights	<ul style="list-style-type: none"> rated as 75% residential and 25% business 25% of the APTR will apply if the property is located within the APTR zone
More than 135 nights	<ul style="list-style-type: none"> rated as business the full APTR will apply if the property is located within the APTR zone

The proposal only applies where an entire dwelling is let. It does not apply where only part of the dwelling is let, such as a bedroom or sleep-out.

Feedback

The council received 16,535 responses to this question. From these responses, 16,042 written feedback points were provided.



Key finding across all feedback received are:

- online providers are businesses and should pay business rates
- the proposed approach to online providers would make it fairer to hotels and motels
- the changes would be difficult to implement.

Mana whenua

Of the eight Iwi Authorities that provided feedback:

- five iwi supported the proposal

- two did not support the proposal
- one said the proposal was not applicable to them.

Stakeholders

Among accommodation sector stakeholders including Airbnb, Bachcare, Bookabach, Hospitality New Zealand, Property Council New Zealand, Tourism Industry Association, and Trademe (Holiday Homes) there was mixed support for the proposal. The majority did not support the application of the APTR citing the inequity of applying the rate to accommodation providers while not applying it to other tourism operators.

However, there was acknowledgment by the majority of stakeholders that in the event that the APTR continue to be charged then online accommodation sector should be treated equitably with other commercial accommodation providers. There was a variety of suggested amendments to the proposal including:

- adjustment to the tier structure and the proportion of rate that applies at each tier.
- to ensure equity between all providers the proposed changes should apply to parts of a property made available for short term rental, such as where a room or sleep-out is let

Some of the stakeholders also expressed concern about the problems in administering the rate including in particular identifying these properties. The same messages were mirrored by other business groups that were not accommodation providers, or their representatives, but had accommodation providers as part of their membership.

Local Boards

12 local boards supported the proposal for rating of the online accommodation sector and one did not. Specifically:

- The following local boards supported online accommodation providers that meet particular thresholds paying business rates and the accommodation provider targeted rate: Albert-Eden, Devonport-Takapuna, Henderson-Massey, Māngere-Ōtāhuhu, Orākei, Waitemātā and Whau local boards (7 local boards).
- Five local boards supported the proposal in relation to the accommodation provider targeted rate (but did not mention business rates): Great Barrier, Hibiscus and Bays, Kaipātiki, Puketāpapa and Waiheke.

Consideration

When the APTR was consulted on as part of the Annual Budget 2017/2018 feedback from traditional accommodation providers included that it was unfair that online accommodation providers were not subject to the same rates charges as traditional providers. When the council adopted the APTR staff were directed to report back on a proposal for 2018/2019 to include online accommodation providers.

The purpose of this proposal is to make rates charges fairer between traditional accommodation providers, such as hotels and motels, and properties let via web-based accommodation services. Traditional providers pay higher business rates and also the APTR where applicable. However, owners of residential properties who let them out via web-based accommodation services pay lower residential rates and do not pay the APTR.

Changing the way the online sector is rated will ensure those providers are treated equitably with other commercial accommodation providers such as hotels and motels.

The key issues involved when considering the proposal are:

- Where the differential boundaries should be set?
- What level of rates to charge within each differential group?

Differential boundaries

The lower differential boundary of 28 booked nights allows property owners to let the property up to 4 weeks, for example while on holiday, while recognising the limited revenue generated. This is

consistent with the approach taken by Queenstown Lakes District Council (QLDC). Properties let for less than 28 nights will generate up to \$5,964 per annum using an average daily rate for the online sector of \$213.

The upper differential boundary was set at 135 booked nights which was the average point where the revenue gained from using a property for short term rental exceeds the potential from the annual revenue from using the property as a long term rental. This is a similar approach used by Rotorua Lakes Council to determine the commercial intention of the property owner but is lower than 179 booked nights used by QLDC.

Differential levels

Determination of the rates charges for the three categories of properties in the online sector is based on the scale of commercial offering and whether the property is located in an area currently liable for the APTR.

Consideration of the appropriate differential level for medium occupancy properties let between 28 and 135 nights requires an exercise of political judgement. A mix of 25 per cent business and 75 per cent residential rates acknowledges that owners of these properties are operating on a semi-commercial basis. Similarly applying 25 per cent of the APTR acknowledges that they are benefiting from the work that ATEED undertake.

Properties booked more than 135 nights should be considered business as they are producing annual revenue in excess of using the property for long-term residential use and are commercially viable as a business. It is proposed that they should therefore pay business rates and the full APTR.

Rates impact

Under the proposal, applicable rates will depend on:

- how many nights the property is let for each year
- which local board area the property is located within
- the capital value of the property.

If the property is let for 28 nights or less then there will be no change in rates as a result of this proposal. If the property is let between 29 and 135 nights then rates increases will be between 30 to 80 per cent depending on the APTR zone in which the property is located. If the property is let for more than 135 nights then rates will increase to levels paid by commercial accommodation providers (around 140 to 300 per cent depending on the APTR zone in which the property is located).

Impact on revenue

Proceeding with the proposal will not result in increased rates revenue. The total amount of rates collected from the APTR will remain the same but it will be spread differently over a broader ratepayer base. In particular traditional accommodation providers who are already paying the APTR will see a reduction in the level of the APTR charged of up to 27 per cent. The proposal will also reduce general rates for business ratepayers by up to 1.8 per cent but will not have a material impact on the level of general rates paid by other ratepayers.

Collection of rating information

Officers have put in place a process to identify online accommodation providers and collect the necessary information to rate them correctly. This process involves searching websites, working with other interested parties, such as hotel operators and body-corporates, and targeted communications with ratepayers. At the time this report was prepared officers have identified around 1,250 properties (approximately 15%). Information collection processes are continuing and officers expect this number to be higher by the time rates are assessed for 2018/2019. It will not be possible to identify all online accommodation providers without co-operation of the website operators involved. The website operators are constrained in how much they can assist by their terms of service and privacy settings.

Modification of proposed option based on feedback

Some sector operators suggested shifting the differential boundaries higher to allow increased revenue before increased rates started to apply. The rationale is to make rates less burdensome for

operators with relatively lower bookings or lower than average room rates. The suggestion was that to be classified as medium-occupancy the operator should have at least 55 to 60 booked nights per annum. It was also suggested that the boundary before full business rates and APTR applied be raised to 180 nights. The rationale being that occupancy rates at this level are more in line with motels.

There are two ways in which the proposal could be modified in response to this feedback. These are:

a) Shifting the differential boundaries higher

Under this approach the threshold for the number of nights booked is raised for medium-occupancy and high-occupancy categories before increased rates apply. The level of rates charged for each category remains the same. This is set out in the table below:

Number of nights booked	Rating treatment
Up to 60 nights	<ul style="list-style-type: none"> continue to be rated as residential APTR does not apply
Between 61 and 180 nights	<ul style="list-style-type: none"> rated as 75% residential and 25% business 25% of the APTR will apply if the property is located within the APTR zone
More than 180 nights	<ul style="list-style-type: none"> rated as business the full APTR will apply if the property is located within the APTR zone

This approach would allow ratepayers to earn additional revenue before higher rates applied. Medium-occupancy operators would generate around \$12,800 per annum before rates would increase between 30 and 80 per cent (\$700 to \$1,900 per annum). While high-occupancy operators would generate around \$38,000 per annum before full business rates applied. At this point rates would increase between 140 and 300 per cent (\$3,400 to \$7,200 per annum).

It would also result in a ratepayer base that is smaller than proposed. The APTR for traditional providers would reduce by up to 19 per cent rather than 27 per cent under the proposal.

b) Introducing an additional differential category

Under this approach an additional differential category is added between medium-occupancy and high-occupancy operators. This new differential category would be charged 50 per cent business rates and 50 per cent of the APTR as laid out in the table below.

Number of nights booked	Rating treatment
Up to 28 nights	<ul style="list-style-type: none"> continue to be rated as residential APTR does not apply
Between 29 and 135 nights	<ul style="list-style-type: none"> rated as 75% residential and 25% business 25% of the APTR will apply if the property is located within the APTR zone
Between 136 and 180 nights	<ul style="list-style-type: none"> rated as 50% residential and 50% business 50% of the APTR will apply if the property is located within the APTR zone
More than 180 nights	<ul style="list-style-type: none"> rated as business the full APTR will also apply if the property is located within the APTR zone

This approach would not impact the thresholds for low-occupancy or medium-occupancy providers. However this approach would allow ratepayers to earn the additional revenue before full business rates and the APTR applied. Owners of properties let for up to 135 nights will generate around \$29,000 per annum before they would be classified as moderate-occupancy and rates would increase between 70 and 170 per cent (\$1,700 to \$4,100 per annum).

It would also mean that to be classified as high-occupancy a property would need to be let for more than 180 nights. As a result they would generate around \$38,000 per annum before full

business rates and the full APTR applied. At this point rates would increase between 140 and 300 per cent (\$3,400 to \$7,200 per annum).

It would also result in a ratepayer base that is smaller than proposed. The APTR for traditional providers would reduce by up to 23 per cent rather than 27 per cent under the proposal.

Consideration of statutory criteria

Council has consulted on this proposal in accordance with its obligation to consult on any changes to its rating system. In determining the appropriate sources of funding to meet its funding needs the statutory criteria in section 101(3) of the Local Government Act 2002 must be considered. A full analysis against the statutory criteria is set out in Attachment B Assessment against statutory criteria – General Rate and Attachment C Assessment against statutory criteria – APTR.

Attachment A: Options Table

Rationale		Benefits	Risks/Issues	Impacts
General Rates				
Option One: Treat all online providers as business for general rates	Online accommodation providers operate in much the same way and receive similar levels of benefit as traditional accommodation providers who pay business rates	<ul style="list-style-type: none"> Encourages those who intend to operate their property in a commercial capacity while dissuading those who do not Treats online accommodation providers in a similar way to traditional providers by making them liable to fund councils general expenditure to similar levels 	<ul style="list-style-type: none"> Does not allow for differences in affordability for individual online accommodation providers and may cause affordability issues for some May drive avoidance behaviours particularly for those who do not intend to operate in a fully commercial capacity It is difficult to identify individual providers based on the information publicly available 	<ul style="list-style-type: none"> Around 130% increase in general rates for all online providers Increased cost can be passed to customers as online providers have direct control over the prices set Up to 6% decrease in general rates for other businesses
	Option Two: Continue to treat online providers as residential for general rates	<ul style="list-style-type: none"> Avoids issues associated with trying to identify online accommodation providers Does not cause affordability issues for any online providers 	<ul style="list-style-type: none"> Online providers avoid additional general rates costs which traditional providers are currently required to pay May contribute to owners of units currently being used as part of traditional serviced apartment accommodation switching to become an online provider 	<ul style="list-style-type: none"> No immediate change to general rates There will be no material impact on business rates if owners of existing serviced apartment used for traditional accommodation switched to become an online provider
Option Three: Introduce a graduated differential as proposed	Some online accommodation providers operate in similar ways and receive similar levels of benefit as traditional accommodation providers who pay business rates	<ul style="list-style-type: none"> Treats online accommodation providers in a similar way to traditional providers by making them liable to fund councils general expenditure to similar levels Encourages those who intend to operate their property in a commercial capacity Allows for differences in affordability for individual online providers 	<ul style="list-style-type: none"> It is difficult to identify individual providers based on the information publicly available May drive avoidance behaviours 	<ul style="list-style-type: none"> Around 35% increase in general rates for medium-occupancy providers and around 140 % increase in general rates for high-occupancy providers. Increased cost can be passed to customers as online providers have direct control over the prices set Around 1.8% decrease in general rates for other businesses

Rationale	Benefits	Risks/Issues	Impacts
Option Four: Introduce a graduated differential as proposed : shifted boundaries to 60 nights and 180 nights	<ul style="list-style-type: none"> Some online accommodation providers operate in similar ways and receive similar levels of benefit as traditional accommodation providers who pay business rates Treats online accommodation providers in a similar way to traditional providers by making them liable to fund councils general expenditure to similar levels Encourages those who intend to operate their property in a commercial capacity Allows for differences in affordability for individual online providers allows for additional revenue before higher rates apply 	<ul style="list-style-type: none"> It is difficult to identify individual providers based on the information publicly available May drive avoidance behaviours 	<ul style="list-style-type: none"> Around 35% increase in general rates for medium-occupancy providers and around 140% increase general rates for high-occupancy providers. Increased cost can be passed to customers as online providers have direct control over the prices set Around 1% decrease in general rates for other businesses
Option Five: Introduce a graduated differential as proposed: additional category for properties between 136 and 180 nights - 50% business	<ul style="list-style-type: none"> Some online accommodation providers operate in similar ways and receive similar levels of benefit as traditional accommodation providers who pay business rates Treats online accommodation providers in a similar way to traditional providers by making them liable to fund councils general expenditure to similar levels Encourages those who intend to operate their property in a commercial capacity Allows for differences in affordability for individual online providers provides additional relief for properties let between 135 and 180 nights 	<ul style="list-style-type: none"> It is difficult to identify individual providers based on the information publicly available May drive avoidance behaviours 	<ul style="list-style-type: none"> Around 35% increase in general rates for medium-occupancy providers, around 70% increase for moderate-occupancy providers, and around 140% increase general rates for high-occupancy providers. Increased cost can be passed to customers as online providers have direct control over the prices set Up to 1.5% decrease in general rates for other businesses
Accommodation Provider Targeted Rate			
Option One: Apply the full APTR to all online providers where applicable (Zones A and B)	<ul style="list-style-type: none"> All online accommodation providers receive the same direct benefit from ATEED's spend on visitor attraction and major events. Encourages those who intend to operate their property in a commercial capacity while dissuading those who do not Treats online accommodation providers in a similar way to traditional providers by making 	<ul style="list-style-type: none"> Does not allow for differences in affordability for individual online accommodation providers and could cause affordability issues for some May drive avoidance behaviours particularly for those who do not intend to operate in a fully 	<ul style="list-style-type: none"> Significant increases in rates (70% to 120% - Zone A, 35% to 60% - Zone B) for all online accommodation providers Increased cost can be passed to customers as online providers have direct control over the prices set Up to 55% decrease in APTR for

Rationale	Benefits	Risks/Issues	Impacts
	<p>them liable to fund councils general expenditure to similar levels</p>	<p>commercial capacity</p> <p>It is difficult to identify individual providers based on the information publicly available</p>	<p>traditional accommodation providers</p>
<p>Option Two: Continue to not apply the APTR to any online providers where applicable (Zones A and B)</p>	<ul style="list-style-type: none"> • Avoids issues associated with trying to identify online accommodation providers • Does not cause affordability issues for any online accommodation providers 	<ul style="list-style-type: none"> • Online accommodation providers avoid additional general rates costs which traditional providers are currently required to pay • May contribute to owners of units currently being used as part of traditional serviced apartment accommodation switching to become an online provider. 	<ul style="list-style-type: none"> • No immediate change to rates • Over time there may be a slight increase in the APTR as owners of existing serviced apartment used for traditional accommodation switch to become an online accommodation provider
<p>Option Three: Introduce a graduated differential for online providers for the APTR as proposed</p>	<ul style="list-style-type: none"> • Some online accommodation providers operate in similar ways and receive similar levels of benefit from ATEED's spend on visitor attraction and major events as traditional accommodation providers • Treats online accommodation providers in a similar way to traditional providers by making them liable to fund councils general expenditure to similar levels • Encourages those who intend to operate their property in a commercial capacity • Allows for differences in affordability between online providers 	<ul style="list-style-type: none"> • It is difficult to identify individual providers based on the information publicly available • May drive avoidance behaviours 	<ul style="list-style-type: none"> • Significant increases in rates (60% to 200%) for online accommodation providers who let their residence for more than 135 nights. • Material increases in rates (15% to 50%) for online accommodation providers who let their residence between 28 and 135 nights. • Increased cost can be passed to customers as online providers have direct control over the prices set • Up to 27% decrease in APTR for traditional accommodation providers
<p>Option Four: Introduce a graduated differential as proposed : shifted boundaries to 60 nights and 180 nights</p>	<ul style="list-style-type: none"> • Some online accommodation providers operate in similar ways and receive similar levels of benefit from ATEED's spend on visitor attraction and major events as traditional accommodation providers • Treats online accommodation providers in a similar way to traditional providers by making them liable to fund councils general expenditure to similar levels • Encourages those who intend to operate their property in a commercial capacity • Allows for differences in 	<ul style="list-style-type: none"> • It is difficult to identify individual providers based on the information publicly available • May drive avoidance behaviours 	<ul style="list-style-type: none"> • Significant increases in rates (60% to 200%) for online accommodation providers who let their residence for more than 180 nights. • Material increases in rates (15% to 50%) for online accommodation providers who let their residence between 60 and 180 nights. • Increased cost can be passed to customers as online providers have

Rationale	Benefits	Risks/Issues	Impacts
Option Five: Introduce a differentiated category for properties between 135 and 180 nights rated as 50% APTR	<ul style="list-style-type: none"> affordability between online providers Allows for additional revenue before higher rates apply 	<ul style="list-style-type: none"> direct control over the prices set Up to 19% decrease in APTR for traditional accommodation providers 	<ul style="list-style-type: none"> direct control over the prices set Up to 19% decrease in APTR for traditional accommodation providers
	<ul style="list-style-type: none"> Some online accommodation providers operate in similar ways and receive similar levels of benefit from ATEED's spend on visitor attraction and major events as traditional accommodation providers Treats online accommodation providers in a similar way to traditional providers by making them liable to fund councils general expenditure to similar levels Encourages those who intend to operate their property in a commercial capacity Allows for differences in affordability between online providers Provides additional relief for properties let between 135 and 180 nights 	<ul style="list-style-type: none"> It is difficult to identify individual providers based on the information publicly available May drive avoidance behaviours Significant increases in rates (60% to 200%) for online accommodation providers who let their residence for more than 180 nights. Large increases in rates (30% to 100%) for online accommodation providers who let their residence between 135 and 180 nights Material increases in rates (15% to 50%) for online accommodation providers who let their residence between 28 and 135 nights. Increased cost can be passed to customers as online providers have direct control over the prices set Up to 23% decrease in APTR for traditional accommodation providers 	<ul style="list-style-type: none"> Significant increases in rates (60% to 200%) for online accommodation providers who let their residence for more than 180 nights. Large increases in rates (30% to 100%) for online accommodation providers who let their residence between 135 and 180 nights Material increases in rates (15% to 50%) for online accommodation providers who let their residence between 28 and 135 nights. Increased cost can be passed to customers as online providers have direct control over the prices set Up to 23% decrease in APTR for traditional accommodation providers

Attachment B: Assessment against statutory criteria – general rates

When deciding from what sources to meet its funding needs, council must consider the matters set out in section 101(3) of the Local Government Act 2002, see below. This involves elected members exercising their political judgement and considering the proposal in the context of council's funding decisions as a whole.

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

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

The following section considers the proposal to charge online providers business rates against the criteria in section 101(3) of the Local Government Act 2002.

The community outcomes to which the activity primarily contributes

General rates fund a broad range of council activities that contribute towards the outcomes set out in the Auckland Plan. These are:

- A fair, safe and healthy Auckland
- A green Auckland
- An Auckland of prosperity and opportunity
- A well connected and accessible Auckland
- A beautiful Auckland that is loved by its people
- A culturally rich and creative Auckland
- A Maori identity that is Auckland's point of difference in the world.

General rates are used as general revenue and can be used to fund the operating and capital costs of any activity that council undertakes. Where practicable and cost-effective the council will seek to recover the cost to providing its services from individuals or group of beneficiaries (or causers of costs) where they directly benefit from, or impose costs on, council undertaking an activity. The council uses general rates to fund activities:

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

The outcomes of councils general activities affect online providers in similar ways to both residential and business properties. The nature of activities therefore does not provide rationale for distinguishing between the two.

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

The assessment of benefits received from activities which provide general public services are subjective in nature as it relies on the application of individual judgement to determine how benefits lie across individuals and groups. For example, the assessment of benefits from transport activities will vary depending on how much weighting is given to businesses providing them access to customers and a workforce, in comparison to the weighting given to individuals who have access to goods and can gain meaningful employment.

Online accommodation providers do not gain any additional benefit above that received by other residential ratepayers from the provision of infrastructure that supports development. This is due to online accommodation providers primarily operating out of existing residences where the planned infrastructure capacity, and subsequent cost to council, does not take into consideration any additional capacity requirement. On the other hand, online accommodation providers receive additional benefit from the provision of public transport that provides accessibility to their location, particularly in central locations.

It is therefore not possible to say with certainty that online accommodation providers receive any more or less benefit from general council activities to which other forms of charging do not apply. For this issue the distribution of benefits does not provide rationale to either rate them as residential or business.

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

The period over which benefits are expected to occur is current. The expenditure of general rates revenue primarily funds operating costs for the current period. A very small portion of general rates is sometimes used to fund capital grants for community organisations. These activities are currently being funded from general rates and other funding sources are not appropriate.

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

Council decided to charge business higher rates partly because they cause increased cost to council for the provision of transport and stormwater services. In relation to online accommodation providers, they do not cause increased cost for stormwater infrastructure as impervious surface areas allowed under the Unitary Plan are no different from other residential properties. However, accommodation providers in general encourage visitor attraction through the provision of accommodation services and drive increased cost in transport infrastructure caused by the increased number of visitors to Auckland.

Activities associated with accommodation providers create extra demand on transport infrastructure due to increased traffic movements and associated parking. They will also drive increased demand on passenger transport services.

Accordingly there is rationale for charging online accommodation providers higher rates based on the increased driver on costs to council.

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

General rates raise revenue that can be used to fund any of councils activity. As such they do not add transparency or accountability to the extent that user fees and targeted rates can.

It is administratively more difficult to charge business rates to online accommodation providers than to traditional providers. Information on online providers is not readily available and it is difficult to identify

individual providers based on the information publicly available. A range of options that may be available and require further investigation to assist collection of this information are:

- Web searches
- Information from neighbours and competitors
- Introduction of bylaws
- Unitary plan amendments
- Legislative change.

The extent to which this will impact on rates will depend on how many online providers are able to be identified. Councils use a range of processes to determine rating treatment. Without the co-operation of the companies providing these web-based services then the existing processes may not be sufficient to identify all online accommodation providers. Experience from Queenstown Lakes District Council indicates that when combined with changes to planning rules a significant portion of online providers are able to be identified through time. Any impact to rates revenue can be managed through adopting a prudent approach to rates setting.

Consideration of overall impact

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

Matters for council to consider as part of this overall political judgement could include:

- The affordability of the rate on online accommodation providers: This proposal will increase rates for online providers particularly for those who let their residence for more than 135 nights. However, they can decide whether to absorb the increased cost or pass it on to their customers as they have direct control over the prices they set. Whether or not they choose to pass on the increased cost, and how, is entirely up to each accommodation provider to decide individually.
- The impact of the proposal on traditional accommodation providers: This proposal will mean that council will be treating online accommodation providers in a similar way to traditional providers by making them liable to fund councils general expenditure to similar levels.
- The impact of the proposal on other ratepayers: This proposal will broaden the ratepayer base for businesses and has the potential to marginally reduce the amount of rates paid by other business by up to 1%. The structure of the business differential and the relative sizes of the business and non-business sectors results in no meaningful impact on non-business ratepayers.

Attachment C: Assessment against statutory criteria - APTR

When deciding from what sources to meet its funding needs, council must consider the matters set out in section 101(3) of the Local Government Act 2002, see below. This involves elected members exercising their political judgement and considering the proposal in the context of council's funding decisions as a whole.

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

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

Last year when the council introduced the APTR it considered the matters set out in section 101(3) of the Local Government Act 2002 in relation to traditional accommodation providers. The following section considers the proposal to charge online providers the APTR where applicable against the criteria in section 101(3) of the Local Government Act 2002.

The community outcomes to which the activity primarily contributes

The community outcomes to which the activity (visitor attraction) primarily contributes is set out in the LTP 2015-2025 as:

1. An Auckland of prosperity and opportunity
 - through promoting Auckland as a business and leisure visitor destination and attracting visitors to attend events that are unique to Auckland
2. A culturally rich and creative Auckland
 - providing opportunities to showcase Auckland's unique arts and culture through support for and delivery of a portfolio of major events including the annual Auckland Diwali, Lantern and Pasifika Festivals
 - growing Auckland's visitor economy through promotion of and support for a range of culturally focussed visitor products
3. Te hau o te whenua, te hau o te tangata
 - celebrating and showcasing Māori culture and identity through major sporting and business events including a Māori Signature Festival for Auckland

The activities that ATEED undertakes in the visitor attraction area strongly support these outcomes:

- Expenditure under the headings of Tourism, Major Events, the Auckland Convention Bureau and Brand and Marketing are all undertaken to build the visitor economy and create Auckland as a destination.
- Auckland festivals support the "culturally rich and creative" component of the outcomes and add to the overall attractiveness of Auckland.
- The External Relations and International Education categories of expenditure involve working with central government to attract business and build the education sector.

Some of these outcomes relate to the overall prosperity and cultural richness of the city, and suggest a general rate mechanism may be appropriate. Others are more focused on the visitor economy and support the concept of a targeted funding mechanism.

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

The intent of the proposal is to more fairly apportion the burden of rates between online accommodation providers, traditional accommodation providers, and other ratepayers.

The benefits that accrue to traditional providers were considered when the council made its original decision to introduce the rate. Particular feedback received from traditional accommodation providers from consultation of the APTR noted that some accommodation providers were unfairly excluded from the proposal i.e. online providers such as Airbnb. Acknowledged at the time, online accommodation providers also derive direct benefit from the expenditure. This proposal specifically responds to this issue.

ATEED's activity in this area is focused on and measured by increased number of visitors to Auckland. One of the key measures of ATEED's Statement of Intent is "visitor nights".

Most of the expenditure in this part of ATEED's activities is targeted at attracting visitors to Auckland and growing the visitor economy. The Tourism, Major Events, Brand and Marketing and Auckland Convention Bureau activities are designed to bring in visitors, international and domestic, who will stay in the Auckland region, which directly benefits all accommodation providers.

Auckland Festivals are of benefit to the wider Auckland community but also support the Auckland brand as a culturally diverse and vibrant city. Expenditure on these festivals primarily benefits Auckland residents.

In terms of the distribution of benefits factor it is clear that all accommodation providers receive an immediate direct benefit from ATEED's expenditure in attracting visitors to Auckland, but other businesses also benefit, as does the wider community. The benefits may be felt differently depending on geographic location.

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

The period over which benefits are expected to occur is current. The expenditure on visitor attraction is funded from operating revenue on the basis that the benefits primarily accrue in the period in which the activity occurs. Expenditure on Major Events and Auckland Festivals in particular attract visitors at the time of the event expenditure. Tourism expenditure will have an impact both in the period in which the expenditure is incurred and in the next few years. Other categories of spend will have both a shorter and medium term impact.

Accordingly, given the short to medium term impact of the expenditure, rates (whether targeted or general), rather than borrowing, are an appropriate funding source.

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

Visitor attraction is funded to support the community outcomes as described above. It is not undertaken to offset any action or inaction of individuals or groups.

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

Transparency and accountability for this activity have already been enhanced through the introduction of the APTR. New governance arrangements that give traditional accommodation providers a role in determining how the revenue is spent are progressing. This gives traditional accommodation

providers an incentive to scrutinise the expenditure and provide advice on how to get best value for money. Should this proposal proceed then online providers should also be given the opportunity to take part in the governance arrangements.

It is administratively more difficult to charge the APTR to online accommodation providers than to traditional providers. Information on online providers is not readily available and it is difficult to identify individual providers based on the information publicly available. A range of options that may be available and require further investigation to assist collection of this information are:

- Web searches
- Information from neighbours and competitors
- Introduction of bylaws
- Unitary plan amendments
- Legislative change.

The extent to which this will impact on rates will depend on how many online providers are able to be identified. Councils use a range of processes to determine rating treatment. Without the co-operation of the companies providing these web-based services then the existing processes may not be sufficient to identify all online accommodation providers. Experience from Queenstown Lakes District Council indicates that when combined with changes to planning rules a significant portion of online providers are able to be identified through time. Any impact to rates revenue can be managed through adopting a prudent approach to rates setting.

Consideration of overall impact

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

Matters for council to consider as part of this overall political judgement could include:

- The affordability of the rate on online accommodation providers: This proposal will significantly increase rates for online providers who let their residence for more than 135 nights. It will also moderately increase rates for online providers who let their residence between 28 and 135 nights. However, they can decide whether to absorb the increased cost or pass it on to their customers as they have direct control over the prices they set. Whether or not they choose to pass on the increased cost, and how, is entirely up to each accommodation provider to decide individually.
- The impact of the proposal on traditional accommodation providers: This proposal will broaden the ratepayer base for the APTR and has the potential to reduce the APTR for traditional accommodation providers by up to 23 per cent.

Waste management service charges

Proposal

The council sought the community's views on the following proposals for waste management services:

Food scraps collection targeted rate:

- funding food scraps collection for properties in urban Auckland with an increase in the waste management targeted rate of approximately \$67
- starting in Papakura in 2018 and then in the rest of Auckland as the service is rolled out

Pay as you throw refuse collection for Manukau and Auckland:

- weekly pay as you throw 120 litre refuse bin collection using \$3.80 pre-paid bin tags
- removal of the current refuse targeted rate for the former Auckland and Manukau city areas, following the introduction of the rates funded food scraps service and pay as you throw refuse.

Feedback

Food Scraps targeted rate:

40 per cent of feedback was in support of the proposal and 60 percent opposed. Those in support of the proposal identified the benefits from waste minimisation and diversion waste from landfill. Those opposed noted that the charge would apply to existing composters who did not need the service and argued for a user pays service. They also considered that as a core service it should be funded from general rates.

Pay as you throw refuse collection for Manukau and Auckland:

60 per cent of feedback was in support of the proposal and 40 per cent opposed. Those in support of the proposals identified the incentive to minimise waste and diversion of waste from landfill. Those opposed consider that as a core service it should be funded from general rates and the potential for charging to encourage illegal dumping.

Overall, regional stakeholders' were supportive of standardisation and consistency of charging for waste collection throughout Auckland.

Mana Whenua feedback

Ngāti Tamaoho Settlement Trust, expressed support for both proposals.

Key/regional stakeholders

Waste sector stakeholders, including Kelmarna Gardens and Kaipātiki Project Environment Centre, supported both proposals. The food scraps funding proposals was opposed by the Auckland Chamber of Commerce and the Auckland Ratepayer's Alliance who both considered that, if introduced, the service should be user pays. We Compost (an organic waste collection company) also opposed introduction of a food scraps targeted rate.

Overall, stakeholders' were supportive of standardisation and consistency of charging for refuse collection throughout Auckland.

Local board feedback

Local boards provided feedback on the food scraps collection and the pay as you throw refuse proposal through resolutions on both the Long-term Plan and the Waste Management and Minimisation Plan. A summary of feedback on both plans is provided below.

Food Scraps Collection and Targeted Rate: Albert-Eden and Puketāpapa supported the proposed food scraps collection and Papakura specifically stated that they support both the service and use of a targeted rate to fund it. The Rodney Local Board supported investigation into expanding kerbside food waste collection to rural townships and giving rural residents the choice to opt in. Hibiscus and Bays and Ōrākei supported making the food scraps collection service opt in or out. Kaipātiki Local Board

also requested some investigation into possible discounts for residents that already recycle or compost at home.

Waitematā Local Board stated in their feedback on the Long-term Plan that they supported the targeted rate for food scraps collection but noted in their feedback on the Waste Management and Minimisation Plan that they did not support a centralised collection of food waste. They supported a decentralised waste collection service that grows local composting capacity.

Pay as You Throw: Rodney, Puketāpapa and Papakura Local Boards all noted support for introduction of a pay as you throw refuse collection, although Puketāpapa only supported this if there was a protection against people using other's bins to dispose of rubbish. Waitematā also stated their support for standardisation of user-pays refuse collection.

Manurewa, Maungakiekie-Tāmaki and Papakura stated that they did not support changing to a fortnightly frequency for refuse collection and asked the council to retain a weekly frequency. The Ōrākei Local Board noted that many submitters were concerned about the introduction of a pay as you throw collection as it could lead to illegal dumping and people putting their rubbish in a neighbour's bin.

Comment

Context

Under the Waste Minimisation Act 2008, council is required to promote effective and efficient waste minimisation and management and a reduction in waste to landfill.

- In 2012, Auckland Council adopted a Waste Management and Minimisation Plan (WMMP) with the aspirational goal of zero waste to landfill by 2040. This plan commits council to a three-bin service to residential properties with:
- recycling funded through a targeted rate
- a food scraps collection funded through a targeted rate and the waste levy (urban area only)
- refuse funded through user pays (called pay-as you throw).

A refreshed WMMP 2018 is currently under consideration. This revised plan, if adopted, will continue this approach with an expanded focus on the waste streams that council does not directly control; non-residential waste.

Service and funding changes

The targeted rate of approximately \$67 will fund a 23 litre kerbside bin and a smaller seven litre kitchen caddy. The collected food scraps will be processed for beneficial reuse (i.e. energy, biofuel, compost). Roll out of the food scraps service will be coordinated with the introduction of a user pays refuse bin service. Residents will be provided with a 120 litre refuse bin using \$3.80 pre-paid bin tags or an electronic tag. Residents will also have a choice of an 80L (\$2.60 bin tag) or a 240L bin (\$5.50 bin tag). Once the food scraps service is embedded, the refuse collection will move to fortnightly. The proposed timing for the changes are:

Legacy Area	Food waste introduction	User Pays refuse bin service
Papakura	March 2018	May 2018
North Shore	From 2020	April 2018
Rodney and Franklin	From 2020	From 2019
Manukau and Auckland	From 2020	From 2020
Waitakere	From 2020	Since October 2017

The two proposals are linked:

- food scraps service allows households to reduce the cost of refuse collection by diverting organic matter from their user pays refuse collection

- user pays refuse collection in Auckland and Manukau encourages use of food scraps collection service
- both encourage waste minimisation and diversion of waste from landfill.

Each proposal is discussed below. A full analysis of funding options is set out in Attachment A.

Food scraps collection targeted rate

The service is expected to divert approximately 50,000 tonnes per annum from landfill, which equates to approximately 21 per cent of kerbside waste or three per cent of overall waste to landfill. It will also contribute to achieving Auckland's greenhouse gas emissions reduction target of 40 per cent by 2040.

Targeting the rate to urban residential ratepayers is the most appropriate funding choice because this is the group whose properties will receive the service. A fixed targeted rate will encourage residents to use the food scraps collection service.

Users of the service will have an opportunity to offset some of the cost of paying for refuse collections by diverting organics from their pay as they throw waste. Therefore the average net cost increase to ratepayers will be in the order of \$27 to \$45 per annum. A food scraps scheme available in some parts of Wellington charges \$30 per month.

Many Auckland residents state that they already compost their food scraps to some degree. Feedback from this group preferred a user pays approach as they did not wish to pay for a service they would not use. The trial service provided on the North Shore was used by 75 per cent of households that composted. The service to be provided by the council allows the composting of all food scraps including processed food, bones and meat which cannot be managed by most domestic composting. Officers have considered user pays as an alternative to a targeted rate but note that this would discourage use of the service. A lower take up of the service will substantially reduce revenue without a commensurate reduction in cost, for example collection vehicles will still have to drive down a street whether there are a few or many pick-ups.

Modification of proposal in response to feedback

The council could consider that the application of the targeted rate make provision for residents who already compost their food scraps to opt out of the council provided service. The option to opt out would be available to owner occupiers. Rates for residential rental properties are payable by the landlord and there is no connection between the rate and the decision to compost on site. In addition, there are likely to be issues with changing tenants having different preferences for composting.

At this time a process has not been established to provide for opt out. A process could be developed and trialled in the Papakura area in 2018/2019. The lessons from this could then be developed into a scheme that can be operated when the service is rolled out to the rest of the region.

The operation of an opt out scheme will reduce the revenue from the targeted rate. Some additional costs are also likely to be incurred. Officers do not expect the revenue reduction and cost to be major but it still represents a risk. Opt out would only be available to owner occupiers and the council's service is convenient and can manage all food scraps and the return for opting out is low at \$67 per year or \$1.30 per week.

Pay as you throw refuse collection for Manukau and Auckland

The introduction of users pays for weekly refuse collections in the former Auckland and Manukau city areas will:

- incentivise the reduction of household waste by recycling and use of the food scraps service
- standardise the funding of household waste across the region
- raise costs for tenants and lower rates for landlords.

Council officers are working with Housing New Zealand to ensure transition to user pays works for their tenants.

Consideration of statutory criteria

The council is required to consider and consult on any changes to funding for services. This proposal considers the sources of funding for the food scraps collection service for the urban residential parts of the region and kerbside residential refuse collection in the former Auckland City Council and Manukau City Council areas against the statutory criteria in section 101(3) of the Local Government Act 2002. A

full analysis against the statutory criteria is set out in Attachment B: Assessment against statutory criteria.

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Attachment E

Attachment A: Funding Options Table

Rationale	Benefits		Risks/Issues	Impacts
Food waste service funding				
Option A: Increase in solid waste targeted rate (\$67 pa)	<ul style="list-style-type: none">Spreads the cost equally between all households with access to the service and encourages participation	<ul style="list-style-type: none">Will help achieve the 30 per cent per capita reduction target for kerbside waste to landfill (estimated to divert 50,000 tonnes from landfill initially, rising to 75,000 tonnes by 2040)Collected food scraps will be processed for beneficial reuse	<ul style="list-style-type: none">Reliant on processing facilities for food scraps	<ul style="list-style-type: none">The targeted rate including food scraps collection is anticipated to rise by a total of \$73 pa while the average cost of refuse will fall by \$28 pa in Auckland and Manukau and \$45 pa elsewhereThe impact of the changes differs depending on the property's ownership, see table at paragraph 10
Option A modified Increase in solid waste targeted rate (\$67 pa) with opt-out	<ul style="list-style-type: none">Spreads the cost equally between all households receiving the service and encourages participation	<ul style="list-style-type: none">Will help achieve the 30% per capita reduction target for kerbside waste to landfill (estimated to divert 50,000 tonnes from landfill initially, rising to 75,000 tonnes by 2040).Collected food scraps will be processed for beneficial reuseOwner occupiers who compost will not be charged if they choose to opt out and can demonstrate that they can divert food scraps from landfill.	<ul style="list-style-type: none">Reliant on processing facilities for food scrapsAdditional cost for administering the opt-out scheme and some loss of revenueA high level opt-out could result in costs exceeding revenuePotential greater contamination of recycling collections	<ul style="list-style-type: none">The targeted rate including food scraps collection is anticipated to rise by a total of \$73 pa while the average cost of refuse will fall by \$28 pa in Auckland and Manukau and \$45 pa elsewhereThe impact of the changes differs depending on the property's ownership, see table at paragraph 10Impact limited to households that do not opt out
Option B: User Charge for participating households (\$95-\$120 pa)	<ul style="list-style-type: none">Only those households that use the service would pay for it	<ul style="list-style-type: none">Will make some contribution to reduction target for kerbside waste to landfill – but will be much less than option A and Option A modifiedCollected food scraps will be processed for beneficial reuse	<ul style="list-style-type: none">A user charge acts as a disincentive to participationCosts of operating the service are much higher per pick-up when there is less participation	<ul style="list-style-type: none">Participating households will pay full cost of service – estimated to be \$95-\$120.

Rationale	Benefits	Risks/Issues	Impacts
Option C: Increase in general rates	<ul style="list-style-type: none"> Reflects wider benefit to the community of reduction in waste to landfill All ratepayers contribute to the service and therefore would encourage participation Will help achieve the 30% per capita reduction target for kerbside waste to landfill (estimated to divert 50,000 tonnes from landfill initially, rising to 75,000 tonnes by 2040) Collected food scraps will be processed for beneficial reuse 	<ul style="list-style-type: none"> Ratepayers with no access to the service will be contributing (business, Gulf Islands and rural ratepayers) 	<ul style="list-style-type: none"> General rates would increase by approximately 1.7% Ratepayers receiving the service can lower the overall impact by reducing their refuse under pay as you throw High value properties would have a greater cost impact
Option D: Do not provide service	<ul style="list-style-type: none"> Does not add new costs to ratepayers Minimise changes to rates costs 	<ul style="list-style-type: none"> The reduction to landfill targets are less likely to be achieved The move to user pays refuse in the Auckland and Manukau areas will not have the offsetting reductions available from diverting some of their waste into the food scraps service The contract for the Papakura service has already been procured 	<ul style="list-style-type: none"> No impact for those already on pay as you throw charges, but Auckland and Manukau areas will have new user charges with no ability to divert food scraps
User pays refuse in Auckland and Manukau			
Option A: Introduce pay as you throw to the Auckland and Manukau areas (\$3.80 per bin tag)	<ul style="list-style-type: none"> Aligning waste services across the Auckland region and encouraging reduction in kerbside waste to landfill Will encourage use of the recycling and food scraps services which in turn will help achieve the 30% per capita reduction target for kerbside waste to landfill Aligns the Auckland and Manukau areas with other parts of the region 	<ul style="list-style-type: none"> Higher costs for residents (tenants and owner occupiers) if introduced without food scraps service to assist in reduction in refuse volume 	<ul style="list-style-type: none"> The impact differs depending on the property's ownership, see table at paragraph 12
Option B: Status quo – targeted rate in the Auckland and Manukau areas	<ul style="list-style-type: none"> Minimise change to ratepayers 	<ul style="list-style-type: none"> Different methods of charging and perceived inequities across the Auckland region The reduction to landfill targets are less likely to be achieved 	<ul style="list-style-type: none"> No change

Attachment B: Assessment against statutory criteria

When deciding from what sources to meet its funding needs, council must consider the matters set out in section 101(3) of the Local Government Act 2002, see below. This involves elected members exercising their political judgement and considering the proposal in the context of council's funding decisions as a whole.

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

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

The following sections consider the funding of the food scraps collection service and kerbside residential refuse collection in the former Auckland City Council and Manukau City Council areas against the criteria in section 101(3) of the Local Government Act 2002.

1. Food scraps collection service

The community outcomes to which the activity primarily contributes

The community outcome to which the activity (solid waste) primarily contributes are set out in the LTP 2015-2015 as:

- A green Auckland – Through protecting our natural heritage and managing our natural resources sustainably. Managing Auckland's waste and reducing our reliance on landfills.

The provision of kerbside food scraps collection contributes to wider outcomes for the region. However, it also provides a service to individual residential properties. A funding source directed to these beneficiaries, user pays or a targeted rate, is therefore more appropriate than general rates funding. A targeted rate is preferred as user pays would discourage use of the service thus defeating its primary purpose of diverting waste to landfill.

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

This service provides direct benefits to the properties receiving it. These properties should meet the costs via user charges or a targeted rate differentiated geographically, on areas where the service is available, and differentiated to those properties, residential, which receive the service. A user charge more directly targets users of the service as it applies to all residents receiving the service, tenants and owner occupiers. A targeted rate is only indirectly incident on tenants through their rent.

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

The costs to deliver this service are incurred over a one to three year contractual cycle. These costs should be recovered from the beneficiaries over that time period i.e. from user charges or targeted rates.

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

The cost of this service is driven by the properties who receive the service. These properties should meet the costs via user charges or a targeted rate differentiated geographically, on areas where the

service is available, and differentiated to those properties, residential, which receive the service. A user charge more directly targets users of the service as it applies to all residents receiving the service, tenants and owner occupiers. A targeted rate is only indirectly incident on tenants through their rent.

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

The cost of implementing a targeted rate for food scraps collection is minor. The council only needs to adjust the geographical boundary for application of the current targeted rate to match the serviced area.

There is no cost to the council of using general rates to fund the food scraps collection. The introduction of user pays for food scraps collection would require the council to incur additional administration costs.

Funding the food scraps collection from a targeted rate will improve the transparency of decision making on additional funding. Ratepayers will be able to clearly see exactly how any additional funding they provide will be used. This will make it easier for them to express a preference on increased funding. A fixed rate per SUIP will make it easier to communicate to the community the cost of the service improvements relative to their benefits.

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

Overall accountability will not be impacted, as the form of funding will not influence ratepayers' ability to hold the council to account for the effectiveness of this expenditure given the technical expertise required to make such an assessment.

Consideration of overall impact

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

The cost of the food scraps collection service on its own is approximately \$67 per year or \$1.30 per week. However, the net cost is between \$27 and \$45 per residential ratepayer receiving the service, see table, between 50 and 87 cents per week.

Service	Ratepayer cost impact of food scraps collection (incl. GST)		
	Charges		
	2017/2018 Former North Shore, Waitakere, Franklin, Papakura & Rodney	2017/2018 Former Auckland City & Manukau	Future ^[1] Food scraps collection introduced
Base service Including recycling and inorganic collection	\$102	\$102	\$108
Standard ^[2] refuse targeted rate	n/a	\$117	n/a
Food waste	n/a	n/a	\$67

^[1] Presented in today's dollars for comparison purposes.

^[2] Ratepayers can request a larger bin for an additional rates charge of \$55 per annum.

Ratepayer cost impact of food scraps collection (incl. GST)			
Service	Charges		
	2017/2018 Former North Shore, Waitakere, Franklin, Papakura & Rodney	2017/2018 Former Auckland City & Manukau	Future ^[1] Food scraps collection introduced
Total Rates	\$102	\$219	\$175
Change in rates	+\$73 (=\$175-\$102)	-\$44 (=\$175-\$219)	
Refuse – pay as you throw bags vs bin tags	\$135 ^[3]	n/a	\$89 ^[4]
Total cost	\$237	\$219	\$264
Net change in cost with food scraps service ^[5]	+\$27 (=\$264-\$237)	+\$45 (=\$264-\$219)	

The table above shows the impact of the proposal on the majority of ratepayers – owner occupiers. The table below summarises the average change in waste management cost for various types of households under the proposal to introduce food scraps service in the region and user pay refuse in the former ACC and MCC.

Ratepayer/Household	Former ACC & MCC		Other areas	
	- Food scraps collection targeted rate and - Targeted rate refuse	- Food scraps collection targeted rate and - User pays refuse	- Food scraps collection targeted rate and - User pays refuse	
Residential landlords	\$56	-\$44	\$73	
Residential tenants	\$0	\$89	-\$46	
Owner occupied properties	\$56	\$45	\$27	

2. Kerbside refuse collection: former Auckland City Council and Manukau City Council areas

The community outcomes to which the activity primarily contributes

The community outcome to which the activity (solid waste) primarily contributes are set out in the LTP 2015-2015 as:

- A green Auckland – Through protecting our natural heritage and managing our natural resources sustainably. Managing Auckland's waste and reducing our reliance on landfills.
-

The provision of kerbside refuse collection in the former Auckland City Council and Manukau City Council areas contributes to wider outcomes for the region. However, it also provides a service to individual residential properties. A funding source directed to these beneficiaries, user pays, is therefore more appropriate than general rates funding or targeted rates funding. User pays is the funding method used for kerbside residential refuse collection in the other areas of the region.

^[3] This is the current average cost per household which uses the council's bag pick up service.

^[4] Expected cost is based on the change in refuse disposal in the food scraps pilot area on the North Shore. Rodney customers currently use non-council refuse services. They will face similar impact as shown in this table if they choose to use council's refuse service when it becomes available.

^[5] Average net cost based on residents making use of food scraps service to level observed in pilot.

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

These services provide direct benefits to the residents receiving the service. These residents should meet the costs via user charges or a targeted rate differentiated geographically, on areas where the service is available, and differentiated to those properties, residential, which receive the service. Users charges more directly targets users as they apply to both tenants and owner occupiers.

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

The costs to deliver these services are incurred over a one to three year contractual cycle. These costs should be recovered from the beneficiaries over that time period i.e. from user charges or rates.

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

The costs of the services are driven by the residents who receive the service. These residents should meet the costs via user charges or a targeted rate differentiated geographically, on areas where the service is available, and differentiated to those properties, residential, which receive the service. Users charges more directly targets users as they apply to both tenants and owner occupiers.

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

The application of user pays for kerbside refuse collection in the former Auckland City and Manukau areas will be an extension of the changes to user pays charging being introduced in the remainder of the region. One off additional communication costs will also be incurred to support the new service. Retaining the current targeted rate has no direct cost but would not encourage use of the food scraps service reducing its effectiveness in achieving a reduction in residential waste to landfill.

The costs of funding this service distinctly from other services are not substantial relative to the benefits of ensuring the beneficiaries pay:

- equitable allocation of cost - only those receiving the service would pay for it
- reduced waste to landfill from the incentive for residents to reduce refuse disposal via user pays for the kerbside refuse collection service.

Consideration of overall impact

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

The estimated average change in the costs of solid waste services for the residents of the former Auckland City Council and Manukau City Council areas will change with the introduction of user pays kerbside refuse collection. The costs will differ between different types of household/ratepayer given the movement in charging mechanisms.

Residential tenants in the former Auckland City and Manukau areas would now pay directly for their refuse service. Landlords in these areas will have lower rates as the cost of refuse collection is recovered from user pays. It is unlikely that landlords will reduce rents when their rates fall with the removal of the targeted refuse rate. At present tenants in other parts of Auckland in all socio-economic groups pay user charges for their refuse.

The costs will differ between different types of household/ratepayer given the movement in charging mechanisms. The following table summarises the average impact if user pays refuse is implemented without the introduction of region wide food scraps service.

Ratepayer/Household	Former ACC & MCC
Residential landlords	-\$117
Residential tenants	\$112
Owner occupied properties	-\$5

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Attachment E

Proposal to Disestablish Auckland Council Investments Limited

Purpose of the Report

1. To provide analysis and recommend actions associated with the Long-term Plan 2018 – 28 proposal to disestablish the council-controlled organisation Auckland Council Investments Limited, with the investments in Auckland International Airport Limited and Ports of Auckland Limited to be transferred to council parent.

Proposal Summary

2. Council sought the community's views on a proposal to disestablish ACIL with the investments in AIAL and POAL to be transferred to council parent as part of LTP consultation. The proposal to disestablish ACIL was introduced into the LTP through the Mayor's Intent to the LTP.
3. Should the proposal be adopted, ACIL will be disestablished with council to become the direct shareholder of the 22.3% shareholding in AIAL and 100% shareholding in POAL currently held by ACIL.
4. It is considered that this would result in savings of approximately \$500,000 - \$800,000 per annum from the disestablishment of ACIL, based on ACIL's current operating expenditure and an assessment of the functions that would be absorbed by council. Further incremental savings may also be obtained through involvement of POAL in group processes.
5. It is further considered that this would result in improved strategic alignment between POAL and the council group on planning and strategic matters.
6. The merits of the proposal rely on the preservation of the commercial return from AIAL and POAL, and it is noted that a change in ownership of the assets presents the risk of negatively impacting the commercial return from these assets.
7. In particular, this risk necessitates an effective relationship being established between POAL and council as a 100% shareholding carries several shareholder roles and functions. Council and POAL have agreed a draft memorandum of understanding setting out the relationship between the entities, to be adopted should ACIL be disestablished.
8. This report sets out the proposal merits and provides recommendations to be considered should the proposal to disestablish ACIL be adopted as part of the LTP. These recommendations should therefore be considered concurrently with the decision to disestablish ACIL.

Recommendations

9. It is recommended that the Finance and Performance Committee resolve the following recommendations should the proposal to disestablish ACIL be adopted:
 - a) approve a shareholder directive to ACIL relating to the transfer of all assets, liabilities and obligations of ACIL (including the shares in POAL and AIAL) to council.
 - b) approve a shareholder directive to remove ACIL from the companies register following the transfer of all assets, liabilities and obligations to council.
 - c) adopt the MoU between council and POAL contained at Appendix A, including:
 - (i) Annex A: Board Appointment and Remuneration Policy regarding appointments to the board of Ports of Auckland Limited
 - (ii) Annex B: Communication Schedule
 - d) recommend that the Appointments, Performance Review and Value for Money Committee adopt a revised Board Appointment and Remuneration Policy that reflects Annex A of the MoU between council and POAL.

- e) recommend that the Governing Body adopt relevant amendments to its Terms of Reference to reflect the transfer of the assets, liabilities and obligations of ACIL (including the transfer of shares in POAL and AIAL) to council.
- f) delegate to the chief executive the function to authorise any action necessary or desirable to effect the transfer of the assets, liabilities and obligations of ACIL (including the transfer of shares in POAL and AIAL) to council, and the disestablishment of ACIL.
- g) note the relationship principles document in respect of council and AIAL contained at Appendix B.
- h) note that all prior resolutions, delegations, approvals, agreements, authorisations by the Governing Body or its committees relating to ACIL now apply to council.

Context

- 10. ACIL was established on amalgamation of council with the objective of bringing a strong commercial focus to the ownership and governance of council's major investment assets and to provide an efficient structure for the ownership of those assets on behalf of the people of Auckland.
- 11. ACIL is a council-controlled organisation and must achieve the objectives of council as specified in its Statement of Intent. ACIL is also subject to council-controlled organisation accountability requirements stipulated in the LGA 2002, including half yearly and annual reporting, and auditing requirements.
- 12. ACIL's operating expenditure is approximately \$1.1m per annum and includes staff costs, directors' fees, audit fees and professional services.
- 13. ACIL currently has a 22.3% shareholding in AIAL and a 100% shareholding in POAL on behalf of the people of Auckland. At 30 June 2017, these investments were worth approximately \$1.9b (AIAL) and \$1.1b (POAL). Council received a combined dividend of approximately \$85.9m from ACIL for the financial year 2016/17. It is noted that on establishment, ACIL's portfolio also included a diversified assets portfolio, redeemable preference shares and shares in Auckland Film Studios Limited.
- 13. The Mayor's Intent to the LTP requested that officers provide advice as to whether the functions of ACIL could be carried out by existing parts of the council group, resulting in ACIL being disestablished.
- 14. On 11 December 2017 the Governing Body resolved the items for consultation for the LTP, including:
(Resolution number GB/2017/160):
 - h) *disestablishment of the council-controlled organisation Auckland Council Investments Limited with the investments in Auckland International Airport Limited and Ports of Auckland to be transferred to council parent.*
- 15. This proposal formed part of the consultation material for the LTP and was publicly consulted on during the consultation period (28 February – 28 March 2018). A decision is sought on this proposal as part of LTP decision making.

Consultation Feedback

General

- 16. Engagement feedback on this proposal amounted to 337 submissions, as follows:
 - 61% of submissions in support of the proposal to disestablish ACIL, with the key reasons being to achieve cost savings and improve alignment between council and POAL
 - 26% of submissions not in support of the proposal, with the key reason being the possible negative impact of political decision making in respect of commercial assets

- 13% of submissions on other matters, such as the sale or retention of assets, accountability of council-controlled organisations or the disestablishment of other council-controlled organisations

Mana Whenua

17. This proposal does not address alternative ownership structures or uses of the AIAL and POAL shares outside of the council group. As such, the decision sought by this report would not have a bearing on these assets with wider impacts for mana whenua.
18. It is noted that, in particular, Ngāti Whātua o Ōrākei has an expressed interest in POAL, and the land on which POAL sits. Ngāti Whātua o Ōrākei was notified of this proposal and possible changes to the ownership of POAL accordingly.

Local Board Views

19. This proposal is a matter for Governing Body, local boards have not been specifically engaged in respect of decision making on this matter.
20. It is noted that local board members were briefed on this matter on 25 October 2017, as part of a briefing on LTP matters proposed for consultation.
21. Through LTP regional feedback two local boards supported the proposal to disestablish Auckland Council Investments Limited (Waitākere Ranges and Waitemātā) and two local boards did not support the proposal (Orākei and Papakura).

Consideration

Proposal

22. Staff provided preliminary advice to Finance and Performance Committee on this matter to inform whether the issue was to be consulted on as part of the Local Government Act 2002 consultation requirements for long term planning. That advice contained four options with respect to ACIL's functions, as follows:
 - (i) AIAL and POAL shares to be transferred to council, with ACIL to be disestablished (proposal)
 - (ii) Status quo, ACIL retained with current shareholding in POAL and AIAL
 - (iii) AIAL shares transferred to council, POAL shares transferred to alternative council-controlled organisation, with ACIL to be disestablished
 - (iv) ACIL's existing portfolio to be expanded
23. Option (iii) was considered to be legally complex and it was concluded that there would not be sufficient alignment between POAL and the activities of a possible alternative council-controlled organisation. Option (iv) was concluded to be ineffective as there are not enough commercial assets in the council group with common arrangements to make this option feasible. The decision to consult on options (i) and (ii) was made on this basis accordingly.
24. The proposal for decision is to disestablish ACIL with the shares in AIAL and POAL to be transferred to council parent. Should this proposal be adopted then the recommendations in this report are advised to support the implementation of the proposal.
25. ACIL is currently a passive shareholder of AIAL shares as the shareholding is a minority holding. Council has the expertise to hold AIAL shares in its Treasury and Financial Transactions team so the implications of a change of ownership on the AIAL shares would likely be minor. The ownership interest of the AIAL shares is therefore not a significant consideration in this report due to the passive nature of the shareholding.
26. A relationship principles document outlining the relationship parameters between AIAL and council should ACIL be disestablished is attached at Appendix B.
27. The major consideration for this proposal is the ownership of POAL as the nature of the 100% shareholding is significant and includes a suite of shareholder functions (i.e. governance,

financial reporting and monitoring) that need to be appropriately operated by the shareholder of the entity.

28. The structure of council's ownership of POAL should aim to give council the ability to appropriately engage with POAL on planning and strategic matters and facilitate a medium to long term focus for POAL's commercial activity.
29. The proposal presents the potential to achieve savings through the disestablishment of ACIL, estimated at approximately \$500,000 - \$800,000 per annum. While some of ACIL's functions would be able to be absorbed by existing staff within council parent, it is possible that additional staff could be required.
30. Council has undertaken analysis of alternative financing streams in respect of POAL. One option identified is for POAL to run the port business as an operating company that leases land from council. This paper makes no comments on the merits of such an ownership structure, though it is noted that the proposal would not adversely impact any future decisions on alternative POAL ownership configurations.

Analysis Summary

31. This proposal has been considered in terms of whether the option would have a positive, neutral or negative impact on overall council group performance. In the context of group performance, the key considerations are to:
 - (i) enhance the ability to engage with POAL on planning and strategic matters
 - (ii) ensure an optimal commercial return from the investments in AIAL and POAL, and
 - (iii) reduce council group costs
32. A fuller analysis of the proposal options and the considerations noted above is contained at Appendix C. A summary is provided in the following paragraphs.
33. In respect of (i), the proposal presents an opportunity to achieve improved alignment between POAL and the council group on planning and strategic matters. However, it is noted that there is nothing in the current ownership structure that would prevent ACIL or POAL providing more detail on aspects such as POAL's intended capex programme and business planning. Overall, it is considered that ACIL does not add value in respect of engagement with POAL on planning and strategic matters.
34. In respect of (ii), the proposal presents the risk of negatively impacting the commercial return from the interest in AIAL and POAL by changing the ownership structure of the assets. The risk in respect of the AIAL shares is assessed to be low, due to the anticipated role of council as a minor shareholder of the entity. The risk in respect of POAL is assessed to be notable due to the significance of the shareholder roles that come with a majority shareholding, as well as that shareholding being held by council which is subject to political decision making. However, it is considered that the MoU agreed between council and POAL would mitigate this risk by clearly establishing the relationship framework between council and POAL. Overall, it is considered that ACIL adds value in terms of ensuring an optimal commercial return from the investments in AIAL and POAL by providing a commercially focused ownership model which is removed from the shorter term focus of political decision making.
35. In respect of (iii) the proposal presents an opportunity to reduce council group costs by removing ACIL's opex of approximately \$1.1m, though it is noted that some costs would still exist (e.g. audit fees, staff costs) so savings of between \$500,000 - \$800,000 are anticipated. Further, incremental savings may be achieved through POAL's involvement in group processes, though it is noted that nothing in the existing ownership structure precludes this.
36. To conclude, the proposal to disestablish ACIL presents strategic merits as long as the commercial return from the investments can be retained under the proposed alternative ownership scenario. It is suggested that these two outcomes can be achieved by adopting the proposed MoU that clarifies POAL and council's respective roles. The proposed Board Appointment and Remuneration Policy (annexed to the MoU) will ensure that appropriately skilled directors will be appointed to the POAL board.

Mitigation

37. POAL is a port company and is subject to legislative provisions including those of the Port Companies Act 1988 and the Companies Act 1993. Most notably, s 5 of the PCA 1988 requires port companies to have the principal objective to operate as a successful business.
38. POAL has been owned by ACIL since council amalgamated in 2010. Prior to this time POAL was owned by Auckland Regional Holdings, a subsidiary of Auckland Regional Council, from 2004 until 2010.
39. In order to facilitate a transition to a direct ownership relationship between council and POAL, should a decision to disestablish ACIL be made, a MoU between council and POAL has been agreed. This MoU was provided to the Finance and Performance Committee on 1 May 2018 via memorandum to committee members.
40. The MoU is contained at Appendix A and is intended to provide a framework for the relationship between council and POAL. The MoU addresses the following aspects:
 - Objectives of the entities
 - Core principles underpinning the governance relationship between the entities
 - Governance framework, including relevant legislation
 - Decisions relating to the operation of POAL, the Statement of Corporate Intent mechanism and approvals and conferrals between the entities
 - Process for appointing to the board of POAL, with the relevant policy attached at Annex A to the MoU
 - Monitoring, liaison, reporting and disclosure of information between the entities, with a detailed communication schedule attached at Annex B to the MoU. This includes a 'no surprises' clause between the entities
 - Dispute resolution clause
41. The process undertaken to draft this MoU included three meetings between POAL executive management and advisors, senior council staff, and mayoral office staff. This process was iterative and collaborative, with the finalised documents representing a common view of the governance relationship to emerge between council and POAL, should a decision to disestablish ACIL be made.
42. This MoU does not hold a legal status and will therefore not be legally binding should it be adopted. However, this MoU references processes that are established by legislation (e.g. SCI requirements consistent with the PCA 1988) and articulates a framework for the effective governance of POAL should a decision to disestablish ACIL be made, resulting in council becoming the direct shareholder of POAL.
43. This MoU has been socialised with the POAL board, and an opportunity for the POAL board to provide feedback was given. The POAL board intend to adopt this MoU should a decision to disestablish ACIL be made.
44. Should a decision to disestablish ACIL be made, it is recommended that this MoU be adopted concurrently in order to establish an effective relationship between council and POAL.

Changes to Board Appointment and Remuneration Policy

45. Should ACIL be disestablished, POAL will become a 'council organisation' under the legislative definition of the LGA 2002, and will therefore be subject to the board appointment process set out in council's Board Appointment and Remuneration Policy (required by s 57 of the LGA 2002). It is noted that port companies are statutorily excluded from being council-controlled organisations under the LGA 2002.
46. In particular, the risk of a negative impact on the commercial return from POAL noted at paragraph 33 is partly due to the perception of appointments to the POAL board being subject to political decision making. This aspect is of particular significance to POAL's relationship with customers, which directly impacts POAL's ability to generate revenue.
47. It is noted that ACIL removed this perceived risk by operating at an arms-length to council.

48. Should a decision to disestablish ACIL be made, it is recommended that a process be put in place that would remove the perception of political decision making in respect of appointments to the POAL board.
49. It is therefore recommended that the committee recommend that the Appointments, Performance Review and Value for Money Committee adopt a revised Board Appointment and Remuneration Policy that sets out the process for appointing to the POAL board, based on the agreed process contained in Annex A to the MoU. It is considered that this process would mitigate the perceived risk noted above.
50. The agreed process reflects the Financial Markets Authority Corporate Governance guidelines and reflects the board appointment practice that publicly listed companies generally undertake. Moreover, the agreed process recognises POAL's function as a commercial entity, while taking into account council's role as a shareholder.
51. This agreed process includes the following aspects:
 - **Board member competencies, skills and knowledge:** to be determined by the chair of the POAL board and the Mayor
 - **Candidate search:** to be undertaken by a specialist board appointment firm
 - **Screening and shortlisting:** to be undertaken by a committee of the POAL board. A shortlist will be provided to the Mayor, who will have an opportunity to advise if any shortlisted candidates will be unsuitable for appointment to the POAL board
 - **Interviewing and assessment of candidates:** to be interviewed and assessed by the POAL board. Reference checks will be performed at this stage of the process (including an assessment of actual or perceived conflicts of interest)
 - **Recommendation of candidate:** through the interviewing and assessment of candidates, the POAL board will then recommend a preferred candidate for appointment
 - **Appointment:** to be undertaken by the POAL Appointments Panel (comprised of Chair of POAL board, the Mayor and the chief executive of council)
 - **Remuneration:** to be determined by the Appointments, Performance Review and Value for Money Committee, based on a benchmarking exercise undertaken by POAL board in conjunction with an independent assessment
 - **Removal of board members:** POAL board members may at any time be removed from office by ordinary resolution of the shareholder(s) as set out in POAL's constitution
52. It is noted that the roles of the Appointments, Performance Review and Value for Money Committee, the Mayor and the chief executive in the agreed process would be supported by independent advice from the CCO Governance and External Partnerships team.

Process to Disestablish Auckland Council Investments Limited

53. Some transaction costs would be likely to be incurred through a reconfiguration of ownership of AIAL and POAL shares. An estimate of these transaction costs (accounting and due diligence) is approximately \$290,000, and can be detailed as follows:

Share transfer execution, legal advice and due diligence	\$65,000
Employee redundancies	\$105,000
Director liability insurance	\$120,000
Total	\$290,000

54. It is noted that a proportion of these costs has already been incurred in the preparation of the due diligence associated with the proposal, required to accurately assess the merits of the proposal.

55. Major 'change of ownership' contractual clauses in POAL's material and operating contracts are unlikely to be triggered by a transfer of assets between entities within the council group, though some transaction costs would be likely to be incurred in relation to the transfer of POAL and AIAL shares as noted above.
56. It is noted that employee redundancy costs will not be incurred where suitable redeployment options within council (in line with the employees' employment agreements) are offered on similar and no less favourable terms and conditions and accepted by employees.
57. There are no tax implications associated with the transactions proposed as part of the proposal to disestablish ACIL.

Risks

Proposal to Disestablish ACIL

58. The key risk associated with the proposal is that the commercial return from the assets may be negatively impacted by the change of ownership of the assets. As noted above in the analysis summary, this risk is considered low in respect of the dividend return from the AIAL shares, and is considered notable in respect of the dividend return from the POAL shares.
59. The risk stems from the proximity of political decision making to the commercial operation of POAL that would occur should ACIL be disestablished and council become the direct owner of POAL. This risk is further noted above in respect of the process to appoint to the board of POAL. Political decision making is generally considered to be shorter term and based on the election cycle, whereas the successful commercial operation of POAL relies upon certainty for POAL's customers, which is best achieved through a medium to long term business horizon.
60. POAL paid a dividend of \$53.7m to ACIL for the financial year 2016/17. Any adverse impact of a change of ownership on the performance of POAL resulting in a lower dividend return could therefore offset potential savings from the disestablishment of ACIL.
61. A lower dividend return from POAL would present financial risk for council, any perceived fragmentation in the relationship between POAL and council as a result of the change of ownership would present reputational risk for council.
62. In order to mitigate the risk of a lower dividend return from POAL or relationship fragmentation between POAL and council, the relationship framework between council and POAL needs to be configured in such a way that would ensure that POAL's commercial mandate would be preserved, notwithstanding council's proposed role as shareholder. It is considered that the MoU agreed between POAL and council aptly sets out such arrangements, and mitigates the risk of a negative impact on POAL's dividend or the relationship between POAL and council accordingly.
63. Part of this risk mitigation requires the adoption of a revised Board Appointment and Remuneration Policy which reflects to policy position set out in the MoU between council and POAL. It is therefore recommended that the Appointments, Performance Review and Value for Money Committee adopt such a policy.

Status Quo

64. The key risks associated with the status quo include the loss of potential to achieve savings through the disestablishment of ACIL and possible involvement of POAL in group processes, as well as the possible negative impact of a lack of strategic alignment between the council group and POAL on planning matters in the longer term.
65. These matters present financial risk for council through the direct loss of savings, but also broadly through the financial implications that could result from a lack of strategic alignment (including poor visibility of POAL's capex programme) across the council group. A lack of strategic alignment could also result in strategic risks for council, and may result in a negative perception of council from the perspective of reputational risk. It is noted that there is nothing

in the existing ownership structure that precludes improved strategic alignment, so this risk could be mitigated by working with ACIL to achieve such outcomes within the existing structure.

Next Steps

66. Should a decision to disestablish ACIL be made, staff will implement the disestablishment of ACIL as per the recommendations in this report. Staff will report back to Finance and Performance Committee through memorandum upon the effective disestablishment of ACIL, anticipated to be complete by the end of 2018.
67. Staff will work with ACIL, POAL and AIAL to transfer the shares in AIAL and POAL to council as soon as practicable following the commencement of the LTP on 1 July 2018. A shareholder directive will be communicated to the ACIL board in respect of the transfer price and date as per recommendation (a).
68. The ACIL board have communicated an intention to resign following the finalisation of the ACIL group reporting pack for the financial year 2017/18, should a decision to disestablish ACIL be made. Staff will appoint director(s) to the board of ACIL through the Appointments, Performance Review and Value for Money Committee to coincide with resignation of the existing ACIL board, in order to assist with any actions that would be required to finalise the disestablishment of ACIL.
69. Staff will provide the POAL board with the MoU contained at Attachment A for approval by the POAL board, as recommended for adoption by council at recommendation (c).
70. Staff will report a revised Board Appointment and Remuneration Policy for adoption by the Appointments, Performance Review and Value for Money Committee as per recommendation (d).
71. Relevant adaptations to the Governing Body Terms of Reference will be reported for adoption as per recommendation (e).
72. Staff will provide AIAL with the relationship principles document contained at Attachment B for reference, as noted at recommendation (g).

Appendices

- Appendix A: Proposed Memorandum of Understanding Auckland Council and Ports of Auckland Limited
- Appendix B: Relationship Principles Auckland Council and Auckland International Airport Limited
- Appendix C: Analysis of Proposal to Disestablish Auckland Council Investments Limited.

Proposed Memorandum of Understanding between Auckland Council and Ports of Auckland Limited

Item 9

1. Purpose

This memorandum of understanding sets out the framework agreed by Auckland Council and Ports of Auckland Limited in respect of the governance relationship between the two entities.

2. Objectives

The objectives of council and POAL in establishing this memorandum are to ensure that the governance relationship between council and POAL:

- 2.1 enables POAL to fulfil its legislative requirement to operate as a successful business under the Port Companies Act 1988, and that this requirement and the confidence of POAL's stakeholders is not prejudiced by council being the direct owner of POAL's shares;
- 2.2 accords with the legal roles and responsibilities of council and POAL and their respective governing bodies and sound governance practice;
- 2.3 recognises the importance of POAL as a key part of Auckland's infrastructure and a key investment of council, noting the commercial importance of POAL to the Auckland region and nationally;
- 2.4 enhances the ability of council and POAL to engage with one another on planning and strategic matters in accordance with their respective roles and responsibilities;
- 2.5 provides opportunities to reduce council group costs where possible.

3. Core Principles

- 3.1 Council and POAL acknowledge POAL's principal statutory objective to operate as a successful business and each will work within their respective roles to assist that objective.
- 3.2 Council and POAL acknowledge that the board of POAL, and the council as shareholder have important roles and responsibilities, and each will respect the role and responsibilities of the other entity and work constructively with each other on that basis.
- 3.3 Any disputes arising between council and POAL in relation to governance matters will be addressed under an agreed process as set out in this memorandum.

4. Key Elements

4.1 Governance Framework

The governance framework comprises:

In relation to both council and POAL

- the Port Companies Act 1988

Attachment F

- the Companies Act 1993
- the constitution of POAL
- good governance practice (e.g. IOD and FMA corporate governance guidance)
- this memorandum of understanding

In relation to council but not POAL

- the Local Government Act 2002
- the Local Government (Auckland Council) Act 2009
- the Local Government Official Information and Meetings Act 1987

4.2 Decisions in relation to the operation, business and affairs of POAL

The parties acknowledge that, subject to applicable laws:

- 4.2.1 all decisions relating to the operation of POAL shall be made by the board or under its authority, in accordance with POAL's Statement of Corporate Intent.
- 4.2.2 the business and affairs of POAL shall be managed by, or under the direction or supervision of the board. This includes, but is not limited to, decisions in respect of:
 - business strategy and business performance reporting
 - business and operating policies
 - investment, divestment and joint venture decisions
 - treasury, financing and insurance decisions
 - chief executive appointment, removal and remuneration
 - employment decisions, including recruitment, remuneration and industrial relations
 - procurement decisions
 - services offered and pricing decisions
 - stakeholder engagement and external communications

4.3 POAL's Statement of Corporate Intent

- 4.3.1 The parties shall observe s 6(3) of the Port Companies Act 1988 in relation to POAL's SCI. The SCI must be completed in accordance with ss 8 – 13 of the act.
- 4.3.2 The parties acknowledge the expectation that POAL's SCI will continue to be developed in a way that presents continuity and consistency with previous SCIs.

4.4 Approvals and conferrals between council and POAL on other matters

- 4.4.1 POAL shall obtain the approval of council in its capacity as shareholder in respect of:
 - any 'major transaction' within the definition of the Companies Act 1993;
 - any other matter for which approval is required by law, including under the relevant legislation or POAL's constitution.
- 4.4.2 The board of POAL, or management on its behalf, shall confer with council before the board of POAL makes any material changes in relation to its infrastructure,

investments or strategic direction from those set out in POAL's business plans (including POAL's 5-Year Business Plan and 30-Year Port Plan) as approved from time to time by the POAL board.

- 4.4.3 Council shall confer with the board of POAL, or management on its behalf, before council makes:
- any material decisions in relation to significant infrastructure or other developments which may have a material impact on POAL's current or future operations or capital requirements;
 - any change to any policies or processes of council which relate to the matters as referred to in this memorandum.

4.5 Board composition and appointments

The parties note that council is required by s 57 of the Local Government Act 2002 to adopt a policy in relation to the appointment of directors of council organisations. The process for the appointment of directors to POAL's board will be contained in council's Board Appointment and Remuneration Policy, as set out in Annex A of this memorandum.

4.6 Monitoring, liaison, reporting and disclosure of information

Communications between council and POAL that relate to monitoring, liaison, reporting and the disclosure of information are set out at Annex B of this memorandum. The following elements are applicable:

- 4.6.1 Council's chief executive will establish a function which will act as the principal liaison point with POAL on the matters addressed in this memorandum including governance, monitoring, reporting, and the provision of information between both entities.
- 4.6.2 POAL will establish a reciprocal function within its executive management which will act as the principal liaison point with council on the matters addressed in this memorandum including governance, monitoring, reporting and the provision of information between both entities.
- 4.6.3 The Mayor and the chair of the POAL board, and the chief executives of both entities, respectively, shall have a direct channel of communication and meet formally at least quarterly each year.
- 4.6.4 The operation and effectiveness of the governance relationship between council and POAL (including the operation of this memorandum) shall be reviewed and discussed annually by the chief executives of both entities, and by the Mayor and the chair of the POAL board, respectively.
- 4.6.5 POAL shall provide half yearly and annual reports to council on the matters and within the timeframes specified in the Port Companies Act 1988, and as otherwise agreed between POAL and council. Such reports shall be addressed to the Mayor through the chief executive. Council and POAL shall also agree on arrangements

whereby POAL can provide periodically, and at least annually, a briefing to the Governing Body or appropriate Committee of the Whole of council.

- 4.6.6 POAL shall also provide any such other information to council as required under legislation or as council may reasonably request in its role as shareholder, unless such information is:

- ordinarily considered to be commercially sensitive, and to disclose it would prejudice POAL's legal or commercial position;
- operational in nature or otherwise outside of the scope of information that may be required by a shareholder for governance purposes.

- 4.6.7 No confidential material shall be disclosed to any person who is not authorised to receive it, whether within or outside of council or POAL.

- 4.6.8 Both council and POAL will operate on a 'no surprises' basis with each other and endeavour to:

- inform one another prior to any significant decisions being made public, or the occurrence of any event that could be reasonably anticipated to have a high level of public interest.
- provide one another with a copy of any media releases that relate to POAL, or activities of the council group that may have a bearing on POAL, prior to release.

- 4.6.9 The parties note that that any information that falls within this 'no surprises policy' shall be provided in accordance with Annex B of this memorandum, and that in any event the 'no surprises' policy does not require the disclosure of any information where such disclosure would be in breach of any legal or contractual obligation.

5. Dispute Resolution

- 5.1 Council and POAL agree that any differences of view or disputes between them should be addressed frankly and constructively between the parties, and in the first instance, between the executive management of both parties.
- 5.2 If either party identifies a matter that requires escalation it shall be referred to the chief executives of both entities for discussion between them, and then at the request of either chief executive, to the Mayor and chair of the POAL board for discussion.
- 5.3 While nothing in this memorandum restricts the legal rights of either party, both council and POAL note the desire to resolve disputes through discussion, or if necessary through mediation, without recourse to litigation.

6. Status of Memorandum of Understanding

- 6.1 This memorandum is not legally binding, although the parties may agree that protocols or arrangements in respect of any matter will be.
- 6.2 This memorandum, and any action under it, is subject to all applicable laws.
- 6.3 Any variation or termination of this memorandum shall require the approval of both parties.

ANNEX A – Board Appointment and Remuneration Policy

Part X: Ports of Auckland Limited

Part X of this policy applies to the board of Ports of Auckland Limited (POAL), a council organisation which is a port company under the Port Companies Act 1988.

X.1 Eligibility for Appointment

X.1.1 Appointment of elected members of Auckland Council

Elected members of Auckland Council will not be appointed to the board.

X.1.2 Appointment of Auckland Council staff

Staff of Auckland Council will not be appointed to the board.

X.2 Responsibility for Making Appointments

Appointments to the board are made by the Ports of Auckland Limited Appointment Panel (POALAP) under delegation from the Governing Body of Auckland Council.

The POALAP comprises:

- Mayor of Auckland Council, acting as the chair of POALAP
- Chief Executive of Auckland Council (or representative)
- Chair of the board of POAL

A report of any appointments or reappointments made by POALAP to the board will be provided to the Appointments, Performance Review and Value for Money Committee of Auckland Council.

X.3 Reappointments

Where a board member is due to retire under POAL's constitution and is eligible for reappointment to the board and the board supports that reappointment, the chair of the board shall advise the chair of POALAP accordingly, and POALAP shall decide whether to make that reappointment.

X.4 New Appointments

Appointments to the board that are not reappointments will be made in accordance with POAL's constitution and the following process:

X.4.1 Board member competencies, skills and knowledge

Once a vacancy has been established, the chair of the board and the Mayor will confer on and agree the skills, knowledge and experience required for that particular appointment. This may involve a consideration of the current composition of the board and a strategic review of future skill requirements.

X.4.2 Candidate search

The board will then appoint a specialist board appointment firm to facilitate the appointment process in accordance with this policy and a high standard board selection process.

X.4.3 Screening and shortlisting

The firm will provide the board with a long list of prospective candidates, having advertised for candidates and having searched the council's register of candidates. The long list will include any names of persons put forward for inclusion by either the Mayor or the chair of the board.

The chair of the board will advise the chair of POALAP of the names and relevant details of the persons on that long list and the chair of POALAP will advise the chair of the board if any person named on that long list is likely to be unacceptable to POALAP for appointment, and that person's name will be removed from the long list.

A committee of the board will from that long list prepare a shortlist for the position (normally of three to four candidates), to be interviewed by the board. The chair of the board will advise the chair of POALAP of the names and relevant details of the persons on that shortlist and the chair of POALAP will advise the chair of the board if any person named on that shortlist is likely to be unacceptable to POALAP for appointment, and that person's name will be removed from the shortlist.

X.4.4 Interviewing and assessment of candidates

The board will interview the shortlisted candidates and perform reference and other checks consistent with good practice. The board will then recommend to POALAP its nominated candidate for appointment. POALAP will then decide whether to make the appointment, noting that POALAP may interview the nominated candidate if necessary.

Should POALAP decide not to appoint the nominated candidate, the board will decide whether to nominate another candidate drawn from the shortlist, prepare another shortlist, or recommence the selection process.

X.4.5 Deputy chair alternate

Should the vacancy be the role of the chair of the board, then the deputy chair of the board shall act in the role of the chair under this policy.

X.5 Consent and Conflicts of Interest

Prior to being interviewed for a position on the board, candidates will be required to complete a consent form and declare any relevant interests, so that the potential for a conflict of interest can be assessed. In considering any appointment or reappointment to the board, POALAP will take into consideration a candidate's existing directorships, and any other potential conflicts of interest. Where a potential conflict of interest has been identified, POALAP needs to be confident that:

- the candidate will be able to make an effective contribution, even if their interest means that they cannot participate in an activity of POAL that relates to a

particular matter; and/or

- measures can be put in place to manage the conflict

X.6 Removal of Board Members

Board members may at any time be removed from office by ordinary resolution or written notice as set out in POAL's constitution.

X.7 Remuneration

X.7.1 Remuneration benchmarking

Within four months of an election, or such other period as the council and the board agree, the board will advise the Appointments, Performance Review and Value for Money Committee of Auckland Council as to the total remuneration the board recommends be payable to all board members for the period that is the subject of the recommendation. The advice will be based on a remuneration benchmarking exercise undertaken by the board in conjunction with an external consultancy.

X.7.2 Approval of remuneration

The total remuneration of board members for that period will then be determined by the Appointments, Performance Review and Value for Money Committee under delegation from the Governing Body of Auckland Council. That amount shall be the amount of the monetary sum payable to all the board members to be approved for that period, by council as shareholder in accordance with the constitution of POAL. The board acting under the constitution of POAL will then determine the amount of remuneration payable to each board member.

X.8 Appointment of Chair and Deputy Chair

Under the constitution of POAL, the board elects the chairperson and deputy chairperson of the board. The chair (or in the case of election of the chair, the deputy chair) of the board will confer with POALAP as to the person the board is minded to elect to such position.

X.9 Board Corporate Governance Statement and Charter

Each board member shall be subject to the Corporate Governance Statement and Charter of the board, as approved by the board from time to time.

X.10 Board Review

Each year the chair of the board shall provide POALAP with a report by the board summarising the annual review of its performance. It is noted that every second year this review is conducted for the board by an external provider with experience in undertaking such reviews.

Draft for Approval in Principle (Confidential)

1 May 2018

Annex B – Monitoring, Liaison, Reporting and Disclosure of Information – Communication Schedule

Part One – Specific matters

Aspect	Mandate	Relevant Dates	Points of Contact
1. Statement of Corporate Intent (SCI) - Prepared annually for FY plus two following FYs - Confidential until made public	Port Companies Act 1988	- Draft issued by POAL by 30 June - Council comments provided by 31 July - Final issued by POAL by 31 August - Aligned with CCO annual shareholder meeting process	- SCI issued to CCO Governance team ¹ - SCI reviewed by Finance and Performance Committee
2. Annual Shareholder Meeting - Covers financial performance of POAL, governance, strategic and topical issues - Formal shareholder resolutions - Confidential	SCI		- CCO Governance team and POAL Management to confer on arrangements - Presentation by POAL officers to Finance and Performance Committee
4. Annual Report - Performance commentary - Income statement - Balance sheet - Cash flow statement - Statement of changes in equity - Notes to the financial statements - Performance against the SCI KPTs - Salary band table - Auditor's report - Mix of public and confidential	Port Companies Act 1988	- Within 3 months of the end of the financial year (by 30 September)	- Distributed by POAL Management to Financial Planning and Financial Control
3. Half Yearly Reports - Performance commentary - Income statement - Balance sheet - Cash flow statement - Statement of changes in equity - Notes to the financial statements - Performance against SCI KPTs - Mix of public and confidential	Port Companies Act 1988	- Within 7 weeks of the end of the first half of year (by 18 February)	- Distributed by POAL Management team to Financial Planning and Financial Control
5. Quarterly Reports <i>New format to be agreed</i> - Financial update showing progress against budget - Progress towards SCI KPTs - Commentary on progress on key issues affecting	SCI	- Within 5 weeks of the end of the quarter	- Distributed by POAL Management to Financial Planning

¹ Auckland Council Council-controlled Organisation Governance and External Partnerships team

1 May 2018

Draft for Approval in Principle (Confidential)

Aspect	Mandate	Relevant Dates	Points of Contact
or likely to affect business - Significant events during the quarter - Confidential			
6. POAL letter of representation and going concern email	Council requirement	- As per half year and full year end timetable - 2 weeks after end of each quarter	- Letter signed by POAL CEO and CFO - Emailed by POAL Management to Financial Planning - Provided by POAL Management to Financial Control
7. Financial Reporting Pack - As per current and future agreed formats - Confidential	Council requirement		
8. Long-term Plan (10 years) / Annual Budget (i) Early awareness of any material financial matters that may impact the future budgets. In a LTP year, a draft 10 year and 30 year budget may be required (ii) 10-year financial plan (will include 30 years in LTP year) higher level than the quarterly financial pack. Will include year-end forecast position (iii) More detailed budget for upcoming year and will be phased - Confidential (public disclosures will be aggregated to maintain commercial sensitivity unless publicly available elsewhere)	Council requirement	- October/November: Early awareness (i) - February: 10 year financial plan (ii) - June: Detailed budget (iii)	- Provided by POAL Management to Financial Planning
9. Inter-entity transactions (within council group) - Confidential	Council requirement	- Quarterly	- Detail of transactions provided by POAL to Financial Control
10. Register of accounting policies - Not confidential	Council requirement	- Twice a year	- Register provided by POAL Management to Financial Control
11. Any material acquisitions, disposals or other changes by POAL which affect council's accounting or financial reporting treatment or obligations in relation to POAL - Confidential	Council requirement	- When POAL decision making is being progressed	- POAL Finance will confer with Financial Planning on any impact on council's accounting and reporting requirements
12. Annual tax return	IRD requirement	- Around October	- Tax return data provided by POAL's Finance team to Financial Control
13. Annual tax subvention payment - Council, Watercare and POAL agree the amount of tax subvention payment for budgeting purposes	Council group requirement	- February (to align with Annual Budget process)	- Respective council, POAL and Watercare staff
14. Other shareholder approvals	- Companies Act 1993 - Port Companies Act 1988 - POAL constitution - any other relevant legislation	- As required	- POAL Management to liaise with CCO Governance

Draft for Approval in Principle (Confidential)

1 May 2018

Aspect	Mandate	Relevant Dates	Points of Contact
15. Council's 'continuous disclosure' and other obligations in relation to its issued securities	- Council's legal, contractual and NZX obligations for its issued securities	- As required	- Financial Control to advise POAL Management of materiality thresholds, information and certification requirements and time frames - POAL Management team to notify Financial Control accordingly
16. One-off public and 'no-surprises' issues, including media releases Each party to endeavour to: - Inform one another prior to any significant decisions being made public or the occurrence of any event that could reasonably be anticipated to have a high level of public interest - provide each other with copy of any media releases relating to or which may have a bearing on POAL prior to publication - Confidential	MOU	- As required	- Information provided by POAL Communications Team to Mayoral Office and Communications Team and vice versa
17. Any material changes by POAL in relation to any acquisition of shares or investment in joint venture, significant asset or investment disposal, or any proposed capital expenditure not previously advised - Confidential	SCI/MOU	- Conferral as per SCI/MOU requirements	- Financial Control, with conferral to Financial Planning on any impact on council's accounting and reporting requirements.
18. Any material decisions by Auckland Council in relation to: - significant infrastructure or other developments which may have a material impact on POAL's current or future operations or capital requirements - any change to any policies or processes of Council which relate to matters referred to in MOU	MOU	- Prior to decisions being made	- CCO Governance to confer with POAL Management

Draft for Approval in Principle (Confidential)

1 May 2018

Part Two – Other information requests made by Auckland Council to POAL

- Any request by council for information must be made to POAL Management by the CCO Governance team. CCO Governance will review any request originating within council and consider its appropriateness before deciding whether to send it to POAL Management. A request must be in writing, must include from whom in council the request has come from (name and title), the reason for the request and its urgency (including any deadlines) and be sent to a specified POAL email inbox. Urgent requests should also be brought to POAL's attention with a telephone call.
- Information requests made by council but not from the CCO Governance team will not be answered but will be referred to the CCO Governance team.
- Information requests received by POAL will be reviewed for adherence to the memorandum of understanding principles before a response is made. If the information request is denied then a reason will be provided (e.g. if such information requested is commercially sensitive).
- POAL will make reasonable efforts to provide a timely response, based on the urgency of the request.
- POAL will note whether the information is confidential or not, and any terms that are attached to its release.
- Any confidential information held by the CCO Governance team will be managed by that team with respect to further distribution within council. The CCO Governance team will escalate any matter to the chief executive, if required.

11

Draft for Approval in Principle (Confidential)

11 May 2018

Proposed Relationship Principles between Auckland Council and Auckland International Airport Limited

1. Purpose

This relationship principles document sets out the nature of the relationship between Auckland Council and Auckland International Airport Limited.

2. Context

The following context underpins council's role as a shareholder in respect of AIAL:

- 2.1 AIAL is a publicly listed company, subject to NZX continuous disclosure requirements.
- 2.2 Council currently has a 22.3% shareholding in AIAL.

3. Objectives

The objectives of council in its relationship with AIAL are to:

- 3.1 ensure an optimal commercial return from council's investment in AIAL.
- 3.2 observe appropriate shareholder governance practice proportionate to council's minority shareholding in AIAL.

4. Monitoring, Liaison and the Disclosure of Information

Communication between council and AIAL is set out as follows:

Aspect	Nature of Information	Point of Contact
4.1 Financial Reporting Requirements	<ul style="list-style-type: none"> Financial results information provided to council around 20 February / 20 August annually Discussions between council and AIAL regarding timing and delivering of financial information to coordinate with council reporting Information is confidential until reported to the NZX by no later than 28 February / 30 August annually for half year / preliminary announcement to NZX by AIAL 	<ul style="list-style-type: none"> AIAL and council Financial Control teams Expertise from council legal team, as required Oversight by AIAL and council CFOs, if required
4.2 Dividend and Shareholder Actions	<ul style="list-style-type: none"> Voting at AGMs Voting on director appointments Decisions on dividend reinvestment plan and rights matters Receipt of interim and final dividend Other corporate actions, as required 	<ul style="list-style-type: none"> Council treasury and AIAL Financial Control Expertise from council legal and governance teams, as required Oversight by AIAL and council CFOs, if required
4.3 Annual Engagement	<ul style="list-style-type: none"> Annual meeting with council executive team on AIAL activity Annual meeting with Mayor, Deputy Mayor and Committee of Whole Chairs on AIAL activity 	<ul style="list-style-type: none"> Council governance team to liaise with AIAL strategy team Oversight from AIAL and council CEs, if required
4.4 No Surprises	<ul style="list-style-type: none"> Council and AIAL to operate on 'no surprises' basis and inform one another on matters of interest 	<ul style="list-style-type: none"> Council Mayor's Office and CE of council, CE of AIAL

5. Status of Relationship Principles Document

- 5.1 This relationship principles document is not legally binding.
- 5.2 This relationship principles document, and any action under it, is subject to all applicable laws.

Appendix C: Analysis of Proposal to Disestablish Auckland Council Investments Limited

	Proposal: Disestablishment of ACIL with shares in AIAL and POAL transferred to council parent	Status Quo: retain ACIL with shareholding in AIAL and POAL
(i) Enhance the ability to engage with POAL on planning and strategic matters	<ul style="list-style-type: none"> Direct oversight of POAL's capex programme which may be advantageous going forward in light of increasing constraints on debt funded capex across the council group. More effective flow of information between POAL and council. Enable POAL and council to better engage in joint planning where it is mutually beneficial, extending to environmental and land use considerations. Better understanding of POAL's business through direct reporting to governing body or appropriate committee. Easier implementation of any future port study outcomes or broader government port strategy developments over time. Direct ownership of POAL by council would bring POAL more proximate to political decision making, which could result in a negative perception of POAL by customers and may result in less certainty for POAL customers in respect of POAL's long term planning and strategic direction. 	<ul style="list-style-type: none"> There is not a free flow of information between POAL and council through ACIL, and the potential benefits from closer collaboration between POAL and the wider council group may not be realised within this configuration. The current configuration means that council does not have direct oversight of POAL's capex programme which has the potential to negatively impact the council group's capex which is already constrained. The additional layer of governance through ACIL adds a potential conflict where the views of ACIL might differ from those of council on specific issues. Observed disadvantage from a practical perspective is that the distance created between council and POAL through ACIL makes it more difficult to achieve alignment of planning and strategic matters. It is noted that a good level of collaboration was achieved through the recent POAL 30 year masterplan process, reported through Planning Committee on 7 May 2018.
(ii) Ensure an optimal commercial return from the investments in AIAL and POAL	<ul style="list-style-type: none"> The proximity of political decision making to POAL may negatively impact the customer perception of POAL. This could result in POAL's customers preferring alternative port operations for business purposes, which could result in a lower dividend from POAL being returned to council. S 6(1)(b) of the Port Companies Act 1988 allows up to two members or employees of a regional council to be appointed to a port board, which could diminish the customer perception of POAL. The MoU between council and POAL states that council staff or employees will not be appointed to the POAL board and mitigates this aspect. Ownership of POAL by council may cause prospective directors to be less attracted to the role of being a director on the POAL board, and may cause existing directors to reconsider their role on the board. This could negatively impact POAL's commercial return to council. The MoU agreed between council and POAL will provide an effective framework for the governance relationship between council and POAL and will preserve POAL's capacity to operate successfully and provide an optimal commercial return to council. The shares in AIAL would be held by council's treasury, which has expertise to manage the shareholding in such a way to achieve an optimal commercial return. 	<ul style="list-style-type: none"> The role of ACIL as a holding company allows distance between council and POAL which is conducive to POAL in fulfilling its legislative mandate to operate as a successful business under s 5 of the PCA 1988. ACIL provides POAL with stable commercial ownership that takes a medium to long term view of the ownership and investment in POAL. This is consistent with the long-term investment horizon of a port business and enables POAL to fulfil its legislative mandate to operate as a successful business. It is considered that a commercial holding company such as ACIL mitigates the potential conflict between shorter term political decision making and a long term commercial focus that is desirable for port companies such as POAL. Further to the above points, retention of the current structure would provide continuity and certainty to POAL and its customers. This means that the dividend returned to council by POAL would be unlikely to be adversely impacted due to any perceived uncertainty in POAL's operating environment.
(iii) Reduce council group costs	<ul style="list-style-type: none"> Cost savings through disestablishment as ACIL's opex of approx. \$1.1 m would be retained. Incremental savings achieved through the involvement of POAL in group processes such as group procurement and insurance. 	<ul style="list-style-type: none"> No cost saving in terms of ACIL's opex. Options to achieve savings within the current structure could be explored, however these are unlikely to be significant. Current ownership structure does not preclude POAL from being involved in group processes. However, this is not currently being achieved.

Proposal for One Local Initiatives

File No.: CP2018/08549

Item 10

Te take mō te pūrongo / Purpose of the report

1. To set out the proposal for progressing One Local Initiatives (OLIs) through the final (Long-term Plan) 10-year Budget 2018-28 for consideration and decisions by the Finance and Performance Committee.

Whakarāpopototanga matua / Executive summary

2. The OLI process was initiated last year in order to improve the local board advocacy process. Local boards worked hard to identify a single priority advocacy initiative, and staff provided comprehensive advice on these initiatives last year.
3. There was no guarantee of funding. Rather, the process was designed to give local board projects a better opportunity to be progressed through investigation, business cases and to be considered for funding.
4. An amount of \$200m was provisioned in the draft 10-year Budget 2018-2028 to provide additional financial capacity over and above existing budgets to progress the OLIs. The initiatives largely received strong public support in consultation. The Finance and Performance Committee has indicated strong support for these priority local initiatives.
5. All OLIs are proposed to be progressed through the 10-year Budget 2018-2028, with funding either allocated or earmarked for allocation in a subsequent annual plan process, or through resolutions of the Finance and Performance Committee.
6. A number of projects are more appropriately addressed through transport (five OLIs) or regional funding decisions (six OLIs), and the funding of these projects is covered by other reports on this agenda.
7. It is proposed that \$170m of funds be included in the 10-year Budget 2018-2028 for the ten local community OLIs. This amount includes \$150m of the \$200m provisioned in the draft 10-year Budget to provide additional financial capacity to progress the OLIs, and \$20m from existing budgets. The \$50m balance of the \$200m is proposed to be allocated to help fund the sub-regional OLIs.
8. Of the ten OLIs that are local in nature, it is proposed that specific OLI funding be allocated to three OLIs, and that OLI funding be earmarked for allocation following confirmation of scope, estimated costs, and timing to the remaining seven OLIs.
9. The 10-year Budget 2018-2028 provides more funding overall for local projects. Over and above the allocation and provisioning for OLIs, an additional \$200m is budgeted for renewals, along with more funding for growth. Together, these and other budgets will provide each local board area with a capital work programme that progresses important local priorities and outcomes faster than would otherwise have been the case.
10. Auckland Council has not run an OLI process before. The Deputy Chair of the Finance and Performance Committee and I would like to thank the local boards for their efforts to identify a single priority advocacy initiative, and the Finance and Performance Committee members for their willingness to support this process. This has helped ensure the local board's highest priority initiatives can be progressed.

Ngā tūtohunga / Recommendation

That the Finance and Performance Committee:

- a) agree to recommend to the Governing Body in respect of the final long-term plan 2018-2028 (10-year Budget 2018-2028) the following:
 - i) note that the transport-related OLIs are funded by other budgets: Devonport-Takapuna, Orākei, Papakura, and the transport components of Waiheke are funded in the Regional Land Transport Plan, and the Maungakiekie-Tāmaki and non-transport components of Waiheke could be self-funding, with OLI funding earmarked as a back-up if needed.
 - ii) note that the sub-regional OLIs (Franklin, Henderson-Massey, Howick, Ōtara-Papatoetoe, Upper Harbour, and Whau) are recommended to be allocated funding, or earmarked funding from development and other regional budgets
 - iii) agree that \$170m of funding be included in the 10-year Budget for local community OLIs, with this funding to be allocated or earmarked as set out in the staff advice in Attachment A of the agenda report.

Horopaki / Context

11. The staff report at Attachment A sets out the context for the OLIs.

Tātaritanga me ngā tohutohu / Analysis and advice

12. The staff report at Attachment A sets out the Analysis and advice.

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

13. Local board views on the OLIs and other matters related to the 10-year Budget 2018-2028 are the subject of a separate report on the 10-year Budget 2018-2028. The boards presented these views to the Finance and Performance Committee on 16 and 17 May 2018.
14. Many local boards expressed a strong preference to see their OLI progressed faster than the timeframes set out in these recommendations. Some boards also questioned the need for further work on business cases, investigations and feasibility studies.

Tauākī whakaaweawe Māori / Māori impact statement

15. The OLIs will provide benefits to local communities including Māori. No significant impacts specific to Māori have been identified. Specific opportunities for engagement with mana whenua were included as part of the 10-year Budget process.

Ngā ritenga ā-pūtea / Financial implications

16. The staff advice is that these recommendations are affordable assuming the following:
 - the Regional Fuel Tax proposal is approved and implemented
 - the proposed sport and recreation fund is approved and external funding is secured as envisaged
 - an additional \$25m of capital funding for recreational and aquatic facilities is approved
 - local boards commit allocation of Local Discretionary Initiative (LDI) funding where indicated.
17. If the funding for the OLIs was brought forward in line with local board preferences, this might require \$30-50 million of additional expenditure in the first three years of the 10-year Budget.

18. Aside from any affordability issues staff advice is that it may not be practical nor prudent to attempt to deliver all of these projects under an accelerated timeline. The reality is that the council is facing internal and external capacity constraints that may make faster delivery infeasible. In addition, skipping important steps in the business case or investigation phase can often lead to bigger problems later on. Doing so might also result in lost opportunities for accessing third party funding, leading to less value for money for ratepayers.



Ngā raru tūpono / Risks

19. The staff advice is that the key risks for each initiative are best addressed through appropriate business case and investigation work.

Ngā koringa ā-muri / Next steps

20. Should the Governing Body approve the recommendations set out in this report, allocated funding lines will be included as specific items in the 10-year Budget 2018-2028. The remaining part of the \$170 million of funding for the local discretionary OLIs will be held in a ring-fenced line with earmarked funding allocated to specific funding items as the relevant conditions are fulfilled.

Ngā tāpirihanga / Attachments

No.	Title	Page
A  	Proposal for One Local Initiatives	141

Ngā kaihaina / Signatories

Author	Cr Ross Clow, Chairperson of the Finance and Performance Committee
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Proposal for One Local Initiatives

10-Year Budget 2018-2028

Staff advice on OLIs



Introduction

Local boards have a wide ranging and important role in making local decisions and place making, and providing their local community views in regional strategies, policies and plans. In this long-term plan (10-year Budget 2018-2028), local boards have been asked to identify one key initiative that is the priority in their area for funding, beyond what the local boards can fund within their own local board budgets.

This proposal provides recommendations for progressing the local board priority One Local Initiatives (OLIs) in the 10-year Budget 2018-2028.

Summary

The OLI process was initiated last year in order to improve the local board advocacy process. Local boards worked hard to identify a single priority advocacy initiative,

and staff provided comprehensive advice on these initiatives last year. An amount of \$200m was provisioned in the draft 10-year Budget to provide additional financial capacity over and above existing budgets to progress the OLIs, and the initiatives largely received strong public support in consultation. The Finance and Performance Committee has also indicated strong support for these priority local initiatives.

Subsequent to the OLI work being completed leading up to the draft 10-year Budget, cost estimates for some OLIs have increased, principally due to inflation costs based on expected delivery dates. The estimated cost of the combined OLIs exceeds the \$200m additional funding capacity to help progress the OLIs in the draft 10-year Budget, however there was some existing budget and a number of potential other funding sources. In addition, a number of these projects are more appropriately addressed through transport (five OLIs) or regional funding decisions (six OLIs), and the funding of these projects is covered by other reports on this agenda. This report focuses on the remaining OLIs that are local in nature.

Staff proposed a staged approach to OLIs where those OLIs that were ready for delivery be allocated funding, and OLIs that needed more work were approved in principle, while scope, estimated costs, timing and appropriate funding sources were determined. Local boards were advised of proposed next steps for their OLIs, and provided clear feedback that they would like to see more projects allocated funding or business cases brought forward.

It is proposed that \$170m of funds be included in the 10-year Budget 2018-2028 for the ten local community OLIs. For projects that are more advanced, and have clearly defined scope, it is proposed that estimated budget for those OLIs is allocated in full. For OLIs where further work is required to better understand, scope, costs, other potential funding sources, or timing, staff propose that budget be earmarked for allocation following the completion of business cases. This is a prudent approach, enabling other funding sources to be potentially unlocked.

Of the ten OLIs covered by this report, it is proposed that specific OLI funding be allocated to three OLIs, and that OLI funding be earmarked for allocation following confirmation of scope, estimated costs, and timing to the remaining seven OLIs.

Background

OLI development

The OLI process was initiated last year in order to improve the local board advocacy process, including providing more comprehensive advice on local board advocacy projects. Whilst there was no guarantee of funding, the process was designed to give

local board projects a better opportunity to be progressed through investigation, business cases and to be considered for funding.

Each local board worked hard to prioritise just one key advocacy initiative, the highest priority for their local board area.

A cross-council team coordinated quality advice covering:

- Case for change (why the investment is needed, alignment with existing council policy and plans, outcomes sought)
- Options (three to four options including status quo, which option is best value for money)
- Financial case (is the preferred option fundable and affordable, when is the bulk of the money needed, what year/s, based on readiness, population projections etc)
- Stage (providing an indicator of where in the life cycle the initiative is and level of confidence in the cost estimates).

Based on this advice, some boards modified their initiatives, and then all initiatives were presented to the Finance and Performance Committee on 2 November 2017.

Consultation

Most local boards consulted on their OLI as part of consultation on the 10-year Budget, and the draft 10-year Budget allocated an additional \$200m over and above existing budgets to help progress the OLIs.

The OLIs largely received strong public support, with an average of around 65 per cent favourable support where OLIs were specifically consulted on. The Finance and Performance Committee have also indicated high support for these priority local initiatives.

Post-consultation decision-making process

Subsequent to the draft 10-year budget 2018-2028, staff have undertaken further assessment of the OLI programme. Costs estimates have increased, principally due to inflation costs based on expected delivery dates, and refinement in scope in a few cases.

For projects that are more advanced, and have clearly defined scope, staff propose that estimated budget for those OLIs is allocated in full. For OLIs where further work is required to better understand, scope, costs, other potential funding sources, or timing, staff propose that budget be earmarked for allocation following the completion of business cases. This is a prudent approach, enabling other funding sources to be potentially unlocked.

In order to progress all OLIs, other funding sources have been identified that could be used to fully or partly fund the OLIs as a priority, including the proposed regional fuel tax, development contributions for growth related projects, unallocated development funding, and some local boards had suggested allocating some LDI or their local transport capital fund allocation.

Earlier this month, staff provided advice on where each local board OLI fitted in the above process, and expected timing and actions to be taken. A memo was sent to each local board and the relevant ward councillor/s on how it was proposed to progress each OLI.

The Finance and Performance Committee workshopped the proposed next steps on the OLIs, and heard views from local boards on the proposed next steps. General feedback from local boards included views that some projects that had been allocated funding for a business case were ready for delivery and should be allocated funding for project delivery, and that the proposed timing for project delivery or business case development should be brought forward for some other projects. Local boards also raised some specific concerns with particular projects.

In response to this feedback, staff developed a revised proposal to progress each OLI.

Proposal for allocating funding for OLIs

The revised approach allocates more funding from other sources to some OLIs, and earmarks and protects OLI funding for those OLIs that need more work. The approach is staggered given resource and market capacity, and the early stage of some projects. More certainty of funding is provided, alongside a pragmatic approach to funding and delivery of OLIs.

This proposal splits the OLIs into three categories:

- Transport-related projects (funded in the Regional Land Transport Plan (RLTP), the majority under the proposed Regional Fuel Tax Proposal, which explicitly considered local priorities in its development, or are self-funding)
- Projects or initiatives that are sub-regional in nature
- All remaining projects/initiatives, which are local discretionary in nature.

Alternative funding sources include unallocated growth and development funding, the RLTP, and the proposed sport and recreation facilities investment fund. The key benefit of this approach is that projects are funded by budgets that are most appropriate for the type of project.

The transport and sub-regional/network priorities have funding from other sources and do not require OLI funding at this stage.

Transport-related initiatives

The transport-related OLIs have been allocated funding in the RLTP. The Papakura train station park and ride is funded in the RLTP, and Auckland Transport is working on the bus interchange component that could be funded by the public infrastructure budget or private investment.

The Devonport-Takapuna, Orākei, Papakura, and transport components of the Waiheke OLIs are proposed to be funded by the Regional Fuel Tax, which specifically considered local priorities including OLIs in the development of the proposal.

The Maungakiekie-Tāmaki Local Board and non-transport components of the Waiheke Local Board OLIs have the potential to be self-funding, and as such this option will be investigated. The OLI funding remains as a back-up if required.

Sub-regional community initiatives

Some of the OLIs are sub-regional in nature, and in addition are network priorities, and would require regional funding whether or not they were in the OLI process (Howick, Whau, and land acquisition for Henderson-Massey, with the pool at a later stage). Other reports on this agenda seek additional funding to ensure these network priorities are able to be budgeted in outer years.

Others of the sub-regional OLIs are prime candidates for funding sources such as leveraging the proposed sport and recreation facilities investment fund (Franklin and Upper Harbour).

Allocation of the sport and recreation facilities investment fund will be guided by the Sport and Recreation Investment Policy and partnership decisions by the Facilities Partnership Policy, both in draft and to be reported in July 2018.

The Ōtara-Papatoetoe OLI seeks debt-relief in respect of a sub-regional facility, Colin Dale Motorsport park. It is proposed to forgive the remaining debt of \$1.4m immediately, and reinstate the board's LDI opex by \$280k annually for allocation to projects in their community.

As with the transport-related initiatives, the OLI budget remains a back-up for these initiatives if required.

Local community OLIs


This leaves ten OLIs to be funded by OLI funding, all of which are local in nature. There is sufficient funding available within the proposed OLI and other budgets to cover these. A pragmatic approach to these OLIs is proposed to be taken to provide certainty of funding, but still manage risks.

Three OLIs (Great Barrier, Hibiscus and Bays (northern end) and Māngere-Ōtāhuhu) are proposed to be allocated funding in the 10-year Budget (2018-2028), with the remaining seven to have funding earmarked from the OLI or other budgets, subject to further work that needs to be undertaken.

Business cases, planning and design work that are associated with projects proposed to be funded by the OLI budget, will also be funded by the OLI budget. Business cases, planning and design work that are associated with projects proposed to be funded by other sources, will be funded by those sources.

Earmarked funding will be allocated via subsequent annual plan processes or via approval from the Finance and Performance Committee following a report and recommendation.


Great Barrier Island: support and funding for sustainability projects

Estimated costs:	\$m	Project Timing:
Total Cost	0.3	
Other funding	-	
Net required	0.3	

Rationale and recommendation:

- Delivers on council's sustainability goals and reduces council's energy costs
- Allocate \$0.3m from OLI funding to replace and upgrade council's solar energy system, introduce a PHEV (plug-in hybrid electric vehicle) with associated charging infrastructure.
- Progress procurement and delivery of work in FY19.

Hibiscus and Bays: Orewa beach erosion prevention work

Estimated costs:	\$m	Project Timing:
Total Cost	18	
Other funding	-	
Net required	18	

Rationale and recommendation:

- Beach classified as a high priority coastal area which requires a solution to protect the public amenities from erosion

- Integrated solution to be designed for the whole of Orewa beach with staged approach to delivery
- Allocate \$8.9m for the northern end current proposed design in FY20
- Allocate \$100k OLI funding to progress indicative business case in FY20 to confirm scope, estimated costs and timing of integrated solution for the whole of Orewa Beach
- Earmark OLI funding for delivery in FY20-24, subject to scope, estimated costs and timing in indicative business case.

Māngere-Ōtāhuhu: Mangere East precinct – Walter Massey Park

Estimated costs:	\$m	Project Timing:
Total Cost	6.8	
Funding allocated	1.5	
Net required	5.3	

Rationale and recommendation:

- Delivers on community place shaping and safety outcomes
- Allocate OLI funding for the Mangere East precinct and Walter Massey Park programme
- Prepare acquisition assessment to achieve improved park access in FY19
- Acquisition of land in FY20
- Review and refine Walter Massey Park concept plan FY20, and delivery of projects to improve access and connectivity of the Mangere East precinct and Walter Massey Park.

Albert Eden: Chamberlain Park reconfiguration (subject to outcome of current judicial review)

Estimated costs:	\$m	Project Timing:
Total Cost	22	
Other funding	8.2	
Net required	13.8	

Rationale and recommendation:

- Progresses delivery of the approved Chamberlain Master Plan which supports increased diversity of uses within the park to help meet the needs of growth in surrounding area

- Staged approach to delivery - Stage 1: Neighbourhood park, enhanced cycling and walking route, and stream restoration; Stage 2: Golf course reconfiguration, sports field and recreational facilities
- Allocate \$8.2m to progress Stage 1 and commence part of Stage 2 (sports fields and course reconfiguration)
- Allocate \$100k OLI funding to progress indicative business case for stage 2 in FY20
- Earmark OLI funding for detailed design and consenting in FY21-22 and delivery in FY23-24, subject to confirmation of scope, estimated costs, potential other funding sources and timing in business case.

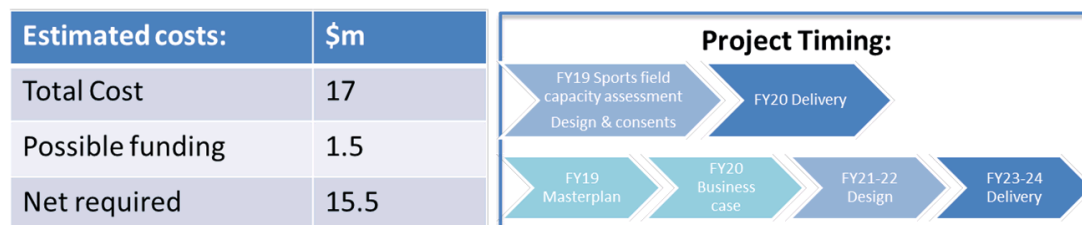
Kaipātiki: Birkenhead War memorial masterplan and development

Estimated costs:	\$m	Project Timing:
Total Cost	22	
Funding allocated	8	
Net required	14	

Rationale and recommendation:

- Redevelopment and enhancement of existing community facilities to avoid reduction in level of service
- Allocate funding for the demolition of the grandstand in FY19
- Complete masterplan (currently in progress) in FY19
- Allocate \$100k OLI funding for indicative business case for priority projects identified in the masterplan in FY20
- Earmark OLI funding for redevelopment, subject to confirmation of scope, estimated costs, potential other funding sources and timing in business case
- Complete detailed design and seek necessary resource consents to deliver priority projects identified in the masterplan in FY21.

Manurewa: Manurewa War Memorial Park redevelopment including a multipurpose facility and upgrade sportsfields



Rationale and recommendation:

- Addresses community asset need and identified shortfall in sports field capacity
- Stage 1: Complete assessment of investment options to increase sports field capacity in Manurewa - FY19. Detailed design and consents for sports field works - FY19
- Earmark funding for sports field physical works, subject to assessment, detailed design and consenting in FY20
- Allocate \$100k OLI funding for business case for Stage 2, investment in new facility to support wider community use including existing sport users in FY19
- Earmark funding for design and consents for new facility in FY20-21, and delivery in FY22-23, subject to scope, estimated costs, potential other funding sources and timing in business case.

Rodney: Local indoor court facility to service Kumeu and Huapai



Rationale and recommendation:

- Addresses local board plan indoor court space need
- Allocate \$80k OLI funding for an indicative business case in FY20 following completion of the North West needs assessment and indoor courts provision
- Earmark OLI funding for the local indoor court facility, subject to confirmation of scope, estimated costs, potential other funding sources and timing in business case.

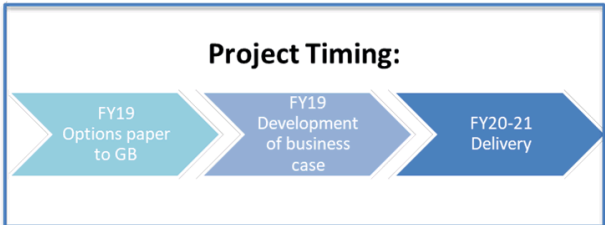
Waitākere Ranges: Implementation of Glen Eden Town Centre plan – creation of a civic space

Estimated costs:	\$m	Project Timing:			
Total Cost	21				
Possible funding	12				
Net required	9				

Rationale and recommendation:

- Maintains community service level
- Confirm priority and scope of projects identified in Glen Eden Town Centre Implementation Plan in FY19
- Prepare acquisition assessment for the two identified properties to improve pedestrian connections and civic amenity in FY19
- Acquisition of land in FY20-21
- Allocate funding for detailed design business case in FY22
- Earmark OLI funding for delivery in FY22-24, subject to confirmation of scope, estimated costs, potential other funding sources and timing in business case.


Waitematā: Ponsonby Park, 254 Ponsonby Road

Estimated costs:	\$m	Project Timing: 
Total Cost	6-9	
Possible funding	3	
Net required	3-6	

Rationale and recommendation:

- Addresses local board plan outcome and identified gap in open space provision for civic space in Ponsonby
- Options paper for Governing Body to reconsider the retention or sale of the rear portion of the site in early FY19
- Allocate funding for development of detailed business case and completion of detailed design in FY19
- Earmark OLI funding for delivery in FY20-21, subject to confirmation of scope, estimated costs, potential other funding sources and timing in business case.

Puketāpapa: Retain and long term develop Liston Village

Estimated costs:	\$m	Project Timing: 
Total Cost	\$17.21-33	
Possible funding	-	
Net required	\$17.21-33	

Rationale and recommendation:

- Addresses need for social housing for older people
- Options paper to consider use of reserve in FY19
- Subject to ownership, contractual negotiations and Public Works Act 1981 processes, and decision in relation to future use of park, allocate funding for business case for social housing in FY22.

Funding

\$76m of the estimated \$86-\$110m cost of transport initiatives is proposed to be allocated from the Regional Land Transport Plan. The remaining \$10m-\$34m required will be contested for from a number of budgets including; Auckland Transport walking and cycling and Auckland Transport Public Transport.

\$190m of the estimated \$279m cost of the sub-regional initiatives is proposed to be allocated from the existing budgets and other funding provisions, including \$50m from the \$200m additional capacity provisioned in the draft 10-year budget to help progress the OLIs. \$64m will be put forward to contest for funds from the proposed Sport and Recreation Facilities Investment fund. Additional funding of \$25m is sought in other reports on this agenda.

\$170m is proposed to be included in the 10-year Budget 2018-2028, with this funding to be allocated or earmarked for the local community OLIs. This includes the remaining \$150m of the \$200m additional capacity provisioned in the draft 10-year budget to help progress the OLIs, and \$20m from existing budgets.

Project type	Indicative Cost	RLTP	Existing budgets	Funding Provision	New funding request	Funding still to be resolved
Transport	\$86-110m	\$76m				\$10-\$34m ¹
Sub-regional	\$279m		\$140m	\$50	\$25m	\$64m ²
Local initiatives	\$126-\$171m		\$20m	\$150m		
Total	\$491-\$536m	\$76m	\$160m	\$200m	\$25m	\$74 - \$98m

1. Funding contested for from a number of budgets including; Auckland Transport Walking and cycling and Auckland Public Transport Infrastructure

2. Funding contested for from the new Sport and Recreation Facilities Investment fund.

Note: Funding for the Henderson pool is not expected until the next decade and the Maungakiekie-Tamaki Transport Oriented Development at Onehunga is expected to be cost neutral.

Risks

The risks with the proposed approach include:

- scope, estimated costs, funding and timing are not well defined in all cases, and could significantly change
- this leaves little provision in the 10-year budget for other priorities and unexpected funding requirements.

Key assumptions built into the estimates and timing for the local community OLIs:

- anticipated legislation changes result in more development contributions funding in later years
- the proposed sport and recreation facilities investment fund is approved and external funding is secured as envisaged
- an additional \$25m for recreational and aquatic facilities is approved through other reports on this agenda
- willingness of sellers where acquisition required
- local boards commit allocation of LDI where indicated
- business cases will be funded out of OLI funding
- OLIs may displace other business cases in current work programmes if a priority
- OLIs may displace other projects currently identified for investigation in the Community Facilities Network Plan
- Unallocated development capex in the outer years of the 10-year Budget is allocated to sub-regional OLI delivery.

To mitigate risks, OLI projects are staggered to reflect their stage of readiness for deliver, and to maintain capacity for affordability and deliverability of the overall community capital programme. In addition, business cases will be used to determine scope, options and timing before finalising funding.

Many local boards expressed a preference that their OLIs be progressed faster. If the funding for OLIs is brought forward, additional OLI expenditure in the first three years of the 10-year Budget may be challenging to budget for and deliver. In addition, completing business cases first takes a prudent approach, and enables other funding sources to be potentially unlocked.

Conclusion

The 10-year Budget.2018-2028 provides more funding overall for local projects. Over and above the allocation and provisioning for OLIs, an additional \$200m is budgeted for renewals, along with more funding for growth. Together, these and other budgets will provide each local board area with a capital work programme that progresses important local priorities and outcomes.

Auckland Council has not run an OLI process before. The willingness of elected members to participate in and support this process has helped ensure the local board's highest priority initiatives can be progressed.

Local Board Budget Update

File No.: CP2018/08552

Item 11

Te take mō te pūrongo / Purpose of the report

1. To provide an update on the local board process to finalise the annual budget for 2018/2019 and outline local proposals that require Governing Body decisions to enable this process to continue.

Whakarāpopototanga matua / Executive summary

2. Following the 10-year budget consultation, briefing reports on local consultation feedback were provided to local boards in April to inform advocacy and review local priorities.
3. Discussions were held between the Finance and Performance Committee and local boards on key consultation feedback themes, advocacy and local issues prior to budget decisions being made.
4. Following budget decisions made on 31 May 2018, local boards will meet between 5–7 June 2018 to adopt Local Board Agreements for 2018/2019, local activity budgets, and local fees and charges schedules for 2018/2019.
5. As part of the local board funding policy, local boards can resolve to defer those projects that are funded by their Locally Driven Initiatives (LDI) operating fund where there was an agreed scope and cost but have not been delivered. The local boards have identified 2017/2018 projects that meet the criteria for deferral to 2018/2019.

Ngā tūtohunga / Recommendation

That the Finance and Performance Committee:

- a) approve the deferral of the operating budget amount of \$3,950,180 (as detailed in Attachment A to the agenda report) from 2017/2018 to 2018/2019.

Horopaki / Context

Process

6. In April 2018, local boards received 10-year budget local consultation feedback briefing reports reflecting views of each local board area. This information was used to support advocacy and review local priorities.
7. On 16 and 17 May 2018, workshops were held between local boards and the Finance and Performance Committee to discuss key consultation feedback themes, advocacy and local issues.
8. Following budget decisions made on 31 May 2018, local boards will meet between 5–7 June 2018 to adopt Local Board Agreements for 2018/2019, local activity budgets and local fees and charges schedules for 2018/2019.

Local Budgets

9. Local boards have identified projects from their Locally Driven Initiatives (LDI) operating fund where there was an agreed scope and cost which have not been delivered totaling \$3,950,180. Details of these projects for deferral can be found in Attachment A.

Tātāritanga me ngā tohutohu / Analysis and advice

10. Delivery departments, supported by finance, used results from quarter three local work programmes to identify projects and estimate how much would be needed to complete these projects in the 2018/2019 financial year.

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

11. Local board views and advocacy were expressed through a number of workshops held between local boards and the governing body on 16 and 17 May.
12. A summary of advocacy, key consultation feedback themes and local priorities is outlined in the Local Board Advocacy report on the agenda for this meeting. There are also reports with specific local items on the agenda for this meeting such as fees, charges and other rating matters, Local Transport Capital Fund, Rodney Local Board targeted rate, and proposals for One Local Initiatives. These should be considered when making final budget decisions.

Tauākī whakaaweawe Māori / Māori impact statement

13. Many local board decisions are of importance to and impact on Māori. Local board agreements and long-term plans are important tools that enable and can demonstrate council's responsiveness to Māori. Local board plans, which were developed in 2017 through engagement with the community including Māori, form the basis of local priorities.
14. There is a need to continue to build relationships between local boards and iwi, and where relevant the wider Māori community. Ongoing conversations will assist local boards and Māori to understand each other's priorities and issues. This in turn can influence and encourage Māori participation in council's decision-making processes. In particular, local board plans and budget decisions made today will influence future annual plans and local board agreements for 2018/2019 and beyond.

Ngā ritenga ā-pūtea / Financial implications

15. The proposed deferral would not result in any rates impact for financial year 2018/2019, as it would essentially be funded from debt. The debt would be backed by the operating surplus resulting from the underspend in the LDI projects in 2017/2018. Overall, the impact is timing.


Ngā raru tūpono / Risks

16. Agreed projects from 2017/2018 will not be able to progress and be completed without the attached funding being deferred to 2018/2019. If the funding is not deferred and local boards still wish to progress and complete these projects from 2018/2019 funding, this will impact delivery of projects identified in 2018/2019 local work programmes.

Ngā koringa ā-muri / Next steps

17. Following budget decisions being made on 31 May 2018, local boards will meet between 5-7 June 2018 to adopt Local Board Agreements for 2018/19, local activity budgets, and local fees and charges schedules for 2018/2019.

Ngā tāpirihanga / Attachments

No.	Title	Page
A 	Local discretionary operating budgets for deferral	159

Ngā kaihaina / Signatories

Authors	David Gurney - Manager Corporate Performance & Reporting Mark Purdie - Lead Financial Advisor
Authorisers	Kevin Ramsay - General Manager Corporate Finance and Property Matthew Walker - Acting Group Chief Financial Officer

Local Board	Project	Budget to defer
Albert-Eden	Community event at Chamberlain Park	25,000
Albert-Eden	Town centre revitalisation concept plan	80,000
Albert-Eden	Future giant tree programme	20,000
Albert-Eden	Creating a Maori identity	7,000
Albert-Eden	Pa Harakeke planting and maintenance at Walmer Reserve	9,600
Albert-Eden	Empowered Communities	3,000
Albert-Eden	Local Park development programme opex	24,000
Devonport-Takapuna	Korean Garden Grant	150,000
Devonport-Takapuna	Takapuna Beach Reserve feasibility study	50,000
Devonport-Takapuna	Visitor information centre scoping	6,000
Devonport-Takapuna	Barry's point reserve development plan	20,000
Devonport-Takapuna	Sunnynook LED Plan	60,000
Great Barrier	Iwi responsiveness	10,000
Great Barrier	Visitor Maps	5,000
Great Barrier	Biosecurity projects - treasure island	10,000
Great Barrier	Heritage Plan	10,000
Great Barrier	Water Supply feasibility	15,000
Henderson Massey	Henderson Urban eco centre	40,000
Henderson Massey	Maori enterprise	5,000
Henderson Massey	Youth connections	9,000
Henderson Massey	Te Atatu South Park	15,000
Henderson Massey	Te Rangi Hiroa nursery site	20,000
Henderson Massey	Te Atatu waka ama strategic assessment	25,000
Hibiscus and Bays	Actions from centre plans	105,000
Hibiscus and Bays	Economic Initiatives	30,000
Hibiscus and Bays	Parks strategic fund	18,000
Hibiscus and Bays	Greenways Plans	50,000
Hibiscus and Bays	Silverdale Bowling Club feasibility study	15,000
Howick	Feasibility partnership fund	600,000
Howick	Howick Pride of Place (Tamaki River Festival)	25,000
Howick	Green assets	39,000
Howick	Build capacity: Youth participation in council decision making and youth-led initiatives	30,000
Howick	Community Safety Initiatives	11,000
Kaipatiki	Community arts programmes	10,000
Kaipatiki	Fenglen Reserve: Prepare a development plan	20,000
Kaipatiki	Community Volunteer Awards - Kaipatiki	10,000
Kaipatiki	Birkenhead War Memorial Park: Develop a Master Plan	30,000
Kaipatiki	Sunnynook Totara Vale Plan - Kaipatiki element	15,000
Māngere-Ōtāhuhu	Mangrove management & removal	175,000
Māngere-Ōtāhuhu	Green assets	20,000
Māngere-Ōtāhuhu	CCTV and town centre safety initiatives	20,180
Māngere-Ōtāhuhu	Healthy Rentals	6,500

Local Board	Project	Budget to defer
Maungakiekie-Tamaki	Community Partnership fund MT	114,000
Maungakiekie-Tamaki	Ruapataka Reserve precinct im	40,000
Maungakiekie-Tamaki	Review existing concept plan	19,000
Maungakiekie-Tamaki	Capacity building programme	20,000
Maungakiekie-Tamaki	Youth connections	8,000
Maungakiekie-Tamaki	Parks response fund	105,000
Maungakiekie-Tamaki	Healthy Rentals	3,000
Ōrākei	Enhancing council-owned heritage features	129,000
Ōrākei	Mangrove removal Hobson Bay	118,000
Ōrākei	Mangrove removal at Tahuna Torea	60,000
Ōrākei	Landing planning	30,000
Ōrākei	Weed management prog parks and walkways	30,000
Ōrākei	OBAG state of the basin/management plan revision	20,000
Ōrākei	Parks response fund	40,000
Puketapapa	Whare restoration support	25,000
Puketapapa	Creating a Maori identity	7,000
Puketapapa	Mt. Roskill Village revitalisation	50,000
Puketapapa	Revitalisation of town centres	10,000
Puketapapa	Healthy Rentals	12,000
Rodney	Coastal environmental	17,400
Rodney	Consultation re indoor sports Kumeu/ Huapai/ Helensville	30,000
Rodney	Feasibility study for swimming pool	40,000
Rodney	Greenways Plans	260,000
Rodney	Parks strategic fund	27,000
Rodney	Revitalisation of town centres	60,000
Rodney	Green Road Masterplan	50,000
Waiheke	Feasibility study for swimming pool	93,000
Waiheke	Matatia - Longer term implementation of Matatia Gateway masterplan	50,000
Waiheke	Parks strategic fund	12,000
Waitakere Ranges	Gateway signs heritage area	40,000
Waitakere Ranges	WRHA Residents Pack	15,000
Waitakere Ranges	Youth connections	3,500
Waitemata	WMT Implementation of Economic Development Action Plan	40,000
Waitemata	Western Springs Lakeside Park: Waiorea Development Plan	15,000
Waitemata	3 Ponsonby Road Feasibility Study- LDI	20,000
Waitemata	Waitemata - Western Springs native bush restoration plan	204,000
Waitemata	WTM: Sport & Recreations Facility partnership programme	20,000
Waitemata	Newmarket Viaduct Youth Park	30,000
Waitemata	Empowered Communities	40,000
Waitemata	Youth Voice	10,000
Waitemata	Maori responsiveness	5,000
Waitemata	Waitemata - urban forest restoration	65,000

Local Board	Project	Budget to defer
Waitemata	Removal of Masonic Hall	30,000
Waitemata	Local plan for MOTAT, Western Springs, Auckland Zoo and Seddon Fields	20,000
Whau	Town centre revitalisation	55,000
Whau	Youth connections	3,000
Whau	Healthy Rentals	7,000
Total		3,950,180

By Local Board		By Department	
Row Labels	Budget deferred	Row Labels	Budget deferred
Albert-Eden Devonport- Takapuna	168,600	Arts, Community and Events	382,680
		ATEED	115,000
Great Barrier	50,000	Chief Planning Office	100,000
Henderson Massey	114,000	Community Facilities	1,376,000
Hibiscus and Bays	218,000	Development Programme Office	105,000
Howick	705,000	Infrastructure and Environmental Services	55,900
Kaipatiki	85,000	Parks, Sport and Recreation	1,565,600
Māngere-Ōtāhuhu Maungakiekie- Tamaki	221,680	Plans and Places	155,000
		Service Strategy & Integration	95,000
Ōrākei	427,000	Grand Total	3,950,180
Puketapapa	104,000		
Rodney	484,400		
Waiheke	155,000		
Waitakere Ranges	58,500		
Waitemata	499,000		
Whau	65,000		
Grand Total	3,950,180		

Adoption of the Rates Remission and Postponement Policy

File No.: CP2018/05934

Item 15

Te take mō te pūrongo / Purpose of the report

1. To consider public feedback on and adopt a Rates Remission and Postponement Policy.

Whakarāpopototanga matua / Executive summary

2. The Rates Remission and Postponement Policy has been reviewed and public consultation undertaken on the draft policy.

Legacy schemes carried over from previous councils

3. The council consulted on a proposal to:
 - transfer budgets for remissions/postponements for Natural heritage, Community and Sporting organisations and Great Barrier businesses to the operating group with relevant expertise as grants budgets
 - provide a three-year transition for all current recipients of a grant equivalent to the current remission
 - retain for three years the postponement for two Manukau sports clubs only
 - development of a regionally integrated approach to supporting these outcomes within the three-year transition period.
4. A majority of feedback opposed the proposal because of the value of the services provided by the recipients, concerns with the certainty of grants and their administration. The impact on those not GST registered was also raised. A majority of submitters supported rates relief for Queen Elizabeth the Second (QEII) covenanted land.
5. Seventeen local boards supported the proposal in full (one board sought long-term support for QEII covenanted land). Of the remaining boards, two supported the proposal for community and sporting organisations but wanted a regional remission scheme for QEII covenanted land. One board wanted the legacy schemes retained while an integrated approach was developed, while the remaining board expressed concern for the impact on covenanted land.
6. Officers recommend that the proposal be amended as follows to reflect local board and public feedback:
 - increase budget by \$10,000 to cover the cost of GST for recipients not GST registered
 - grants to be applied automatically for three years on same basis as current schemes
 - direct officers to work with sector groups on the development of an integrated approach to council support for community and sports organisations including administrative requirements proportionate to the nature of the support
 - direct officers to develop options to extend automatic grants for QEII covenanted land regionally by 2019/2020. Options would be developed in conjunction with the QEII Trust to ensure appropriate oversight and to minimise administration.
7. The amended proposal is recommended because it creates transparency in the spending of ratepayer money. It maintains existing support while transferring accountability to the relevant operating groups. By aligning budgets with other funding mechanisms this support is able to be integrated into regionally consistent funding strategies for these activities.

Remission for the accommodation provider targeted rate (APTR)

8. The council consulted on a proposal to introduce a remission for owners of no more than two serviced apartments that are unable to pass the APTR to the hotel operators. The remission would be reduced in equal steps over ten years.
9. A majority of feedback on the remission for the APTR supported the proposal. Officers recommend adoption of the APTR remission scheme as proposed with an amendment to extend the scheme to subsequent purchasers of properties.

Regional schemes

10. Minimal feedback was received on proposed administrative changes to regional schemes. Officers recommend adoption as proposed.

Ngā tūtohunga / Recommendation/s

That the Finance and Performance Committee:

- a) transfer the remission budget for legacy schemes to the relevant operating groups or local asset based services budgets.
- b) direct that current beneficiaries of (e)(i) below be automatically paid a grant equivalent to their present support (less GST for GST registered organisations) for three years on the same basis as their existing remission or postponement.
- c) direct officers to work with sector groups on the development of an integrated approach to council support for these community and sporting organisations including administrative requirements proportionate to the nature of the support
- d) direct officers to work with the Queen Elizabeth the Second (QEII) Trust to develop options for a regional scheme for QEII covenanted land for 2019/2020
- e) adopts the attached Rates Remission and Postponement Policy which includes the following amendments to the existing policy:
 - i) removal of the Part 3 remission schemes for natural heritage and community and sports organisations and postponement for Great Barrier Island commercial properties
 - ii) postponement for Manukau Sport Clubs restricted to current applicants to expire after three years
 - iii) introduction of a remission scheme for the Accommodation Provider Targeted rate
 - iv) administrative amendments to the regional remission schemes.
 - v) notes that the remission of rates for miscellaneous purposes remission scheme could still apply if the criteria in that scheme are met in the 2018/19 year.

Horopaki / Context

11. Council is required to review and consult on its Rates Remission and Postponement Policy every six years. The policy was last reviewed in 2012.

Current policy – legacy schemes

12. The policy offers eleven legacy remissions and postponement schemes that were carried over from the previous councils. These schemes only apply in the district of the originating council. They provide varying levels of support for:
 - community and sporting organisations
 - rating units protected for natural or historic or cultural conservation purposes
 - commercial properties on Great Barrier Island.

13. A summary of the level of funding provided by these remission schemes by local board area is in Attachment D. Confidential Attachment E provides a list of community and sporting organisations receiving support by local board area.

Current policy – regional schemes

14. The policy also includes seven regional schemes that provide financial assistance or address anomalies in how rates are applied.

Remission of APTR

15. When the APTR was adopted in 2017 the council asked officers to consider applications for remission under its existing rate remission scheme (remission of rates for miscellaneous purposes), for example where the owner/ratepayer is separate from the accommodation operator and the nature of the relationship between the parties means the targeted rate is unable to be passed on to the accommodations sector. Applications were considered under the Remission of Rates for Miscellaneous Purposes scheme.

Review and Consultation

16. Officers reviewed the full Rates Remission and Postponement Policy. Local Boards provided feedback before a draft policy for consultation was agreed by the 27 February meeting of the Finance and Performance Committee. Consultation was open to the public from 13 March to 13 April. Local boards provided further feedback after considering the feedback from consultation and officer's proposed amendments to the proposal at their meetings in May.
17. The existing Rates Remission and Postponement Policy includes a statement on adoption of the policy, requiring the use of the Special Consultative Procedure. This statement reflects the legislative requirements at the time the policy was originally adopted.
18. Consultation on the proposed Rates Remission and Postponement Policy has taken place consistent with the current requirements for consultation under the Local Government Act 2002.

Tātaritanga me ngā tohutohu / Analysis and advice

19. 182 submissions were received on the Rates Remission and Postponement Policy. Local Board resolutions and a full analysis of public feedback are in Attachments B and C. A summary of feedback and officers responses for each component of the proposal is below.

Legacy remission and postponement schemes

Background

20. At present council support for community, sporting and natural heritage activities is inconsistent across the region, with some funding still being delivered using models carried over from the previous councils. As a result, some properties are able to access remissions while others receive grants, subsidised rents or are directly supported to deliver services for council.
21. Depending on location, some properties are able to access multiple forms of council support. For example, two sports facilities receive rates remissions and community access grants, while 16 of the 42 recipients of the Green Network Grants for rates also claim the rates remission. Two submitters noted that removal of remissions would result in the cost of rates needing to be included in their service agreements with council.

Proposal

22. The council consulted on a proposal to:
- transfer budgets for remissions/postponements for natural heritage, community and sporting organisations and Great Barrier Island businesses to the:
 - regional activities to operating group with relevant expertise

- local board local asset based services budget for local activities

- support provided in the form of a grant
- provide a three-year transition for all current recipients of a grant equivalent to the current remission (retain for three years the postponement for two Manukau sports clubs)
- development of a regionally integrated approach to supporting these outcomes within the three-year transition period.

Feedback

23. 157 submitters provided feedback on the proposal for legacy schemes for natural heritage and community and sports organisations. Responses are summarised in the table below:

Feedback on Legacy Remission	Number of submitters who:		
	Responded	Commented	Hold a remission
Supports proposal	28	13	15
Opposes proposal	114	105	58
Other comment	15	15	11
Total	157	133	84

24. 108 submitters commented on legacy remissions for natural heritage, with 93 opposed to the proposal. Key themes from feedback were:
- Remissions recognise the benefit to the environment of QEII covenants, and the contribution landowners make in maintaining the land (50 responses)
 - QEII covenanted land should not be rated (37 responses)
 - Covenanters will be worse off under the proposal, because:
 - lack of certainty of on-going support (28 responses)
 - grants require more administration (24 responses)
 - lose out on GST as they are not GST registered (9 responses).
25. 37 submitters commented on legacy remissions for community and sporting organisations, of which 16 represented organisations receiving a remission. 24 respondents did not support the proposal. Key themes from feedback were:
- support should continue due to the benefit provided to the community, and its removal would have a significant financial impact
 - there is a lack of certainty of ongoing support and grants require more administration
26. No feedback was received on the proposals for postponements for Manukau Sports Clubs that are provided to two golf clubs. One submitter opposed the transfer of rates postponements to Great Barrier Island businesses to grants as they thought any future loss of support may make essential services financially unviable.

Stakeholder Feedback

27. The QE II Trust and Forest and Bird opposed the proposal to replace legacy remissions with grants for QEII covenanted land. The feedback of the QE II Trust and Forest and Bird reflect the key feedback points above. Federated Farmers considered that transitioning legacy remissions for natural heritage and community and sporting organisations to grants would signal a lack of commitment by council to these activities. Both the QE II Trust and Federated Farmers supported consideration by the council of grants in addition to remissions for QEII covenanted land.
28. The Rural Advisory Panel (RAP) supported a regional remission scheme for QEII land. (The RAP's resolutions can be found in Attachment B to the report.)

Local Board Feedback

29. Seventeen of the 21 local boards resolved support for the proposal in full. The remaining four boards partially endorsed the proposal as follows:
 - Franklin - supports a regional remission scheme for land with a covenant with the Queen Elizabeth the Second Trust (QEII), but otherwise supported the full proposal
 - Rodney – did not endorse the proposal for legacy schemes, but did support the development of an integrated approach to support outcomes for natural heritage, and community and sporting activities across the region.
 - Waiheke – opposes the removal of remissions for natural heritage, but supports the proposal for legacy schemes for community and sporting organisations
 - Waitākere Ranges noted concerns regarding the impact of removing remissions on property owners who seek to covenant their land for long term environmental protection.
30. Great Barrier Local Board supported the proposal in full but requested long term support options for QEII covenanted land and Forest and Bird.

Conclusion

31. In response to local board and public feedback officers recommend the following amendments to the proposal:
 - a) budget increase of \$10,000 to maintain current level of support for non-GST registered recipients
 - b) direct officers to work with sector groups on the development of integrated funding strategies
 - c) direct officers to develop administrative requirements for future funding strategies are proportionate to the amount of support provided and nature of the support e.g. land or buildings
 - d) direct officers to work with the Queen Elizabeth the Second (QEII) Trust to develop options for a regional scheme for QEII covenanted land for 2019/2020 (see below for further details).
32. Officers recommend the adoption of the proposal as amended above because it:
 - maintains the current budget for support of these activities with no impact on local board locally driven initiative (LDI) budgets
 - aligns responsibility for supporting these activities with relevant areas of council
 - grants are a more transparent funding mechanism
 - allows this support to be considered alongside other sources of funding as regionally consistent support mechanisms are developed
 - minimises change for current recipients.

Development of a grants scheme for QEII covenanted land

33. A majority of submitters sought the extension of rates remissions to all QEII covenanted land. Officers do not support remissions for the reasons outlined in this report. Officers recommend that any continued rates relief be provided through a grants scheme.
34. Grants can be provided automatically on a long-term basis. To ensure that the natural heritage value of the property is being actively maintained, support could be made conditional on properties meeting the maintenance requirements of the covenant, as evidenced by the QEII Trust's two-yearly inspections. Officers would need to work with the QEII Trust to develop such an approach for the 2019/2020 rating year.

Alternative options for legacy schemes

35. Officers considered the following alternatives but do not recommend them. The council could choose to:
- retain the existing schemes - this will continue the current inequities in regional support
 - remove the schemes without a transition - potential for significant impact for current recipients particularly as other forms of council support are not always consistently available across the region.
 - extend the remission schemes to cover the entire region - would require further policy work to develop appropriate options and have substantially increased cost. Does not align support with other council funding mechanisms. Level of support determined by rates (driven by property values) rather than outcomes achieved. As some areas currently receive support through non-rates mechanisms a regional remission scheme would increase inequity in allocation of funding
 - a regional grants scheme for rates on QEII covenanted land – a grants scheme can be integrated into the existing rates relief grants programme (Green Network Grants) and could be considered for implementation in 2018/2019.

Remission for the Accommodation provider targeted rate

Proposal

36. The draft policy proposed a new remission scheme to remit APTR for the following:
- properties used as emergency accommodation, in proportion to the amount of time and the part of the property that is put to this use
 - ratepayers who own no more than two serviced apartments, who are paid a fixed rent by a hotel operator (with no profit sharing), and whose contractual arrangements mean that they are unable to pass on the cost of the rate and unable to exit the contract before the start of the rating year. (A partial remission will apply where the lease to the accommodation operator expires during the rating year). This remission will be phased out over 10 years, with the amount of remission available declining by a tenth each year.
37. Remissions under this scheme are expected to amount to \$1.2 million in 2018/2019, with this amount declining over the next ten years.

Feedback

38. 73 submitters provided feedback with 39 in support of the proposal and 30 opposed. Of those opposed, 5 thought the remission should be more generous. Hospitality Services Limited, owners of three hotels, did not support the remission as they were opposed to the APTR itself. No other key stakeholders responded.
39. Ten local boards specifically endorsed the proposed APTR remission scheme. A further five boards supported the proposed Rates Remission and Postponement Policy. Great Barrier Board noted that Aotea Great Barrier Island is excluded from the APTR. The remaining boards did not resolve feedback on this issue.

Other issues

40. Two additional issues that should be considered in the development of a remission scheme for the APTR: subsequent sales of properties, and market rent reviews.

Sales of properties qualifying for remission

41. In general, long term leases for serviced apartments require the lease to be maintained through any sale of the property. The new owner must commit to the lease on the same terms and conditions as apply to the existing owner.

42. Under the remission scheme in the draft Rates Remission and Postponement Policy, as well as the remissions granted under the miscellaneous purposes scheme, the new owner is eligible for remission, as they entered into the contract after the APTR was adopted. This assumes that the new owner would consider the impact of the APTR when negotiating the purchase price. This situation would leave the original owner of the property in a worse position than a similar owner who retains ownership. This issue can be addressed by extending the remission to subsequent purchasers, where the new owner is unable to renegotiate the lease at sale.

Market rent reviews

43. A review of applications to the Miscellaneous Purposes remission has identified that all serviced apartment contracts offered periodic rent reviews, ranging from annual to every ten years.
44. Most schemes provide for market rent reviews, where market rent is defined as the rent on the open market for the property subject to the same lease contract. It is to be expected that over time market rents for such properties will adjust to reflect investors' expectations for returns in relation to their costs, which will include the impact of the APTR. Officers consider the proposal addresses this issue as the amount of support offered declines over time.

Remission for the APTR conclusions and recommendations

45. Officers recommend the adoption of the remission scheme for the APTR as proposed in the draft Rates Remission and Postponement Policy with an amendment to extend the scheme to subsequent purchasers of qualifying properties who are unable to renegotiate the lease.
46. Officers consider the proposed APTR remission scheme an appropriate balance between recognising that
- some owners of properties charged the APTR are unable to pass on the cost of the rate to the hotel operator and may suffer financial hardship as a result; and
 - ownership of a serviced apartment is a choice and investors in these developments should bear the risk of their investments.
47. The proposed APTR remission scheme is available to small scale investors who own no more than two apartments. This provides support to those investors most likely to suffer hardship. The proposed targeted APTR remission scheme is not available to large investors. This recognises that as a general rule, appreciation of the risks of investing, and ability to seek appropriate advice, increases with the size of the investment. In particular, owners of large numbers of apartments are considered generally more capable of negotiating their lease agreements, and managing potential risks associated with their investments.
48. The amount of available remission declines over time. This recognises that smaller investors should not avoid paying the rate entirely. It also recognises that fixed contracts provide for periodic Market Rent Reviews, which over time should see returns to owners reflect the impact of the APTR.
49. Officers note that the remission of rates for miscellaneous purposes remission scheme could still apply if the criteria in that scheme are met in the 2018/19 year, such as where there are exceptional circumstances that the council believes would make it equitable to remit the rate.

Alternative options to the proposed APTR remission scheme

50. Council could choose to:
- not offer a remission for the APTR. This option is not recommended as it does not address the financial hardship likely to be experienced by some investors.
 - provide full remission of the APTR for the duration of contracts. This option is not recommended as it increases the cost of the scheme by \$10 million (uninflated) over the life of the remission scheme. It also results in recipients continuing to receive support even as the impact of APTR is offset by subsequent rent reviews.

- not adopt a specific scheme and continue to consider applications for remission under the miscellaneous remissions scheme in the same way the council did in the 17/18 year. (\$2.6m has been remitted to date). This option is not recommended as officers consider that there is merit in having in place a specific scheme.

Regional schemes conclusions and recommendations

- Officers recommend the changes to the regional schemes in the draft Rates Remission and Postponement Policy be adopted as proposed.
- The council could choose to retain the existing schemes but this would create inequities as residents of license to occupy retirement villages would be able to access the remission and rates rebates. It would also retain administrative complexity for penalty remissions.

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

- Under the proposal boards will be provided with additional asset based service funding to maintain the existing level of support for local community and sports groups in their board area that currently receive remissions (or postponements in the case of Great Barrier Island).
- The amount of support provided by the Rates Remission and Postponement Policy varies significantly by local board area. (A summary of the amount of remissions by board area is in Attachment D.) In other areas, support may be provided through grants, discounted rentals, and the direct provision of facilities and services by council. Within the three year transition period, officers will report back on options for integrating funding mechanisms across the region.
- Local board feedback on the proposal is summarised in the report. The boards' full resolutions can be found on Attachment B.

Tauākī whakaaweawe Māori / Māori impact statement

- No significant feedback was received from Māori or Māori organisations. Māori land is eligible for support under the Rates remission for Māori freehold land policy. This policy is not under review.

Ngā ritenga ā-pūtea / Financial implications

- The financial implications are set out in the report.










Ngā raru tūpono / Risks

- There are no identified risks.

Ngā koringa ā-muri / Next steps

- The Rates Remission and Postponement Policy adopted by the Committee will take effect from 1 July 2018. A transitional grants programme would be effective from the same date.
- Officers will develop options for ongoing support for the organisations and activities currently receiving legacy remissions and postponement within the next three years.

Ngā tāpirihanga / Attachments

No.	Title	Page
A  	Rates Remission and Postponement policy for Adoption	173
B  	Local Boards and Rural Advisory Panel Feedback on the Rates Remission and Postponement Policy proposal	183
C  	Public Feedback on the Rates remission and postponement policy	195
D  	Value of legacy schemes by local board area	197
E 	List of all community and sporting remissions by local board area - CONFIDENTIAL	

Ngā kaihaina / Signatories

Author	Beth Sullivan - Principal Advisor Policy
Authorisers	Ross Tucker - Acting General Manager, Financial Strategy and Planning Matthew Walker - Acting Group Chief Financial Officer



Rates remission and postponement

Item 15

Attachment A: Rates Remission and Postponement Policy for Adoption

Policy purpose and overview

The objective of this policy is to:

- provide ratepayers with some financial or other assistance where they might otherwise have difficulty meeting their obligations
- address circumstances where the rating system results in anomalies in the incidence of rates
- support the achievement of broader council policy objectives.

The council's remission and postponement policy is set out in three parts each containing a number of schemes.

Part 1 - Financial assistance and support

- remission of rates to top-up the rates rebate
- remission for residents who occupy Papakāinga housing under a licence to occupy
- remission of rates penalties
- postponement of rates for residential properties
- remission of accommodation provider targeted rate.

Part 2 - Addressing anomalies

- remission of rates for miscellaneous purposes
- remission of uniform annual general charges and targeted rates assessed as uniform annual charges on certain rating units.

Part 3 - Other schemes

- postponement of rates for land described as Lot 2 DP 476554 or Lot 2 DP 510763

Policy background

Section 102(5) of the Local Government Act 2002 provides that a council may have a rates remission and postponement policy.

Attachment A



Rates remission and postponement

Full details and criteria for the remission and postponement schemes

This section has the full details of each remission and postponement scheme, as well as outlining the objectives and criteria for each scheme.

Applications

The ratepayer or ratepayer's agent must apply to the council on the prescribed remission or postponement form. The application should show how the remission or postponement will support the objectives of the scheme and how the property fits within the objectives. For the rates to be remitted or postponed, the council may require evidence each year, by way of statutory declaration, to confirm that the rating unit still complies with the conditions and criteria of the scheme. The council can apply for the remission or postponement on behalf of the ratepayer, provided the council is certain that the property meets all the criteria of the scheme. The council reserves the right to seek further information if it deems it necessary.

The remission or postponement will apply from the beginning of the rating period in which the application is approved and will not be backdated to prior years, unless otherwise stated in the scheme.

Part 1 - Financial assistance and support schemes

Remission of rates to top-up the rates rebate

Objectives

The objective of this remission scheme is to enable the council to address the inequity that results from Auckland ratepayers being unable to include water and wastewater charges when applying for the central government's rate rebate scheme. This scheme allows the council to remit the difference between its rates rebate top-up calculation and the government's rates rebate scheme to include Watercare Services Limited's and Veolia Water Limited's (previously United Water Limited) water and wastewater charges in the calculation.

Conditions and criteria

To be eligible for the top-up remission, the ratepayer must meet the following criteria:

1. be a residential ratepayer and reside on the property
2. have resided on the property at the beginning of the rating year (1 July)
3. be an individual, rather than an organisation or trust. The amount remitted will vary according to the:
 - a. ratepayer's gross income, including any overseas income
 - b. amount of Auckland Council rates payable by the ratepayer
 - c. amount of water and wastewater charges payable by the ratepayer
 - d. number of children or other dependants that the ratepayer supports



Rates remission and postponement

- e. maximum rebate and threshold limits set by central government under its rebate scheme.

Central government updates thresholds for its rates rebate scheme each year. The council's extended rates rebate scheme is automatically updated for the new thresholds.

Remission for residents who occupy Papakāinga housing under a licence to occupy

Objectives

This remission scheme allows council to remit the uniform annual general charge for residents of Papakāinga housing who would otherwise qualify for central government's rate rebate scheme, except they occupy their property under a licence to occupy agreement.

The remission will be applied to the rates of the Papakāinga in which the applicant resides, where an agreement exists between the village operator and Auckland Council (see more below). The benefit of the rates remission will be passed to the resident.

Conditions and criteria

To be eligible for the licence to occupy remission, the applicant must meet the following criteria:

1. be a resident of Papakāinga housing under a licence to occupy agreement
2. reside in a unit or apartment that is identified by Auckland Council as a separately used or inhabited part of the Papakāinga housing to which a separate uniform annual general charge is applied
3. reside in Papakāinga housing that has entered into an agreement with Auckland Council to:
 - f. identify the rates for applicants to the scheme
 - g. pass the full benefit of any rates remission granted under this scheme to the successful applicant
4. have resided on the property at the beginning of the rating year (1 July)
5. be an individual, rather than an organisation or trust
6. only one application per unit or apartment will be accepted.

Granting of a remission will depend on:

1. the applicant's gross household income, including any overseas income
2. the share of Auckland Council rates payable by the applicant to Papakāinga housing in which the applicant resides
3. the maximum rebate and threshold limits set by central government under its rebate scheme.

Central government updates thresholds for its rates rebate scheme each year. The council's remission for residents of a "license to occupy" within Papakāinga housing is automatically updated for the new thresholds.

How to apply

The management of Papakāinga housing accepted into the scheme will provide application forms to their residents.



Rates remission and postponement

Remission of rates penalties

Objectives

The objective of this scheme is to enable the council to act fairly and reasonably in relation to penalties applied when rates have not been received by the due date.

Conditions and criteria

Penalties on rates may be remitted when one or more of the following criteria are met.

1. The ratepayer has paid after the penalty date for no more than one instalment, but has not received a rates penalty remission under this policy within the past two years.
2. A new ratepayer for a rating unit has not received the rates instalment notice due to the notice of the sale or transfer of the rating unit not being received by the council prior to the issue of the instalment notice
3. The penalties incurred on the first instalment of each new financial year will be automatically remitted if the ratepayer pays the total amount of rates due for the year, excluding the penalty on the first instalment, but including any arrears owing at the beginning of the financial year, by the second instalment due date.
4. Where the ratepayer meets the payment conditions agreed with the council to resolve a rates arrears, the council can remit any part of the penalties already incurred in the current rating year, or yet to be incurred.

The remission will apply from the beginning of the rating period in which the application is approved and will not be backdated to prior years.

Treatment of penalties on small overdue balances

When a small balance is overdue, which it is uneconomical to collect, council officers may write off the balance in line with other council procedures. Penalties will not be applied in these circumstances.

Postponement of rates for residential properties

Objectives

The objective of this scheme is to assist residential ratepayers who want to defer the payment of rates by using the equity in their property. This scheme also applies to those who may have financial difficulties or unusual circumstances, as long as they have the required equity in their property.

Criteria

The ratepayer must meet the following criteria to be considered for rates postponement:

1. The ratepayer must be the current owner of the rating unit and owned the property for at least two years.
2. The rating unit must be used solely by the ratepayer as his or her residence.
3. The postponed rates will not exceed 80 per cent of the available equity in the property.
The available equity is the difference between the council's valuation of the property (the capital value at the most recent triennial revaluation) and the value of any encumbrances



Rates remission and postponement

- against the property, including mortgages or loans, if the ratepayer has insured the property for its full value. Otherwise, the available equity will be the 80 per cent of council's valuation of the land less any encumbrances against the property.
4. The ratepayer or the ratepayer's authorised agent must apply to the council on the prescribed form.

Conditions

1. The council recommends that ratepayers considering postponing their rates seek advice from a financial adviser on the financial impacts and appropriateness of postponing their rates.
2. The council will postpone payment of the residual rates (what is left after any optional payment) if the ratepayer meets the above criteria.
3. The council may add a postponement fee each year to the postponed rates. The fee will cover the period from when the rates were originally due to when they are paid. The fee will not exceed the council's administrative and financial costs of the postponement.
4. The postponement will apply from the beginning of the rating year in which the application for postponement is made, although the council may backdate the postponement application, depending on the circumstances.
5. Once the postponed rates are equal to, or greater than, 80 per cent of the available equity in the property, no further rates will be postponed. Any postponement will apply until one of the situations listed below occurs, at which time the postponed rates (and any postponement fee) will be immediately payable:
 - a. the ratepayer's death
 - b. the ratepayer no longer owns the rating unit
 - c. the ratepayer stops using the property as his or her residence
 - d. a date set by the council in a particular case.
6. All or part of the postponed rates may be paid at any time.
7. The applicant can choose to postpone the payment of a lesser amount of rates than the full amount that they would be entitled to postpone under this policy.
8. Postponed rates will be registered as a statutory land charge on the rating unit's title.
9. For the rates to be postponed, the council will require evidence each year, by way of statutory declaration, of the ratepayer's property insurance and the value of encumbrances against the property, including mortgages and loans.

Remission of accommodation provider targeted rate

Objectives

The objective of this scheme is to promote fairness in the application of the Accommodation provider targeted rate by allowing the council to remit the rate in circumstances where it is equitable to do so.

Criteria and conditions

The council may remit the accommodation provider targeted rate, where the application meets one of the following criteria:



Rates remission and postponement

1. The ratepayer owns no more than two rating units that attract the Accommodation provider targeted rate, and which are under contract to be used as serviced apartments, and where the applicant can demonstrate that they have
 - a. entered into a contractual arrangement regarding the use of the rating unit as commercial accommodation prior to 1 June 2017, or subsequently purchased a rating unit subject to such an arrangement that was unable to be renegotiated at time of purchase.
 - b. no contractual or relational/negotiating means of managing the additional costs of the rate
 - c. no ability to exit, terminate or renegotiate the contract prior to the start of the rating year in which remission is applied for.
2. Where the applicant has contracted some or all of their commercial accommodation capacity to Work and Income New Zealand or other central government agency for the purpose of emergency housing.

Amount of rate to be remitted

For remissions granted under criterion 1 of this scheme:

- 100 per cent of the Accommodation provider targeted rate for the qualifying rating units in 20018/2019, with the proportion of rates remitted declining each year in equal steps until 2027/2028 when 10 per cent of the Accommodation provider targeted rate will be remitted. This remission scheme will expire on 30 June 2028.
- the amount of remission will be reduced on a proportional basis where the applicant is able to exit, terminate or renegotiate the contract during the rating year.

For remissions granted under criterion 2 of this scheme:

- A proportion of the Accommodation provider targeted rate calculated as follows:

$$\frac{\text{Number of rooms or units under contract} \times \text{number days under contract}}{\text{Total number of rooms or units in motel or hotel} \times 365}$$

Part 2 - Addressing anomalies in schemes

Remission of rates for miscellaneous purposes

Objectives

The objective of this scheme is to enable the council to remit rates in circumstances that are not specifically covered by other schemes in the rates remission and postponement policy, but where the council considers it appropriate to do so.

Conditions and criteria

The council may remit rates on a rating unit where it considers it just and equitable to do so because:

1. There are special circumstances in relation to the rating unit, or the incidence of the rates (or a particular rate) assessed for the rating unit, which mean that the unit's rates are disproportionate to those assessed for comparable rating units



Rates remission and postponement

2. The circumstances of the rating unit or the ratepayer are comparable to those where a remission may be granted under the council's other rates remission policies, but are not actually covered by any of those policies
3. There are exceptional circumstances that the council believes that it is equitable to remit the rates. The council has the final discretion to decide whether to grant a rates remission under this policy.

Remission of uniform annual general charges and targeted rates assessed as fixed charges on rating units

Objectives

The objective of this scheme is to promote fairness in the application of rating by allowing the council to remit fixed charges in circumstances where it is equitable to do so.

Conditions and criteria

The council may remit uniform annual general charges and targeted rates assessed as fixed charges, where the application meets one of the following criteria:

1. The rating unit is used solely for vehicle parking in conjunction with a building on a rating unit in the same ownership, and no car parking is available on the main property.
2. The rating unit is used jointly with one or more units as a single farm or horticultural entity and the group of rating units would otherwise be treated as a single rating unit, except that:
 - a. the units are not strictly contiguous (for example, a farm run-off block).
 - b. the occupier of all the rating units is the same but the occupier does not own the rating units or does not own all the rating units.
3. The rating unit is Māori land used jointly with one or more Māori land units as a single entity and the group of rating units would otherwise be treated as a single rating unit, except that:
 - a. the units are not strictly contiguous
 - b. the occupier of all the rating units is the same but the occupier does not own the rating units or does not own all the rating units.
4. The rating unit is classed by the council as a remote island that is uninhabitable or cannot be used for any practical use.

A remission will not apply to any rate that is assessed for a:

- a. separate residential dwelling or business located on the rating unit
- b. service actually provided to the rating unit.

Owners wishing to claim a remission under this policy may be required to make a written application or declaration and to supply such evidence as may be requested to verify that a remission should be granted under this policy.

Part 3 - Other schemes

Postponement of rates for land described as Lot 2 DP 476554 or Lot 2 DP 510763

(formerly the postponement of rates for sports clubs in the district of the former Manukau City Council)



Rates remission and postponement

Objectives

To provide continued relief for three years to the two rating units that had rates postponed under the former Auckland Council rates postponement scheme "Postponement of rates for sports clubs in the district of the former Manukau City Council".

Postponement had previously been granted to sports clubs where the rateable value of land that was owned and used for sports was significantly attributable to potential residential development or subdivision. Postponement of rates will not be available to any other land under this scheme.

Conditions and criteria

1. For the purposes of this scheme
 - a. 'sports' means any organised outdoor sport but excludes horse or dog racing of any kind and 'sporting' has a corresponding meaning
 - b. to be eligible the land used for sports must not be less than 5 hectares and must be part of the land described as Lot 2 DP 476554 or Lot 2 DP 510763
2. The rates postponement value is to be determined:
 - a. so as to exclude any potential value that, at the date of valuation, the rating unit may have for non-sporting uses
 - b. so as to preserve the uniformity and equitable relativity with comparable parcels of land within the district of the former Manukau City Council and used for sporting purposes, the values of which do not contain any such potential value
3. There will be no right of objection to the rates postponement value determined under clause 2(a) and (b), except to the extent that it is proved that the rates postponement value does not preserve uniformity with existing District Valuation roll values for comparable rating units (used for sporting purposes) within the district of the former Manukau City Council having no potential value for non-sporting development.
4. Where a rates postponement value has been determined, the payment of rates will be deemed to have been postponed for the portion of the rates for any rating period of an amount equal to the difference between the amount of the rates for that period calculated according to the rateable value of the rating unit and the amount of the rates that would be payable for that period if the rates postponement value of the rating unit were its rateable value.
5. All rates whose payment has been postponed under this scheme will become due and payable immediately:
 - a. on the rating unit ceasing to be used for sporting purposes
 - b. where the ratepayer parts with possession of the rating unit or assigns or attempts to assign the rating unit in any way or for any purpose other than the giving of security for funds intended to be used for the further development of the rating unit for sporting purposes
 - c. where the rating unit or part of the rating unit is developed for any purpose other than sports
6. The postponement will generally apply from the beginning of the rating period in which the rate postponement value is determined.
7. Postponed rates will be registered as a statutory land charge on the title of the rating unit.
8. The council will add a postponement fee to the postponed rates for the period between the due date and the date they are paid. This fee will not exceed an amount which covers the council's administration and financial costs (an annual interest rate to be set by the council).



Rates remission and postponement

9. No further rates may be postponed under this scheme after 30 June 2021.

Delegation of decision-making

Decisions relating to the remission or postponement of rates payments will be made by council officers.

Attachment B: Local Boards and Rural Advisory Panel Feedback on the Rates Remission and Postponement Policy proposal

- 17 of the 21 local boards resolved support for the proposal in full. The remaining four boards partially endorsed the proposal as follows:
 - Franklin - supports a regional remission scheme for land with a covenant with the Queen Elizabeth the Second Trust (QEII), but otherwise supported the full proposal
 - Rodney – did not endorse the proposal for legacy schemes, but did support the development of an integrated approach to support outcomes for natural heritage, and community and sporting activities across the region.
 - Waiheke – opposes the removal of remissions for natural heritage, but supports the proposal for legacy schemes for community and sporting organisations
 - Waitākere Ranges noted concerns regarding the impact of removing remissions property owners who seek to covenant their land for long term environmental protection.
- Great Barrier Local Board requested long term support options for QEII covenanted land and Forest and Bird.
- The Rural Advisory Panel wanted a regional remission scheme for land with a covenant with the Queen Elizabeth the Second Trust (QEII).

Local Board Resolutions for or against proposal		
Feedback	No of Boards	Boards
Support proposal in full	17	Albert-Eden Devonport-Takapuna Great Barrier Henderson-Massey Hibiscus and Bays Howick Kaipātiki Māngare-Ōtāhuhu Manurewa Maungakiekie-Tamaki Ōrākei Ōtara-Papatoetoe Papakura Puketapapa Upper Harbour Waitematā Whau
Wants regional remission scheme for QE2 covenanted land, otherwise supports proposal	2	Franklin Waiheke
Does not endorse the proposal to replace legacy schemes with grants, does support the development of an integrated funding approach	1	Rodney
Noted concerns regarding the impact on private property owners who seek to covenant their land for long term environmental protection.	1	Waitakere Ranges

Other local board feedback on proposal		
Feedback	No of Boards	Boards
Requests that support for both regional and local organisations be transferred to local grant budgets	1	Albert-Eden
Requests that local boards have decision-making over the level of funding granted to groups as of June 2019	1	Albert-Eden
Generally supports grants process, but prefers three year grant allocation to minimise administration	1	Franklin
Wants regional remissions for QE2, with eligibility dependent on passing QE2 inspections or similar test	1	Franklin
Requests additional departmental support for changes to local grants processes	1	Great Barrier
Requests timely communication to all affected parties	1	Great Barrier
Notes that Aotea Great Barrier Island is exempt for the APTR	1	Great Barrier
Wants sufficient dedicated resources to support outcomes for natural heritage and community and sporting organisations	1	Hibiscus and Bays
Grants to QEII land to be automatic	1	Manurewa
Local boards to be key participants in the development of integrated funding strategies	1	Manurewa
Rates and rates remissions are a regional not a local issue	1	Rodney
Concerned about the lack of certainty for funding beyond three years	1	Rodney

Local Board Resolutions

Albert-Eden

That the Albert-Eden Local Board:

- Supports an approach to integrate remissions and postponements with grants schemes with a three year transition (excluding the Manukau postponement scheme for sports clubs).
- Requests that the regional and local organisations that receive remissions and postponements funding be moved to local grant budgets as all the groups identified are local in nature and should therefore be governed by local boards.
- Requests that local boards have decision-making over the level of funding granted to groups as of June 2019.

Devonport-Takapuna

That the Devonport-Takapuna Local Board:

- endorses the proposal in principle subject to the following amendments:
 - increase the local board asset based service budgets to maintain the existing level of support for local community and sports groups in the Devonport-Takapuna Local

<p>Board area, as per paragraph 39 in the agenda report.</p> <ul style="list-style-type: none"> ii. grant the current recipient the same proportional level of support for rates remitted, and that this be guaranteed for three years. iii. develop an integrated approach to supporting outcomes for natural heritage, and community and sporting activities across the region. <p>b) endorses the following aspects of the proposed Rates Remission and Postponement Policy in Attachment B to this report:</p> <ul style="list-style-type: none"> i. amendments to the remission for residents of licence to occupy retirement villages and Papakāinga housing to remove references to retirement villages and the Interim Transport Levy. ii. amendments to simplify the remission for rates penalties.
<p>Franklin</p>
<p>That the Franklin Local Board provides the following feedback on the Rates Remissions and Postponement Policy:</p> <ul style="list-style-type: none"> a) moving from rates remissions to a grant process is generally supported, as it is an opportunity to advance equity of approach, rather than retain the inequitable approach of the legacy schemes; b) the cost of administering grants annually is a concern, so a three-year grant allocation is preferred; c) extend the remission scheme for natural heritage across the region, with eligibility dependent on passing the QEII Trust inspections or equivalent test and where the covenants have not been established as a condition of resource consent, to acknowledge the value to the environment from covenanted land. d) the local board supports the development of an integrated approach to achieving outcomes for natural heritage, and supporting community and sporting activities across the region, provided that local boards are a key participant in the development of this approach; e) subject to the above feedback, the local board endorses: <ul style="list-style-type: none"> i) the Rates Remission and Postponement Policy in Attachment B to the report entitled "Feedback on Rates Remissions and Postponement Policy"; ii) amendments to the postponement for Manukau Sport Clubs to restrict the scheme to current applicants and to close off the scheme after three years.
<p>Great Barrier</p>
<p>That the Great Barrier Local Board:</p> <ul style="list-style-type: none"> a) endorse the proposal to: <ul style="list-style-type: none"> i. transfer current budget for legacy remissions schemes for natural heritage and community and sports organisations to the operating group with relevant expertise ii. transfer current budget for postponements for Great Barrier Island businesses to Great Barrier Local Board and requests departmental support for any additional operational processes that may result, including a workshop before the budget is transferred iii. grant the current recipient the same support guaranteed for three years iv. develop an integrated approach to supporting outcomes for natural heritage, and community and sporting activities across the region. v. request long term support options for natural heritage QEII and Forest and Bird remission recipients as its important to retain this remission for environmental

<p>protection of special places</p> <p>vi. request that the communication of these changes are timely, open and frequent with all affected parties</p> <p>vii. note that Aotea Great Barrier Island is exempt from the Accommodation Provider Targeted rate</p> <p>b) endorse the Rates Remission and Postponement Policy in Attachment B to this report, which includes the following amendments to the existing policy:</p> <p>i. amendments to simplify the remission for rates penalties</p> <p>ii. removal of the legacy remissions schemes for natural heritage and community and sports organisations and postponement for Great Barrier Island.</p>
Henderson-Massey
<p>That the Henderson-Massey Local Board:</p> <p>a) endorse the proposal to:</p> <p>i. transfer current budget for legacy remissions schemes for natural heritage and community and sports organisations to the operating group with relevant expertise</p> <p>ii. transfer current budget for postponements for Great Barrier Island businesses to Great Barrier Island Local Board</p> <p>iii. grant the current recipient the same support guaranteed for three years</p> <p>iv. develop an integrated approach to supporting outcomes for natural heritage, and community and sporting activities across the region</p> <p>b) Endorses the Rates Remission and Postponement Policy in Attachment B to this report, which includes the following amendments to the existing policy:</p> <p>i. introduction of a remission scheme for the Accommodation Provider Targeted rate.</p> <p>ii. amendments to the remission for residents of residents of licence to occupy retirement villages and Papakāinga housing to remove references to retirement villages and the Interim Transport Levy</p> <p>iii. amendments to simplify the remission for rates penalties</p> <p>iv. removal of the legacy remissions schemes for natural heritage and community and sports organisations and postponement for Great Barrier Island</p> <p>c) endorse the amendments to the postponement for Manukau Sport Clubs to restrict the scheme to current applicants and to close off the scheme after three years.</p> <p>d) note the confidential status of attachment D to Item 13.</p>
Hibiscus and Bays
<p>That the Hibiscus and Bays Local Board:</p> <p>a) endorses:</p> <p>i. the proposal to transfer current budget for legacy remissions schemes for natural heritage and community and sports organisations to the operating group with relevant expertise and to local boards in the case of community facilities</p> <p>ii. the proposal to grant the current recipient the same support guaranteed for a minimum of three years</p> <p>iii. the development of an integrated approach and sufficient dedicated resourcing to support outcomes for natural heritage, and community and sporting activities across the region</p> <p>b) endorses the Rates Remission and Postponement Policy in Attachment B to this report, which includes the following amendments to the existing policy:</p> <p>i. introduction of a remission scheme for the Accommodation Provider Targeted rate.</p> <p>ii. amendments to the remission for residents of licence to occupy retirement villages and Papakāinga housing to remove references to retirement villages and the</p>

<p>Interim Transport Levy</p> <ul style="list-style-type: none"> iii. amendments to simplify the remission for rates penalties iv. removal of the legacy remissions schemes for natural heritage and community and sports organisations and postponement for Great Barrier Island pending development of an integrated approach and sufficient dedicated resourcing to support outcomes for natural heritage and community and sports activities across the region.
<p>Howick</p>
<p>That the Howick Local Board endorses the:</p> <ul style="list-style-type: none"> a) proposal to: <ul style="list-style-type: none"> i. transfer current budget for legacy remissions schemes for natural heritage and community and sports organisations to the operating group with relevant expertise ii. transfer current budget for postponements for Great Barrier Island businesses to Great Barrier Island Local Board iii. grant the current recipient the same support guaranteed for three years iv. develop an integrated approach to supporting outcomes for natural heritage, and community and sporting activities across the region b) Rates Remission and Postponement Policy in Attachment B to this report, which includes the following amendments to the existing policy: <ul style="list-style-type: none"> i. introduction of a remission scheme for the Accommodation Provider Targeted rate. ii. amendments to the remission for residents of licence to occupy retirement villages and Papakāinga housing to remove references to retirement villages and the Interim Transport Levy iii. amendments to simplify the remission for rates penalties iv. removal of the legacy remissions schemes for natural heritage and community and sports organisations and postponement for Great Barrier Island v. amendments to the postponement for Manukau Sport Clubs to restrict the scheme to current applicants and to close off the scheme after three years.
<p>Kaipātiki</p>
<p>That the Kaipātiki Local Board:</p> <ul style="list-style-type: none"> a) endorse the proposal in principle subject to the following amendments: <ul style="list-style-type: none"> i. increase the local board asset based service budgets to maintain the existing level of support for local community, arts and sports groups in Kaipātiki. ii. grant the current recipient the same proportional level of support for rates remitted, and that this be guaranteed until this policy is reviewed. iii. develop an integrated approach to supporting outcomes for natural heritage, cultural, community and sporting activities across the region. b) endorse the following aspects of the proposed Rates Remission and Postponement Policy in Attachment B in the agenda report: <ul style="list-style-type: none"> i. amendments to the remission for residents of licence to occupy retirement villages and Papakāinga housing, to remove references to retirement villages and the Interim Transport Levy ii. amendments to simplify the remission for rates penalties
<p>Māngere-Ōtāhuhu</p>
<p>That the Māngere-Ōtāhuhu Local Board:</p> <ul style="list-style-type: none"> a) endorses the proposal to: <ul style="list-style-type: none"> i. transfer current budget for legacy remissions schemes for natural heritage and community and sports organisations to the operating group with relevant

<p>expertise.</p> <ul style="list-style-type: none"> ii. transfer current budget for postponements for Great Barrier Island businesses to Great Barrier Island Local Board. iii. grant the current recipient the same support guaranteed for three years. iv. develop an integrated approach to supporting outcomes for natural heritage, and community and sporting activities across the region. <p>b) endorses the Rates Remission and Postponement Policy in Attachment B to this report, which includes the following amendments to the existing policy:</p> <ul style="list-style-type: none"> i. introduction of a remission scheme for the Accommodation Provider Targeted rate. ii. amendments to the remission for residents of residents of licence to occupy retirement villages and Papakāinga housing to remove references to retirement villages and the Interim Transport Levy. iii. amendments to simplify the remission for rates penalties. iv. removal of the legacy remissions schemes for natural heritage and community and sports organisations and postponement for Great Barrier Island. <p>c) endorses the amendments to the postponement for Manukau Sport Clubs to restrict the scheme to current applicants and to close off the scheme after three years.</p>
<p>Manurewa</p>
<p>That the Manurewa Local Board:</p> <ul style="list-style-type: none"> a) endorse the proposal subject to the following amendments: <ul style="list-style-type: none"> i) increase the local board asset based service budgets to maintain the existing level of support for local community and sports groups in Manurewa, as per paragraph 39 in the agenda report ii) land covered by QE2 or other environmental covenants to receive grant support automatically, rather than through an application process, to acknowledge the value to the environment from covenanted land iii) grant the current recipients the same proportional level of support for rates remitted, and that this be guaranteed for three years. b) support the development of an integrated approach to achieving outcomes for natural heritage, and supporting community and sporting activities across the region, provided that local boards are a key participant in the development of this approach c) endorse the following aspects of the Rates Remission and Postponement Policy in Attachment B to the report entitled “Feedback on Rates Remissions and Postponement Policy”: <ul style="list-style-type: none"> i) the amendments to the remission for residents of licence to occupy retirement villages and Papakāinga housing to remove references to retirement villages and the Interim Transport Levy ii) the amendments to simplify the remission for rates penalties.
<p>Maungakiekie-Tāmaki</p>
<p>That the Maungakiekie-Tāmaki Local Board:</p> <ul style="list-style-type: none"> a) supports the intent of the policy to increase transparency and provide support to community groups;
<p>Ōrākei</p>
<p>That the Ōrākei Local Board endorses the:</p> <ul style="list-style-type: none"> a) proposal to: <ul style="list-style-type: none"> i) transfer current budget for legacy remissions schemes for natural heritage and community and sports organisations to the operating group with relevant expertise ii) grant the current recipients the same support guaranteed for three years iii) develop an integrated approach to supporting outcomes for natural heritage, and

community and sporting activities across the region.

- b) Rates Remission and Postponement Policy in Attachment B to this report, which includes the following amendments to the existing policy:
 - i) introduction of a remission scheme for the Accommodation Provider Targeted Rate.
 - ii) amendments to the remission for residents of licence to occupy retirement villages and Papakāinga housing to remove references to retirement villages and the Interim Transport Levy
 - iii) amendments to simplify the remission for rates penalties.

Ōtara-Papatoetoe

That the Ōtara-Papatoetoe Local Board endorses the:

- a) proposal to:
 - i. transfer current budget for legacy remissions schemes for natural heritage and community and sports organisations to the operating group with relevant expertise
 - ii. transfer current budget for postponements for Great Barrier Island businesses to Great Barrier Island Local Board
 - iii. grant the current recipient the same support guaranteed for three years
 - iv. develop an integrated approach to supporting outcomes for natural heritage, and community and sporting activities across the region.
- b) rates Remission and Postponement Policy in Attachment B to this report, which includes the following amendments to the existing policy:
 - i. introduction of a remission scheme for the Accommodation Provider Targeted rate
 - ii. amendments to the remission for residents of licence to occupy retirement villages and Papakāinga housing to remove references to retirement villages and the Interim Transport Levy
 - iii. amendments to simplify the remission for rates penalties
 - iv. removal of the legacy remissions schemes for natural heritage and community and sports organisations and postponement for Great Barrier Island.
- c) amendments to the postponement for Manukau Sport Clubs to restrict the scheme to current applicants and to close off the scheme after three years.

Papakura

That the Papakura Local Board:

- a) endorse in principle the Rates Remission and Postponement Policy subject to the following:
 - i. increase the local board asset based service budgets to maintain the existing level of support for local community and sports groups in Papakura, as per paragraph 39 in the agenda report entitled “Feedback on Rates Remission and Postponement Policy”.
 - ii. grant the current recipients the same proportional level of support for rates remitted, and that this be guaranteed for three years
 - iii. develop an integrated approach to supporting outcomes for natural heritage, and community and sporting activities across the region.
 - iv. the local grants budget increased to accommodate the Rates Remission and Postponement Policy.
- b) endorse the following aspects of the Rates Remission and Postponement Policy in Attachment B to the report entitled “Feedback on Rates Remission and Postponement

Policy”: -

- i. introduction of a remission scheme for the Accommodation Provider Targeted rate.
- ii. amendments to the remission for residents of residents of licence to occupy retirement villages and Papakāinga housing to remove references to retirement villages and the Interim Transport Levy
- iii. amendments to simplify the remission for rates penalties
- c) note the confidential status of attachment D to the report entitled “Feedback on Rates Remission and Postponement Policy”

Puketāpapa

That the Puketāpapa Local Board endorse the:

- a) proposal to:
 - i. transfer current budget for legacy remissions schemes for natural heritage and community and sports organisations to the operating group with relevant expertise
 - ii. transfer current budget for postponements for Great Barrier Island businesses to Great Barrier Island Local Board
 - iii. grant the current recipient the same support guaranteed for three years
 - iv. develop an integrated approach to supporting outcomes for natural
- b) Rates Remission and Postponement Policy in Attachment B to this report, which includes the following amendments to the existing policy:
 - i. introduction of a remission scheme for the Accommodation Provider Targeted rate.
 - ii. amendments to the remission for residents of residents of licence to occupy retirement villages and Papakāinga housing to remove references to retirement villages and the Interim Transport Levy
 - iii. amendments to simplify the remission for rates penalties
 - iv. removal of the legacy remissions schemes for natural heritage and community and sports organisations and postponement for Great Barrier Island
 - v. amendments to the postponement for Manukau Sport Clubs to restrict the scheme to current applicants and to close off the scheme after three years.
- b) thank officer Victoria Villaraza for her attendance.

Rodney

That the Rodney Local Board:

- a) does not endorse the proposal to:
 - i. transfer current budget for legacy remissions schemes for natural heritage and community and sports organisations to the operating group with relevant expertise.
- b) reiterate its previous feedback provided in resolution RD/2017/42, and in particular that:
 - i. it is not the local board’s role to be involved in rating and rates remissions; this is best dealt with consistently at a regional level
 - ii. the system being suggested is only for a three year period which means that there is no certainty for community groups that the arrangement would continue beyond that three year period
- c) support the development of an integrated approach, and sufficient dedicated resourcing, to support outcomes for natural heritage, and community and sporting activities across the region.
- d) note the confidential status of Attachment D - Community and Sports Remissions by local board to item 17 Feedback on Rates Remission and Postponement Policy.

Upper Harbour

That the Upper Harbour Local Board Community Forum:

- a) endorse the proposal in principle subject to the following amendments:
 - i. increase the local board asset based service budgets to maintain the existing level of support for local community and sports groups in Upper Harbour, as per paragraph 39 in the agenda report
 - ii. grant the current recipient the same proportional level of support for rates remitted, and that this be guaranteed for three years
 - iii. develop an integrated approach to supporting outcomes for natural heritage, and community and sporting activities across the region.
- b) endorse the following aspects of the proposed Rates Remission and Postponement Policy in Attachment B in the agenda report:
 - i. amendments to the remission for residents of licence to occupy retirement villages and Papakāinga housing, to remove references to retirement villages and the Interim Transport Levy
 - ii. amendments to simplify the remission for rates penalties

Waiheke

That the Waiheke Local Board:

- a) does not support transition of the regional heritage (covenanted land) remissions into a regional grant programme, in particular covenants under the Queen Elizabeth II National Trust Act.
- b) endorse the proposal to:
 - i. transfer current budget for community and sports organisations to the council operating group with relevant expertise.
 - ii. transfer current budget for postponements for Great Barrier Island businesses to Great Barrier Island Local Board.
 - iii. develop an integrated approach to supporting outcomes for community and sporting activities across the region.
- c) note the confidential status of Attachment D - Community and Sports Remissions by local board to item 13 Feedback on Rates Remission and Postponement Policy.

Waitākere Ranges

That the Waitākere Ranges Local Board:

- a) receive the report
- b) note their concerns with regard to the impact on private property owners who seek to covenant their land for long term environmental protection.

Waitematā

The Waitematā Local Board:

- a) endorse the proposal to:
 - i. transfer current budget for legacy remissions schemes for natural heritage and community and sports organisations to the operating group with relevant expertise
 - ii. transfer current budget for postponements for Great Barrier Island businesses to Great Barrier Island Local Board
 - iii. grant the current recipient the same support guaranteed for three years
 - iv. develop an integrated approach to supporting outcomes for natural heritage, and community and sporting activities across the region
- b) endorse the Rates Remission and Postponement Policy in Attachment B to this report,

which includes the following amendments to the existing policy:

- i. introduction of a remission scheme for the Accommodation Provider Targeted rate.
- ii. amendments to the remission for residents of licence to occupy retirement villages and Papakāinga housing to remove references to retirement villages and the Interim Transport Levy
- iii. amendments to simplify the remission for rates penalties
- iv. removal of the legacy remissions schemes for natural heritage and community and sports organisations and postponement for Great Barrier Island
- c) endorse the amendments to the postponement for Manukau Sport Clubs to restrict the scheme to current applicants and to close off the scheme after three years

Whau

That the Whau Local Board endorses the:

- a) proposal to:
 - i. transfer current budget for legacy remissions schemes for natural heritage and community and sports organisations to the operating group with relevant expertise
 - ii. transfer current budget for postponements for Great Barrier Island businesses to Great Barrier Island Local Board
 - iii. grant the current recipient the same support guaranteed for three years
 - iv. develop an integrated approach to supporting outcomes for natural heritage, and community and sporting activities across the region
- b) Rates Remission and Postponement Policy in Attachment B to this report, which includes the following amendments to the existing policy:
 - i. introduction of a remission scheme for the Accommodation Provider Targeted rate.
 - ii. amendments to the remission for residents of residents of licence to occupy retirement villages and Papakāinga housing to remove references to retirement villages and the Interim Transport Levy
 - iii. amendments to simplify the remission for rates penalties
 - iv. removal of the legacy remissions schemes for natural heritage and community and sports organisations and postponement for Great Barrier Island
- c) amendments to the postponement for Manukau Sport Clubs to restrict the scheme to current applicants and to close off the scheme after three years.

Rural Advisory Panel Resolutions

That the Rural Advisory Panel:

- a) endorses the proposal to:
 - i) transfer current budget for legacy remissions schemes for natural heritage and community and sports organisations to the operating group with relevant expertise.
 - ii) transfer current budget for postponements for Great Barrier Island businesses to Great Barrier Island Local Board.
 - iii) grant the current recipient the same support guaranteed for three years.
 - iv) develop an integrated approach to supporting outcomes for natural heritage, and community and sporting activities across the region.
- b) endorse the Rates Remission and Postponement Policy in Attachment B to this report, which includes the following amendments to the existing policy:
 - i) introduction of a remission scheme for the Accommodation Provider Targeted rate.
 - ii) amendments to the remission for residents of residents of licence to occupy retirement villages and Papakāinga housing to remove references to retirement villages and the

Interim Transport Levy.

- iii) amendments to simplify the remission for rates penalties.
- iv) extend the remission scheme for natural heritage across the region with eligibility dependent on passing the QEII Trust inspections or equivalent test and the covenants have not been established as a condition of resource consent.
- v) amendments to the postponement for Manukau Sport Clubs to restrict the scheme to current applicants and to close off the scheme after three years.

Item 15

Attachment B

Attachment C: Public Feedback on the Rates remission and postponement policy

Consultation was open to the public from 13 March to 13 April. Notification was targeted to:

- current recipients of legacy remission and postponement schemes
- ratepayers currently charged the Accommodation Provider Targeted Rate
- administrators for villages receiving the remission for licence to occupy retirement villages
- relevant key stakeholders including the Queen Elizabeth the Second Trust and Royal Forest and Bird Protection Society of New Zealand (Forest and Bird).

Feedback related to remissions for natural heritage

Theme	Feedback Points	Officers Comments
QEII covenanted land should be non-rateable	37	Land is only non-rateable if owned or used by (for example under a lease) the QEII trust. The QEII Trust is empowered by its establishing legislation to pay the rates on land that has a covenant to the Trust
Will be worse off because not GST registered	9	Officers recommend funding the GST component which would leave recipients in the same position as currently. This will cost \$10,000.
Ongoing support (after three years) is uncertain	28	Neither grants nor remissions guarantee on-going support, as policies can be changed. All support should be subject to regular review to ensure value for ratepayers in terms of outcomes achieved.
Grants require more administration	24	Grants can provide long-term support with same administration requirements as current schemes. Properties in Waitakere already receive grants for rates
Grants will not encourage people to covenant land in future	30	The incentive value of remissions is minimal compared to the opportunity cost of covenanting land. Council offers grants that can be used for costs associated with covenanting land.
Remissions recognise value to environment of QEII covenants	51	Grants offer flexibility to increase recognition of the beneficial outcomes achieved.
Remissions recognise the cost of maintaining covenanted land	51	Amount of remission is limited to the amount of rates charged to the land and is not related to the costs of maintenance. Grants provide more flexibility in level of support offered. This issue can be considered in future options
Costs of maintaining QE2 land as identified in Waikato study¹ which put the cost to owners for establishing a covenant at \$64,000, and the annual cost of maintaining the land at \$6000.	12	Figures in the study were derived from a sample of properties with QE2 covenants, of which 11 were in Auckland. For the Auckland sample, the study records an average cost for establishment as \$8,457 in cash and \$2,818 in non-cash costs. Annual maintenance costs were \$319 cash and \$1,062 non-cash.
Removing remissions is inconsistent with RMA and/or Unitary Plan	22	Council uses a variety of mechanisms to meet its obligations under the RMA and Unitary Plan.
Extend remissions to SEAs	10	Significant Ecological Area status does not guarantee enduring protection for native habitats

¹ Waikato University: "2017 Investment in Covenanted Land Conservation" prepared for the Queen Elizabeth the Second Trust

Feedback related to remissions for community and sporting organisations

Theme	Feedback Points	Officers Comments
Ongoing support is uncertain	14	Neither grants nor remissions guarantee on-going support, as policies can be changed.
Grants require more administration	11	Grants can provide long-term support with same administration requirements as current schemes.
Support should be continued because of the benefit the organisation provides to the community	14	Feedback reflects concerns for continuation of support rather than the form in which it is received.
Removing support will have significant financial impact on organisations	13	It is proposed that options for future support be developed with input from relevant sectors within the three years.
Supports grants or remissions so long as support maintained	2	
Rates cost will need to be met through existing funding agreement with council	1	Harmonising funding mechanisms will reduce administration for some organisations

Feedback related to remission for the Accommodation provider targeted rate

Response to Remissions	Feedback Points	Officers Comments
Remission assists those who most need it	2	This feedback reflects the key issues for and against adoption of an APTR remission
Remission supported because can't pass on rate to operator	12	
Remission shouldn't be offered - everyone should pay	4	
No APTR should be charged	13	6 supported and 6 opposed the proposal
Remission should be available to more properties	8	3 supported, 4 opposed proposal
Full remission should be granted until lease ends	4	1 supported proposal
Should use bed tax or similar charge rather than APTR	7	2 supported, 1 opposed proposal

Attachment D: Value of legacy schemes by local board area: (Remissions for community/sporting are split by regional and local.
Excludes council properties)

	Local Community and Sporting Remissions		Regional Community and Sporting Remissions		Regional Heritage (Covenanted land) Remissions	
	Number granted	Amount Remitted	Number granted	Amount Remitted	Number granted	Amount Remitted
Local Board:						
Albert-Eden	21	\$21,142	8	\$21,552		
Devonport-Takapuna	10	\$55,608	3	\$7,811		
Franklin	41	\$86,531	15	\$31,548	18	\$7,264
Great Barrier	1	\$77			5	\$1,959
Henderson-Massey	2	\$293	13	\$1,777	1	\$12
Hibiscus and Bays	16	\$54,855	5	\$19,123	3	\$10,054
Howick	2	\$4,888	6	\$1,071		
Kaipātiki	16	\$33,331	12	\$35,765		
Māngere-Ōtāhuhu	2	\$1,148	4	\$1,014		
Manurewa	2	\$884	3	\$765		
Maungakiekie-Tāmaki	5	\$1,274	5	\$11,327		
Ōrākei	11	\$21,846	2	\$2,257		
Ōtara-Papatoetoe	10	\$1,427	8	\$1,124		
Papakura	3	\$841	11	\$1,831	1	\$164
Puketāpapa	6	\$1,626	2	\$524		
Rodney	40	\$112,909	5	\$11,243	31	\$16,704
Upper Harbour	10	\$83,738	10	\$57,190	2	\$84
Waiheke	5	\$1,616	2	\$406	15	\$21,440
Waitākere Ranges	12	\$2,460	5	\$544	21	\$1,213
Waitematā	3	\$947	4	\$8,297		
Whau	9	\$3,750	3	\$745	2	\$35
Total	226	\$414,185	126	\$215,925	99	\$58,928

Average value of legacy remission per property by Local Board Area

Local Board	Average value of remission per property			Heritage (Covenanted land) Remissions
	Local Community and Sporting Remissions	Regional Community and Sporting Remissions		
Albert-Eden	\$1,006.78	\$2,694.12		
Devonport-Takapuna	\$5,560.85	\$2,603.84		
Franklin	\$2,110.52	\$2,103.25		\$403.56
Great Barrier	\$77.73			\$391.80
Henderson-Massey	\$146.93	\$136.70		\$12.00
Hibiscus and Bays	\$3,428.48	\$3,824.64		\$3,351.33
Howick	\$2,444.11	\$178.58		
Kaipātiki	\$2,083.19	\$2,980.46		
Māngere-Ōtāhuhu	\$574.12	\$253.70		
Manurewa	\$442.30	\$255.24		
Maungakiekie-Tāmaki	\$254.87	\$2,265.46		
Ōrākei	\$1,986.08	\$1,128.96		
Ōtara-Papatoetoe	\$142.74	\$140.55		
Papakura	\$280.63	\$166.54		\$164.00
Puketāpapa	\$271.12	\$262.21		
Rodney	\$2,822.73	\$2,248.63		\$538.84
Upper Harbour	\$8,374	\$5,719.08		\$42.00
Waiheke	\$323.35	\$203.32		\$1,429.33
Waitākere Ranges	\$205.02	\$108.84		\$57.76
Waitematā	\$315.92	\$2,074.49		
Whau	\$416.69	\$248.59		\$17.50
Total	\$1,832.68	\$1,713.69		\$595.23

Exclusion of the Public: Local Government Official Information and Meetings Act 1987

That the Finance and Performance Committee:

- a) exclude the public from the following part(s) of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

15 Adoption of the Rates Remission and Postponement Policy - Attachment E - List of all community and sporting remissions by local board area

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. In particular, the attachment contains details of individual remissions. Reason: Public inspection of remissions for individual rating units is not permitted under s38(1)(e) of the Local Government (Rating) Act 2002..	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.