Mayoral Proposal on Auckland Council's Draft Long-term Plan 2024 – 2034

December 2023

Mayor's Foreword

The Auckland Super City has reached its teenage years. Now is time for us to grow up: assert Auckland's role in driving its own future, tackle our big financial challenges and focus on strengthening the long-term financial and physical resilience of the region.

Auckland: a beautiful, thriving, and safe place to live

I am determined to put the council in a position to affordably deliver the basic infrastructure and services expected by Aucklanders, which help them live their lives better and especially get around easier.

Putting us on a sustainable financial path is necessary if we want to make the investment required for Auckland to be a beautiful, thriving, and safe place to live. I want Aucklanders from all walks of life to experience daily:

a. A stunning natural environment—harbours, beaches, forests, maunga, islands, and urban trees—can be accessed and enjoyed by Aucklanders across the region, including in its heart.
b. A transport system and development pattern that enables us to live in decent houses in nice communities and move around the region easily, affordably, and in a way that meets our climate commitments.
c. Decent and affordable public services, amenities, and infrastructure.
d. A diverse and dynamic city that includes a rich array of cultural and sporting events, museums, galleries, and built heritage.
e. A thriving economy that supports growth and opportunities for all.

Our vision for Auckland must also recognise the position of Māori in Tāmaki Makaurau.

Council has a role in achieving this vision, but in my view that starts with **getting back to basics**. We can make a big difference in people's lives by focusing on the most important things we do for them - pipes, roads, public transport, rubbish collection and community facilities. We need to focus on the areas where we can have the most impact.

Our big challenges

The council faces big challenges. In previous years, decisions have been made to paper over funding gaps with debt and commit to new mega-projects while underfunding the renewal of core assets like roads, pipes, and community buildings. These chickens have come home to roost, and we need to deal with them in this LTP.

The Auckland floods and Cyclone Gabrielle demonstrated that Auckland must confront the long-term resilience risks posed by climate change, which include the increased risk of damage to the council's physical assets and Auckland homes, as well as the risk to council's access to capital and insurance. Other major environmental challenges have appeared, including the spread of exotic Caulerpa seaweeds that threaten one of our greatest treasures, the Hauraki Gulf.

Auckland continues to grow, driven by immigration because we are an attractive place to live. Our current methods for funding growth infrastructure for new housing, such as development contributions, consistently under-recover the full cost of these assets, leaving us to borrow and pass on the cost to ratepayers across the region for these new area assets. As a result, the costs of growth fall disproportionately on local government, while the benefits fall disproportionately for central government. We need to focus our investment in priority areas and work with government to devise better ways to fund growth.

We face persistent challenges in earning public confidence and trust, especially around our spending habits. Many of the things council and our CCOs do cost too much. We must put in place a financial strategy and controls that earn public confidence that our plan spends wisely on things that make a difference and does not waste money. This requires consistent financial restraint and an organisational commitment to doing things better, faster, and cheaper.

As a council we face several unavoidable bills in the next 10 years that this budget must provide for, and we have to also provide for unforeseen risks. Those big bills include City Rail Link (CRL), which in the third year of this plan will account for something like 10% of this year's general rates, and the home buyouts and resilience work needed because of recent storms, which will be about 3% of general rates. We also have big unknowns around what is happening with the water reforms and the Regional Fuel Tax (which accounts for the equivalent of 7% of rates), which have big financial implications. We must maintain the financial ability to respond to risks.

Even with continued financial restraint, rates increases have been baked-in by previous decisions and events. Under my proposal, the total operating costs of the council parent would have *fallen* if it was not for the increased costs of the storm.[1] We also could have had 0% rates increase or even a decrease in year-three of the LTP, but CRL *alone* will give us cost increases of $220 million (the equivalent of a 10% general rates increase this year).

These challenges are not new and the same can be said about most if not all councils across New Zealand. But something has to change. We can't keep going out to Aucklanders every year and saying the same thing.

Making the most of what we have

Given our financial challenges, we cannot offer a whole lot of new spending in this budget. Instead, I am asking the council to focus on doing more with what we already have. I want the organisation focused on two mantras:

- *Better, faster, cheaper* – let's look to do things differently, rather than assume things need to cost so much, and remove barriers to pragmatic solutions.
- *Fix, finish, optimise* – before we start new mega-projects, let's fix what is broken, finish what we started, and optimise what we have.

Seeking a fundamentally different relationship with central Government

One of the points of creating a Super City was that it could have a different relationship with the Government so it could provide regional leadership and deliver for Aucklanders. This has not happened as proposed. This year, I published the Manifesto for Auckland which envisaged a new type of relationship based on partnership and mutual respect. This long-term plan builds on the manifesto and will set out our priorities for central government in an accurate and consistent way.

I also think our current governance structure is large and complex. More decisions should be made at a local level, including purchasing decisions, so that Local Boards can better respond to local priorities and seek out cost effective ways of doing things.

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1 If you exclude storm costs, next year funding for the council parent, Tātaki and Eke Panuku will fall by $76 million in real terms as efficiencies and savings are found.

Fixing Auckland: strengthening the long-term financial and physical resilience of the region

It’s time to get on with fixing Auckland. My mayoral proposal has an overarching theme of strengthening Auckland’s long-term financial and physical resilience, while delivering on my main election promises:

- Fix Auckland’s infrastructure
- Stop wasting money
- Get Auckland moving
- Make the most of our harbours and environment.
- Take back control of council organisations and Auckland’s future

You will see the initiatives set out in this proposal that contribute to these goals, as well as the goals and aspirations of other elected members.

I am suggesting that as a group we commit to strengthening our resilience, physically and financially, over the next three years – providing a solid foundation that will enable our region to make some real progress for the remainder of the long-term plan.

Mayor Wayne Brown

Doing things differently

Politically-led, staff supported

A Long-term Plan (**LTP**) is not just a budget, it is the most significant opportunity for the Mayor and Councillors to set the political direction for Auckland Council and focus the organisation on change that will improve the daily lives of Aucklanders.

I asked for this process to be more politically-led than in the past. To date, there have been 34 budget workshops held over 11 weeks, including informal facilitated discussions at the outset. We have also met several times with iwi leaders and my advisory panels which reflect the unique communities of Auckland. Councillor-led working groups provided an opportunity for elected members to work on and put forward specific recommendations to inform the proposal. I have been impressed by the contributions from many Councillors, who have worked together to come up with these ideas, which are woven into many aspects of this proposal.

Staff, led by Chief Executive Phil Wilson, have supported this approach, aware of the challenges we face, and I am grateful for their excellent assistance and support.

> *"The dramatic events of the last few years have had a significant impact on our region and our resources, and therefore on this budget process. Our elected representatives are facing that challenge head-on by taking a fresh approach to budget planning – with rigour and requiring greater accountability, from all quarters, than ever before. The organisation is behind this and ready to deliver for Auckland.*
>
> *I see this as an opportunity to take a refreshed look at how our organisation works and make sure we are well-appointed to bring the 10-year Budget to life and deliver on the aspirations of our communities."*
>
> **Phil Wilson, Chief Executive**

Consulting Aucklanders on options

In the past, it has been the practice to consult Aucklanders on a single main option with relatively narrow parameters for change following consultation. I do not support that approach and it would not reflect the diverse views around our Budget Committee.

So, for this plan, I am asking the Budget Committee to endorse consultation on a broader set of options than normal, including scenarios to spend more, spend less, or do things differently. Taking these options out for consultation does not mean that we each support all the proposals. Instead, we are asking the public to share their views and we are leaving our options open for discussion.

I am asking the Budget Committee to please be open to exploring options with the public and be clear about what information we need to make informed decisions at the end of the process.

Key initiatives in mayoral proposal, at a glance

Financial Strategy and Main Budget Levers

- **Refresh fiscal rules and reduce debt to revenue ratio**
- **Maintain track to fully funded depreciation by 2028, to reduce pressure on debt**
- **Reduce net operating costs of Auckland Council group in real terms (excluding Auckland Transport and Watercare)**
- **Better, faster, cheaper: cost saving initiatives, including technology transformation, Group Shared Services, new Budget Responsibility Rules and a Group savings target**
- **Fix, finish, optimise: slow growth in capital expenditure, no new mega projects and focus on getting the most out of what we already have**
- **Average residential rate increases of 7.50% (year-one), 3.5% (year-two) and 8% (year-three) to meet unavoidable cost pressures, including relating to storms and City Rail Link, then falling to levels near inflation**

Transport

- **Fix the roads: fully fund council's share of road renewals ($5.5 billion) if co-funding is available and the Unsealed Road Improvements programme ($124 million)**
- **Cut low value initiatives, including raised pedestrian crossings and expensive gold-plated cycleways**
- **Make public transport faster, more reliable and easier to use:**
  - **$50 weekly public transport pass, a maximum weekly charge for adults, and explore an annual pass**
  - **Introduce open loop ticketing, enabling payment with payWave**
  - **$190 million to progress removal of level crossings to make the most of CRL**
  - **$200 million on small capital works that will improve reliability of buses**
  - **$400 million funding for network optimisation and dynamic lanes**
  - **Finish existing Rapid Transit projects, including CRL and Eastern Busway, and progress work on additional affordable projects to complete network**
  - **Look into a trial of a low-cost bike ferry connecting Northcote & the City Centre or Westhaven**
- **Cut congestion by making the most of what we have, make progress on time of use (congestion) charging**
- **Slash costs of temporary traffic management**
- **$70 million in net operating cost savings, from cutting costs and increasing revenue from parking charges and enforcement**
- **Reduce transport emissions in line with target to reach net zero by 2050**

Strengthening council's financial and physical resilience

- **Deliver Making Space for Water over 10 years to ensure our region is resilient to flooding**

- **Auckland Future Fund: A new $3 billion+ regional wealth fund for Auckland to secure its long-term financial future in face of climate change risk, and make the most of its strategic assets**
- **Plan for the return of some of Auckland's prime waterfront land while continuing operations of the Port**
- **Consult on two options to get better return from Port operations: enhanced status quo, or a 35-year lease of the operations of the Port of Auckland**
- **Investigate options for renewable energy generation on under-utilised council assets (e.g. solar panels on council-owned land and buildings) to reduce energy bills and emissions**
- **Advance work to reduce council emissions and reach net zero by 2050**

Local Boards

- **Accelerate fairer funding for Local Boards to address legacy imbalances, with a combination of new funding and reallocation**
- **Empower Local Boards with more decisions about community assets and budget**
- **Better support for Local Board decision-making, including a new taskforce on faster, more efficient community asset optimisation**

Community Assets, Services and Open Space

- **Invest $4 billion capital expenditure and $6.7 billion operating expenditure in community assets, services and open space**
- **Fund a Sport and Recreation Facilities Plan to address deficit in indoor sports facilities, including an additional $35 million over three years**
- **Implement recommendations of Regional Parks Political Working Group, including investigating options for adding to Regional Parks network in South Auckland**
- **Pause funding for seismic upgrades pending a review of standards, and work with Government on improving regulation**

Regional facilities and development

- **Maintain council funding for economic development and events, while alternative revenue sources such as bed night visitor levy are progressed**
- **Investigate options to make more out of the North Harbour Stadium precinct for the North Shore community**
- **Retore Strategic Development Fund for urban regeneration programme, to enable the faster regeneration of run-down parts of Auckland**
- **Fund major regional facilities and amenities, and pursue closer collaboration and legislative change**
- **Fund safety initiatives and increased capacity for animal shelters**

Māori Outcomes

- **Increase Māori Outcome funding to $171 million over 10 years**

Watercare

- **Maintain Watercare's debt to revenue at 340%**

- **Work with Government on balance sheet separation, to enable necessary investment in water infrastructure and avoid big water price increases for households**

Mayoral Proposal on draft LTP

Financial Strategy and Budget Levers

- **Refresh fiscal rules, reduce debt to revenue ratio to more sustainable long-term levels**
- **Maintain track to fully funded depreciation by 2028 to reduce pressure on debt**
- **Reduce net operating costs of Auckland Council group in real terms (excluding Auckland Transport and Watercare) for the next three years**
- **Auckland Transport delivers $70 million in net operating savings to mitigate public transport cost pressures**
- **Better, faster, cheaper: specific initiatives to achieve efficiencies and stop waste:**
    - Move to fit-for-purpose technology services to save $94 million
    - Accelerate Group Shared Services and consolidation of service function to reduce duplication amongst council organisations
    - Reduce layers of bureaucracy and management by requesting that the Chief Executive consider a policy of 'zero-distance' between frontline staff and senior managers so they understand the public experience
    - Group budget responsibility and transparency rules, including better use of cost-benefit analysis so we don't spend money on things where the costs outweigh the benefits
- **Fix, finish, optimise: slow down growth in capital expenditure and no new mega projects, focus on getting more out of what we have**
- **Asset sales target of $300 million, which is less than 1% of what we plan to invest in new and renewed assets**
- **Rates increases to meet unavoidable cost pressures over the next three years, including storm-related costs and the City Rail Link, then fall to levels at or near inflation**

Fiscal rules

1. Our Financial Strategy must include benchmarks and rules to enable the assessment of whether the group is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings. I am proposing several changes to these rules.
2. These are important levers for us to pull to put council on a sustainable footing.

Debt to revenue limit

3. Council should use debt to finance new long-term assets that benefit future generations of Aucklanders. This ensures the upfront cost is fairly shared across generations through debt interest and repayment over time funded by rates.

4. But I think council allowed itself to borrow too much when debt was cheap, by borrowing to fund operating costs and by growing its debt-funded capital programme too rapidly.

5. In 2021, council increased its debt to revenue ratio limit to 290%, because of the impacts of COIVD-19, but expected to reduce its ratio over time, setting a long-term target of being below 270%.

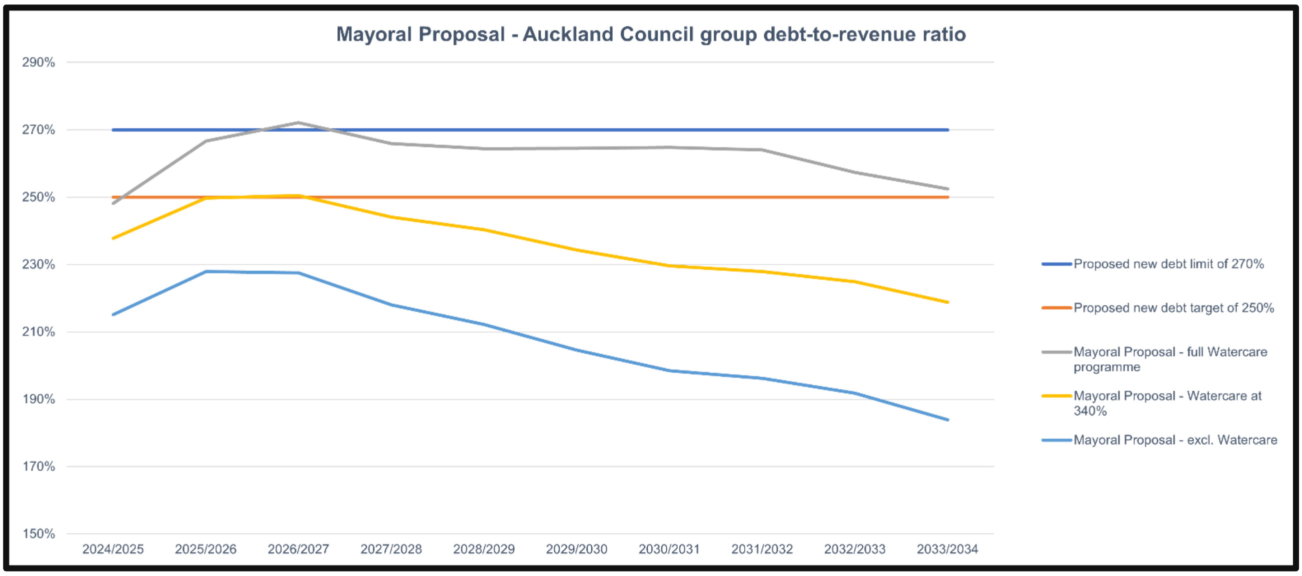
6. We were caught out by rising interest rates and our interest costs have soared to $536 million in the current annual plan, accounting for more than 12% of our operating costs, excluding depreciation.

7. When we sold a 7% stake in AIAL shares this year, we agreed to repay debt and look at reducing permanently council's debt to revenue ratio. I have had a look at this, being mindful of the new cost pressures for capital expenditure relating to water and stormwater assets, transport, and of course the added shock of CRL and the storms and property buyouts.

8. Under my proposal, the debt to revenue will briefly peak above 250% in 2025/2026, before it will start tracking down. So, I am proposing that we permanently reduce council's debt to revenue ratio limit to 270%, with a long-term target of being below 250%.

9. Watercare, if it remains on our balance sheets, is required to maintain its current debt to revenue ratio of 340%. We know that this creates a very constrained situation for Watercare, and we need to work with the Government on finding a solution which enables sufficient investment in water infrastructure while avoiding big price spikes for households.

10. This allows us room for dealing with any other shocks that we might experience over the next 10 years but sends a strong signal to the council group that financial discipline is required, that we fix and finish what we have, and do things better, faster, cheaper before we start planning to borrow and spend for anything new.



Balancing the budget, fully funding depreciation

11. Auckland Council has never really balanced its budget because it has not fully funded depreciation. This means the council has not covered the full cost of providing its assets each year and has always passed an unfair proportion of the cost of these assets to the next generation through debt.

12. Depreciation is a non-cash charge that reflects the reduction in the usability of our assets over time. Because this is a non-cash expense, any revenue raised to cover depreciation generates a cash surplus which is used to fund capital expenditure (instead of debt-funding this expenditure).

13. Our plan should maintain the path to fully funded depreciation, which would mean that on average we are not relying on borrowing to fund asset replacement expenditure over the long run. This represents a sustainable approach, as it ensures that operating expenditure is covered by operating revenues, and borrowing is only used to finance investment that will deliver new enduring benefits.

Debt servicing affordability

14. In addition to overall debt levels, we need to keep an eye on our interest costs which are what matters to rates. I propose we introduce a debt servicing cost to revenue limit of 15%, and we look to reduce this over time.

Rates affordability (increases)

15. I propose to introduce a new quantified limit on rates increases, which is based on inflation.

16. Ideally, council should limit its rates increases to inflation, because we should over time get better and more efficient at doing the same things. However, the limit needs to make room for new activities and additional costs which arise.

17. So, over the long-term, the new limit is that average rates increases for existing ratepayers should not exceed more than 1.5 per cent per annum above inflation, based on either CPI or the Local Government Cost Index.

18. As set out below, the new limit will not be met for years one and three of this plan, but can be met over the long-term with consistent financial restraint.

Group budget responsibility and transparency rules

19. The council group must be able to clearly communicate to Aucklanders and the Governing Body the value of its activities. I asked council to develop new Budget Responsibility and Transparency Rules, to form part of the Financial Strategy.

20. The new Rules are to cover the following:

    a. Advice to Elected Members on spending: New rules will set out standards for advice to Elected Members on spending decisions.

    Cost-benefit analysis:

    i. The general rule is that council should not do things where the costs exceed the benefits, i.e. BCR is lower than 1.

    ii. Advice to Elected Members on spending decisions should involve some effort to weigh costs and benefits, including some contestable advice (i.e. advice provided to Elected Members which is separate from the department asking to spend the money). This requires considering how we can understand and assess non-financial benefits. For low value decisions, this analysis is usually qualitative.

    iii. A full analysis is warranted for decisions that involve multi-million-dollar commitments and should be seen as essential to inform options for billion-dollar investment decisions.

iv. The absence of this analysis raises the risk of resources being committed to suboptimal use, at the expense of better value uses.

Financial implications

i. Advice to Elected Members on spending decisions should identify the 10-year cost of the decision, including consequential operating costs and depreciation.

ii. New spending decisions may have "sunset clauses" or "review" clauses.

b. **Councillor access to financial information (including service profiles):** Financial information is now provided to Councillors at a granular (line-by-line) level, as well as in new individual service and budget profiles for each department. These service profiles provide the basic financial and non-financial information necessary for elected members to effectively carry out their governance oversight responsibilities, including at least:

i. The costs and revenues associated with the service, including overall net rates impact

ii. FTEs and contractor costs.

iii. Outputs delivered by departments and where possible, the unit cost of services or the cost to serve expressed as a comparable metric (e.g. cost per library visit, costs per waste bin collected).

~~c.~~ **Programme of regular scrutiny of service and financial performance of departments:** We will soon embark on a programme of regular reviews of the service and financial performance of individual **departments**. This is a chance for us to ask questions and apply scrutiny to individual departments. It will be a way to identify savings and highlight value.

~~d.~~ **Closer control of year-on-year spending increases – moving to fixed nominal baselines**: Another significant change is to move towards an annual budget process based on the central government system of fixed nominal baselines and operational allowances. This means that as a starting point, operating expenditure budgets are not automatically increased each year by the rate of inflation and CCOs and council departments are therefore further encouraged to seek out savings to offset the inflationary cost pressures they are facing. This change has started through this budget process and more work will be undertaken for the council finance team to determine how this can practically be further implemented across the Auckland Council group for future budgets.

Exceptions will likely apply for spending increases that are unavoidable due to contractual or similar commitments, or where the costs are necessary to implement specific Governing Body decisions. Proposals for new discretionary expenditure or requests for inflationary adjustments to avoid undesirable service reductions will be subject to close scrutiny and trade-off decisions through each year's annual plan process. This process will provide elected members with greater visibility and political oversight of the year-on-year operating budget changes.

> *"Our focus on providing value for every dollar we collect in rates, earn in revenue or receive from investment, will continue to be a cornerstone of what we do. Value for money is underpinned by good financial controls, a focus on economies of scale derived from shared services across the Auckland Council group, and ensuring that savings targets continue to be achieved year on year."*
>
> **Phil Wilson, Chief Executive**

Operating costs

21. My plan requires significant financial restraint in terms of the operating costs of Auckland Council. This includes setting prudent baseline funding measures and requiring additional initiative to drive efficiency and value for money.

Council, Eke Panuku and Tataki Auckland Unlimited

22. For the Auckland Council parent, Eke Panuku, and Tataki Auckland Unlimited, I am proposing reductions in real terms in their baseline funding for the next three years.

23. For next year, funding for these three organisations will increase by $45 million (3.4%), including $55 million of direct costs relating to the storm recovery. Excluding storm-related costs, funding for these organisations would have fallen by $8 million next year in my proposal. Given headline inflation is expected to be 5.2%, this a reduction in real terms of around $76 million.

24. To meet this proposal the council group will need to deliver additional cost savings, that haven't been identified, of at least $20 million in year-one rising to $50 million in year-three of the LTP.

25. As part of our approach of consulting on a range of proposals, we will consult on options for council to find further savings.

26. Further information about cost savings initiatives is provided below.

> *"I see this as an opportunity to take a refreshed look at how our organisation works and make sure we are well-appointed to bring the 10-year Budget to life and deliver on the aspirations of our communities.*
>
> *We will deliver our services differently; meet our commitments to Māori; forge a closer working relationship with central government; keep value for money at the heart of everything we do and take a closer look at our capital programmes and the benefits, including climate outcomes, that they deliver.*
>
> *Our organisation must be adaptable and agile. This means refreshing our senior leadership and consolidating portfolios in a thoughtful way that brings accountability and organisational culture into sharp focus. Planning for the future also means investing in our people through graduate, cadet and intern programmes, using vacancies wisely and creating career paths to retain talented kaimahi and create a thriving, stable workforce. "*
>
> **Phil Wilson, Chief Executive**

Auckland Transport

27. Most of the operating cost pressure for the council group is coming from Auckland Transport, as a result increases in the cost of delivering public transport services, expansion in those services and the City Rail Link.

28. Auckland Transport sought an increase next year of $130 million to meet existing service levels. I have asked them to reduce that to $60 million, by making $70 million of savings in year-one through a range of measures, including a cost savings target, reducing non-essential backroom functions and low value programmes, and new revenue.

Proposed group operating cost table

Mayoral proposal scenario - net opex

$million	FY24 Annual Plan	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	Draft 10-year total
Net direct expenditure/AC opex funding [1]												
Auckland Council	1,237	1,279	1,308	1,315	1,326	1,360	1,419	1,496	1,590	1,631	1,690	14,414
Customer & Community	*513*	*531*	*583*	*608*	*611*	*625*	*670*	*711*	*783*	*825*	*857*	*6,802*
Infrastructure & Environmental Services	*273*	*279*	*296*	*299*	*304*	*314*	*324*	*350*	*359*	*367*	*374*	*3,266*
Regulatory Services [2]	*(32)*	*(29)*	*(28)*	*(28)*	*(30)*	*(30)*	*(31)*	*(31)*	*(32)*	*(33)*	*(33)*	*(306)*
Support and others [3]	483	*498*	*456*	*437*	*441*	*451*	*457*	*466*	*481*	*473*	*492*	*4,651*
Auckland Transport	439	499	546	564	582	583	586	591	566	547	543	5,606
Tataki Auckland Unlimited (incl. managed activity)	86	88	91	93	94	96	98	100	102	104	106	969
Eke Panuku (incl. managed activity)	23	24	25	22	24	24	22	23	24	23	24	236

Notes
1. Net direct expenditure comprises direct revenue (fees and user charges, operating grants and subsidies, and other direct revenue) less direct expenditure (employee benefits, grants, other direct expenditure). It excludes key revenue and expenditure items such as, general rates, targeted rates, vested assets, finance revenue, regional fuel tax, depreciation, interest costs, provisions and other sundry non-cash items.
2. The net contribution from Regulatory cover the costs of overheads that support this activity.
3. Budget adjustments for the insurance premium and group shared services are currently held centrally, CCO budgets are still to be updated for these items.

Capital Expenditure

Fix, finish, optimise

29. A source of our financial challenges is that we are trying to do too much, too quickly. The growth in our capital program has been significant, meaning it runs too hot, and we end up wasting money.

30. We need to slow down our capital programme and play catch-up with the associated costs. It's not the time to start big new projects, it's time to consolidate – finish what we've started, fix what is broken, and get the best out of what we have.

31. This will require concerted effort and hard choices. I have asked Auckland Transport to get on with a capital programme of $14 billion - less than the $24 billion option that included all proposed projects, but more than the $13 billion base option that would have seen transport get worse. I am also proposing an option for community assets that slows the growth in community renewal spending.

32. Even with these changes, our capital expenditure is still growing as we invest in Auckland. Big increases in capital expenditure in the first year of the LTP are driven by the Category 3 property buyout, our Making Space for Water programme and transport investment to finish the Eastern Busway, buying new trains, catching up on renewals and CRL cost overruns.

33. Watercare also has a large capital programme to catch up on renewals with some growth-related costs. Transport and water infrastructure investment reduces towards the end of the LTP as we will have finally caught up with the fixing and finishing required on our assets.

Housing and Growth infrastructure

34. The challenges of growth in Auckland are well known and costly. <u>Unconstrained growth into greenfield areas is unsustainable for council to fund and deliver infrastructure</u>. As I have said in my Manifesto for Auckland, this needs to have better coordination, funding tools and support from central government.

35. I have commissioned research into the costs and benefits of growth, and how these fall on central and local government, and how much of our costs we have been able to recover from funding tools like development contributions. I expect this to contribute to our understanding and advocacy on this issue.

36. I support those brownfield growth activities being undertaken by Kāinga Ora but only if those projects are supported by the Housing Acceleration Fund and Waka Kotahi to the extent that it minimises council's contribution to the infrastructure. It is likely we will need to renegotiate our funding arrangements with central government.

37. We need to realign spending to communities with growth, so that more communities which have absorbed additional housing are receiving appropriate levels of funding.

Proposed group capital cost table

Mayoral proposal scenario - capital investment

$million	FY24 Annual Plan	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	Draft 10-year total
Group capital investment	**3,240**	**4,139**	**3,847**	**3,798**	**3,877**	**4,125**	**4,208**	**4,052**	**3,676**	**3,306**	**3,304**	**38,333**
Auckland Council	606	1,079	748	728	744	812	824	868	894	909	925	8,531
Customer & Community	*317*	*272*	*303*	*332*	*356*	*388*	*428*	*488*	*515*	*519*	*531*	*4,133*
Infrastructure & Environmental Services	*215*	*692*	*354*	*317*	*323*	*350*	*328*	*307*	*307*	*317*	*321*	*3,618*
Regulatory Services	*4*	*6*	*5*	*4*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*18*
Support and others	*70*	*108*	*85*	*75*	*64*	*73*	*67*	*72*	*72*	*72*	*73*	*761*
Auckland Transport	1,058	1,400	1,500	1,400	1,566	1,570	1,543	1,385	1,329	1,188	1,160	14,042
City Rail Link	346	274	117	75	-	-	-	-	-	-	-	466
Tataki Auckland Unlimited (incl. managed activity)	67	87	109	98	103	92	43	44	39	39	51	706
Eke Panuku (incl. managed activity)	77	100	90	87	80	80	141	80	80	80	80	897
Watercare	1,086	1,199	1,283	1,410	1,384	1,571	1,657	1,676	1,334	1,089	1,089	13,691

Better, faster, cheaper: cost savings and value for money initiatives

Fit for Purpose Technology

38. I am proposing that we transform the way we deliver technology across council group. The financial benefits from this approach should deliver operational cost savings of $94m million over the Long-term Plan.

39. Council's current core technology and systems are ageing, complex and nearing the end of their useful life. Council can be difficult for Aucklanders to engage with, and technology is a key component to transition to a simpler and efficient organisation.

40. Delivering this change will require council to enter better commercial partnerships with reputable technology businesses, establish different implementation approaches, and be disciplined about using proven modular technologies that can be easily connected with Aucklanders' experience of council in mind.

41. I am endorsing the steady and transitional change approach to technology investment for council group. While there is some sharing of technology across the group at the moment, this change also means CCO's should stop setting up any separate technology functions, and ensure that in the future, all generic technology functions are shared. This means that we make the most of our scale to deliver efficiencies and is an enabler of group shared services and its benefits.

Group Shared Services

42. I am disappointed at the slow pace of change with group shared services, even after putting an emphasis on this activity in the letters of expectations to the CCO's. Aucklanders are sick of the duplication and inefficiency of having to deal with multiple versions of the same service from different parts of the council group.

43. There is a pressing need to stop the duplication across all our common functions (where possible) in the group and have one quality version of these services available for all council entities to use. This includes internal services such as finance, HR, ICT, corporate property, procurement, communications and marketing and others like it, as well as some customer-facing functions like contact centres.

44. There have been too many reviews, and the current approach seems to be going around in circles on this for years and not moving fast enough. It is time for us to set a mandate for council management and as shareholder of the CCO's to outline requirements of what standardised services will be shared, and when this change will be delivered by.

45. This will not be easy to implement but I expect to see a pragmatic plan to ensure there is no impact on the accountabilities of CCO boards. I want to spell out clearly that CCOs should not start or renew any back-office project or service where there is a potential for this to be shared within the group.

46. I want to see a plan that includes a structure to deliver on this group shared services mandate set up by the start of this LTP and to report regularly to the Revenue, Expenditure and Value Committee on progress.

47. We have seen great success and money saved by moving quicker with consolidating our corporate property footprint across the group. Despite reservations by the different entities involved, it is now working very successfully.

48. I want to see this mandate for group shared services delivering against the cost saving targets for the group in the LTP.

Property Management

49. I requested staff provide advice on whether changes should be made to property management across the Group. Council has a property portfolio of circa $15.4 billion which is managed by various teams across the council group. Eke Panuku manage $2.6 billion of this portfolio of which $1.5 billion is in their priority locations and $1.1 billion is “non-service” property with around 50% of the portfolio (by value) being held for future service use.

50. Eke Panuku currently also provides property shared services across property acquisition, disposal and management.

51. The CCO Review in 2020 recommended “Panuku continues to manage the council's non-service property until the council produces a property strategy and considers whether to combine all property services in one place” (Recommendation 14).

52. My office has been advised that a review of the Group property model is continuing and the findings to date suggest that there may be synergies between the property teams across the council group and an opportunity for them to be working more effectively together. The review has also identified that we are not adopting a group wide approach to the management of our significant portfolio and that investment is required in our systems, data and tools.

53. I will request the Chief Executive complete this work and take the necessary steps to implement the building blocks required to optimise the performance of our significant property portfolio. Changes to the way the council group manages its property portfolio will require investment and leadership.

Consolidating other council services where there is duplication

54. In addition to back-office functions, I have asked council to look at other duplication across the group, including in events and economic development.

Reducing overhead costs – including office space, management, consultancy, legal and communications

55. We need to continue to reduce overhead costs. I have asked staff to develop sensible benchmarks, so we know how we compare with high-performing organisations in the public and private sectors in terms of our costs and approaches to organisation, including on management, consultants, legal and communications.

56. As a percentage of total workforce spend, I am concerned that Auckland Council spends more on contractors and consultants than the core public service. Spending on contractors and consultants should at least be in line with targets set by central government.

57. Council has a huge number of middle managers. My view is that organisations function more effectively with fewer layers of management – so there is a smaller gap between people at the top and the work happening at the frontline. I have asked the Chief Executive to consider that.

58. He has noted that Auckland Council has maintained steady staffing and operating costs in light of significant population growth, which is true. Auckland Council needs to continue to absorb growth within its baseline.

Capital efficiency and further cost savings initiatives

59. Too much of what we do costs too much. I've heard consultants talk about "transport dollars" – a different form of currency where everything costs three times as much. I do not accept that. But I appreciate getting value of money requires sustained and consistent effort.

60. Reducing the growth in our capital programme helps, but several of our programmes require specific scrutiny. In addition to greater use of cost-benefit analysis in this plan, I propose several initiatives in this respect which will yield results over time:

61. The following initiatives suggested by Councillors should be progressed in the next year:

    a. *Review design standards* – a programme of review of design standards, to ensure they are not getting in the way of pragmatic cost-effective outcomes (e.g. design standards for rural paths requiring concrete instead of compacted metal). In the meantime, all design standards should be made subject to being able to do thing better, faster and cheaper.

    b. *Road renewals and dig once*– this is a major almost $6 billion spend, but there are ways to ensure we are spending smarter. We need to utilise road renewals smartly to improve roads based on a 'dig once' philosophy, without gold-plating. AT are using a SCRIM (Sideway-force Coefficient Routine Investigation Machine) to carry out condition survey and testing on the Auckland Road Network, to ensure that renewals are required rather than simply scheduled. AT should consider how it can work better with Local Boards on the renewals programme.

    c. *Temporary traffic management transformation* – I have initiated a project to transform AT's approach to TTM, which is a huge portion of the cost of many capital programmes. A review to consider the potential cost savings and income opportunities of this programme has also been initiated. This may include AT developing an in-house TTM function.

    d. *Seismic strengthening* – I am not convinced this spend is justified and an initiative is set out below.

    e. *Enabling local boards to waive accountability reports for community grants* – accountability reports can make the grants process unnecessarily cumbersome and bureaucratic.

    f. *Review provision of services that have been previously provided by community / sporting groups under legacy council* – e.g. a marking of fields, cleaning of changing rooms.

    g. *Property and office space* - Local Boards, CCOs and other related organisations should use existing facilities rather renting new ones, where this is possible. It makes no sense to lease space off commercial landlords when we have empty space in perfectly adequate buildings which *Aucklanders own*.

h. *Fewer rubbish bins* – consider whether our standards for rubbish bins are unnecessary and costly.

i. *Facilities maintenance* – I have heard concerns from some Councillors that the costs of maintenance, particularly our parks and open spaces are getting out of control. I think there is merit in reviewing these costs and contractual structures to see if there are better and cheaper ways to do the work. I want to focus particularly on Regional Parks first, and encourage in-house rangers and volunteer providers to deliver maintenance and minor capital works. I also want to sit down with council's big maintenance contractors to agree on ways we can save money on these expensive contracts. I am open to considering in-housing some aspects of these services.

Consulting on options to stop doing things

62. To really save money, we also need to stop doing some things, but that is something councils find hard. I propose we consult Aucklanders on a "do less" scenario, to enable us to make decisions on stopping some things.

Make Better Use of our Balance Sheet – including Asset Sales

63. One thing we must do is make better use of what we have. My proposal includes several initiatives to use the council's significant balance sheet more effectively.

    a. Strategic assets and establishment of the Auckland Future Fund

    b. Setting annual asset sales targets

    c. Increasing decision-making for local boards to optimise local non-strategic service assets

    d. Establishing appropriate debt levels

    e. To achieve better outcomes, we need to do some things differently and invest in fundamental good practice

64. I am proposing that we include an asset sales target of $300 million over the 10 years of LTP. Council has a large portfolio of assets, and this target is less than 1% of what we propose to invest in new assets over the next 10 years. Achieving any asset sales target is challenging and I am recommending policy changes to make selling assets easier and allow this target to potentially be increased if required during the LTP. These will include:

    a. Establishing principles for asset ownership and a framework to support decision-making. These principles may include:

        i. Council owns assets which deliver council services or are required for a future funded public work;

        ii. Council maximises investment return on assets required for future public work;

        iii. Council sells assets it owns which are not delivering services or required for a future funded public work;

        iv. Council will regularly review its non-service property portfolio and test against specific criteria; and

        v. Where council retains ownership of a non-service property in its portfolio it will achieve a return greater than its cost of capital (currently around 5%).

    b. The decision-making framework will outline the types of assets and the decision-making between Governing Body, Local Boards, CCOs and the Auckland Council Chief Executive.

c. Implement the recommendation from the 2020 CCO Review that "the council assumes responsibility from Eke Panuku for identifying and deciding which non-service properties to sell (excluding those in the CCOs own unlock and transform areas." (Recommendation 11)

d. As soon as a project finishes, staff sell the residual property under their existing delegations. Whether that is left over land from road widening or an old library where we have built a new one these should automatically be sold.

e. The Auckland Council Chief Executive invest sufficient resource to achieve the asset sales target and support local boards to do this as well.

65. I would like staff to provide advice on council investment in golf courses which I see as a regional network which we need to optimise. This includes finishing work a Golf strategy.

66. I understand that asset sales are controversial, but it is good and normal business practice to continually assess whether the assets we own today are providing the value our community requires. To balance our financial position, we need to adopt a pragmatic approach that delivers the best value for money for Aucklanders.

Rates

67. I am proposing an average residential rates increase of 7.5% in year-one of the LTP, 3.5% in year-two and 8% in year-three, which is the year all our CRL costs hit.

	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029	2029/2030	2030/2031	2031/2032	2032/2033	2033/2034
Average increase in total rates for residential ratepayers	7.50%	3.50%	8.00%	3.39%	3.40%	3.41%	3.17%	3.02%	3.04%	3.07%

68. After this, rates increases will reduce to 3.5% or lower in the later years of the LTP – about 1.5% above the predicted levels of CPI inflation, and I see the possibility of moving them closer to the rate inflation.

69. These rates increases are largely the result of previous decisions and events beyond our control. The 7.5% increase for next year needs to be seen in the context of cost pressures which would have amounted to a 14% increase overall, being:

a. Reinstating targeted rates and the long-term differential strategy - $67 million (3%)

b. The need to cover operating costs that were paid for using "short-term" debt (this is us still playing "catch-up" for decisions made in the past - $85 million (4%)

c. Storm response - $54 million (2%)

d. Increase cost of public transport - $111 million (5%)

70. So, to achieve 7.5% requires significant mitigations, including cost efficiencies and savings.

71. Further, if it wasn't for the CRL costs landing in year-three representing an almost 9% increase, we could have had a year without any rates increases, or maybe even a rates decrease.

72. We need to review all our targeted rates. Most of these have been in place for a number of years. It seems like the expectation of delivery, especially if the programmes are time bound, greatly exceed council's ability to deliver and spend the money.

73. I am proposing that we modify the following targeted rates:

a. Natural Environment Targeted Rate: Our threats to the natural environment on land and in our harbours are always changing. I am proposing that we resume this targeted rate at the previously planned level to raise around $32.6m in 2024/2025. I understand there are cost pressures against this funding, but I believe there are better ways to deliver more with the same funding, including leveraging community-led activity as well as working alongside and prompting central government agencies to take meaningful action. I also want at least $200,000 of this funding applied to work dealing with marine pests, particularly "Caulerpa" in the Hauraki Gulf alongside central government.

b. Water Quality Targeted Rate (WQTR): Events this year have shown us the challenges facing water quality, particularly in our harbours. There are large programmes of work to address this already underway. But artificially constraining this work with a targeted rate of 10 years doesn't work in my view. I am proposing that we fund the expanded full programme of water quality stormwater projects of $779m, but set the targeted rate so that it covers only the annual programme operating and interest costs in each year. The rate will increase over time to ensure costs are covered in each year as the level of investment grows. The growth of the rate will be set to hold the impact on overall rates increase to no more than an additional 0.1 per cent in years two and three when the affordability pressures are greatest, and by no more than an additional 0.3 per cent in the latter years. This way it will treat capital expenditure the same as other council capital expenditure and funded using debt, and we avoid unspent money in reserves in the time it takes to get projects going. This is just good practice and will reduce the targeted rate impact on total rates, as well as aligning the funding for WQTR with the approach to Making Space for Water costs.

c. Climate Action Transport Targeted Rate: this rate stays in place. I am proposing to broaden the description of bus services being delivered by this rate, rather than list individual services, so that there is flexibility to respond to changing environment. In the long-term, I think we should have the flexibility to ensure this rate is spent on activities that get the best return in terms of emissions reduction.

74. The long-term differential strategy (LTDS) has been paused for a while and looking at the benefits delivered for business ratepayers, it seems fair that they contribute the current business level of the total rates take, being 31%. I am proposing that we now do away with the LTDS and maintain the business level as it is, and apply this differential to the three targeted rates above. There is no impact on the overall general rates increase for residential ratepayers from this change.

Non-Rates Revenue

75. Council must continue to drive non-rates revenue to limit rates increases. I endorse the recommendations of the Revenue Working Group, which advised on the following:

a. progress options for a bed/night visitor levy, which we are doing as a priority with TAU and the new Government

b. progress advice on fee opportunities including coastal occupancy

c. provide advice on the commercial revenue opportunities for our leisure network assets

d. provide options that would increase our monitoring activity of current/active resource consents

e. evaluate the cost to serve for bookable spaces as part of the venue hire review

f. look at opportunities to monetarise where appropriate the data sets, intellectual property and photographs we hold copyright to

g. look at opportunities to partner with providers for EV charging infrastructure and solar power generation on council assets

h. provide advice on the feasibility to rate undeveloped land

76. We need to phase this work over the next year, alongside our usual work to increase charges to maintain cost recovery at appropriate levels.

77. We are also progressing work to increase parking charges and fines, and implement time of use charging. We are introducing additional parking enforcement staff and rolling out Licence Plate Recognition cars. These will also monitor Temporary Traffic Management in public spaces.

Transport

- **Fix the roads: fully fund council's share of road renewals ($5.5 billion) if co-funding is available and the Unsealed Road Improvements programme ($124 million)**
- **Cut low value initiatives, including raised pedestrian crossings and expensive gold-plated cycleways**
- **Make public transport faster, more reliable and easier to use:**
  - **$50 weekly public transport pass, a maximum weekly charge for adults**
  - **Introduce open loop ticketing, pay for public transport with payWave**
  - **$190 million to progress removing level crossings**
  - **$200 million on small capital works that will improve reliability of buses**
  - **$400 million funding for network optimisation and dynamic lanes**
  - **Finish existing Rapid Transit projects, including CRL and Eastern Busway, and progress work on additional affordable projects to complete the network**
  - **Look into a trial of a low-cost bike ferry connecting Northcote & the City Centre**
- **Cut congestion by making the most of what we have, and progress Time of Use (congestion) charging**
- **Reduce transport-emissions in line with target to reach net zero by 2050**

An integrated transport plan

78. In this plan, we need to make progress towards an integrated transport plan for Auckland, which requires us to work with Government. This proposed programme focuses on my vision of a faster, less congested, more resilient, low carbon transport system for the people and goods of Auckland.

79. I have asked Auckland Transport to get on with a capital programme of $14 billion - less than the $24 billion option that included all proposed projects, but more than the $13 billion base option that would have seen transport get worse.

80. The key priorities that underlie my proposed transport investment are based on the priorities I announced in my Letter of Expectation:

    a. Complete existing transport projects on time and on budget
    b. Ensuring road renewals and maintenance are properly funded, so we avoid potholes
    c. Halt low-priority initiatives that are not yet underway

d. Achieving significant gains in network performance through smaller-scale improvements
e. Making public transport faster, more reliable, and easier to use
f. Progress work on affordable Rapid Transit projects that Auckland needs

Fix the roads: fully fund renewals and Unsealed Road Improvements programme

81. We need to start by looking after what we already have, including properly funding the renewal of our existing roads, cycleways, and busways.

82. I am proposing to properly fund renewals - $5.5 billion is allocated for this, or nearly 40% of the total transport capital budget. It is essential that we keep our roads in good order, otherwise they will further deteriorate, leading to the widespread potholes we have seen on our state highways, which I will not see repeated in our city.

83. The proposed investment does come with one important condition. We can only afford to fund renewals if we have access to a fair contribution from the National Land Transport Fund. The government has underfunded road renewals in Auckland for years. They must fully fund their 51% share of this spend and I will be lobbying the Minister and Waka Kotahi hard to take sure this happens.

84. We also need to ensure the whole of the Auckland region benefits evenly from the maintenance and renewals program. I thank the rural residents of Auckland for tireless advocacy bringing the poor condition of unsealed roads across the rural areas of Auckland to my attention. It is important to recognise over 70% of Auckland's land area is rural and this requires a fair share of infrastructure funding. In order to improve the situation, I am proposing to fully the fund the Unsealed Road Improvement programme with $124 million over the next decade.

Make public transport faster, more reliable and easier to use

85. Aucklanders are more likely to use public transport if it is fast, reliable, and easy to use. Rather than making it harder for people to drive around, we need to focus on getting our public transport system functioning properly.

Make it easier to use our existing services

86. Our public transport system has been in crisis in recent years. We have made progress on resolving the bus driver shortage and works are progressing on maintenance of the rail network and public transport usage is now at over 80% of previous levels. This needs to continue.

87. However, more is required to make public transport attractive to Aucklanders. I am proposing funding for two important steps to make public transport easier:

    a. Introducing a weekly cap of $50, which will cover bus, rail, and inner harbour ferry services. This cap will be applied automatically when you use your HOP card. It will cut costs for regular commuters as well as encouraging regular users to use public transport for more of their journeys. It comes at a cost of around $1.3 million based on current subsidies.

    b. Investigate an annual pass. This could be expensive, but I think it could be something that some Aucklanders would appreciate. It could be something employers consider purchasing for their staff, as opposed to a car park.

c. Enabling Aucklanders to use payWave to tag-on, rather than just HOP cards, which will lower the barriers to using public transport for Aucklanders as well as visitors. This is an interim step before national ticketing.

d. In addition to this, over $200 million is proposed to be spent on small capital works that will improve the reliability of buses as well as the standard of stops, shelter, and safety.

Make the most of existing mega-projects

88. We need to complete existing transport projects, notably CRL and Eastern Busway. This includes allowing for full funding of the 50% council share of the cost overruns of the City Rail, as well as covering other associated costs like the new trains, depots, and level crossings required to operate the new services. This plan will also cover the fully updated operating and depreciation costs.

89. Over the next decade, we need to focus on improving our rail network to make the most of CRL. I am proposing over $190 million to progress removing level crossings, including those needed for CRL, as well as progressing work on the next priority level crossings in Takanini. Further funding to deliver this programme will need to be discussed with government, given the benefits to the national rail network. I will continue our advocacy for a greater share of these costs to be borne between KiwiRail and Waka Kotahi.

Reduce travel times with network optimisation and dynamic lanes

90. Rather than focusing on more mega-projects, I want to focus more of our transport spend on improvements for small scale transport improvements that make a big difference to how we travel around the city. Over $400 million is proposed for investment in network optimisation and dynamic lanes, which will get traffic and buses moving.

91. Similarly, rather than focusing on a $40 billion tunnel, I would like to see Auckland Transport investigate the feasibility of a low-cost bike ferry connecting Northcote and the City Centre. Funding is allocated for this, based on a proposed operating cost of $500k.

Progress the Rapid Transit network

92. We also need to make progress improving public transport, including building a Rapid Transit Network for Auckland, however this needs to be done in an affordable way and staged over time.

93. To progress Rapid Transit Network, I am proposing to focus on busways. This involves finishing the Eastern Busway, improvements to the Northern Busway including building Rosedale Station, a new bus station at Westgate and interim bus improvements on the Airport to Botany corridor. I have also asked Auckland Transport to progress work on a permanent Northwest busway and improvements to the Mangere to Airport corridor.

Cut spending on low-value initiatives that cost too much

94. I am proposing to reduce budgets for particular areas of spend where I have heard from Aucklanders that AT is spending too much money for too little benefit. This spend can be done in a way that still delivers safety and risk reduction outcomes with better value for money.

95. One area is slashing the budget for raised tables on arterial roads that I know frustrate Aucklanders so much. Raised tables are also stupidly expensive. Cutting them should save at least $80 million dollars while still delivering cost effective location and risk-based safety interventions.

96. Another area of spending is cycleways. AT have been building cycleways that are far too expensive and I want this to stop. AT needs to refocus on much lower cost cycleways that can be delivered with minimal disruption using existing infrastructure where possible.

97. I have proposed cutting funding for cycleways by $141.5 million. This still leaves $430 million for a lower cost cycleways programme, in addition to funding already allocated to specific projects. Significant funding is allocated for these lower-cost cycleways. AT should work with Local Boards who may be able to identify cost options.

98. I also propose reducing the amount available for purchasing property for route protection ($29.1 million), Speed Management ($49.3 million) and seismic strengthening ($35.8 million). Some of this funding is re-allocated to enable variable speed reduction around schools.

Regional Fuel Tax

99. Securing the future of our transport funding is essential. If the Government were to proceed with the removal of the Regional Fuel Tax this will see a stop to almost all new projects until an alternative funding source is found, this includes much needed local projects like Glenvar and Lake Road as well as the final stage of the Eastern Busway.

100. All of the Regional Fuel Tax funds that are said to be in “reserve” are committed to be spent on projects where contracts have been signed. While Time of Use Pricing is primarily intended to reduce congestion, it will also raise revenue for transport projects which can usefully reduce the impact of any removal of the Regional Fuel Tax. I have included funding to progress investment required for Time of Use Pricing, though details of this will require more work with the Government to confirm details around ownership and operation of the scheme.

Operating cost savings

101. Auckland Transport’s operating funding requirement from council was proposed to rise $130 million next financial year, which is twice as much as the rest of the council combined, and this is unacceptable. Therefore, I am asking AT to make savings or increase revenue to reduce this figure to $60 million per year. This will need to be made up of a number of different initiatives:

    a. Savings in Auckland Transport internal costs, including consultant and marketing spend
    b. Removal of low value programmes that don’t match my focus on the basics
    c. Increased revenue from enforcement and parking – an additional 50 enforcement officers are funded to enforce parking and temporary traffic management rules
    d. Savings from more efficient Temporary Traffic Management
    e. Changes to media procurement (enabling Lotto advertising)
    f. Optimisation of the bus network to remove unnecessary ‘empty buses’ from the network. Auckland Transport will need to carefully work through which services to remove to mitigate any impact on communities, particularly where those buses feed into busway or rail services.
    f. I have not proposed cancelling the Gulf Harbour ferry service, which had been mooted.

102. In addition, I propose that AT evaluate all spending on activities to promote behavioural change through community engagement, public education, and marketing.

Temporary Traffic Management

103. I am determined to reduce the unjustifiable social and economic disruption caused by the current approach to temporary traffic management. The number of cones, the frequency of lane closures, and the length of time roadworks remain in place for are excessive and unnecessary.

104. At my insistence, AT has commenced a transformation project, which has started to make changes – this includes charging contractors more to use road space. More progress is planned.

105. In the coming weeks, I will appoint a review out of the Mayor's Office to monitor AT's progress and consider other measures that need to be taken to change the approach. This budget also includes additional enforcement officers – our new *cone rangers*.

Climate Change, Storm Recovery and Resilience

- **Deliver *Making Space for Water* over 10 years to ensure our region is resilient to flooding**
- **Fund storm recovery, home buyouts and property risk mitigation scheme**
- **Advance work to reduce Group climate emissions, focusing on opportunities to save money and deliver cheaper**
- **Investigate options for renewal energy generation on using under-utilised council assets (e.g. solar panels on council-owned land and buildings), to reduce energy bills and emissions**

106. We have experienced first-hand in the Anniversary Day floods and Cyclone Gabrielle that the effects of climate change are getting more frequent and more severe in Auckland. We are warned that failure to effectively and accurately consider climate change in governance, decision making and long-term planning is a top risk for the council group.

107. The Auckland Future Fund I propose below will be one way to deal with the future funding and financing challenge associated with climate risks. We also need to deal with the immediate physical challenges of transition and adaptation.

Making Space for Water

108. Our consultation with Aucklanders has shown that the "Making Space for Water" programme has strong support. However, in my view our financial situation won't allow us to do this whole programme in the six years that was initially discussed.

109. I want this programme to be delivered over the 10 years of the LTP, but there are some initiatives in the programme that I believe can be delivered better, cheaper and faster, including partnering with other government funded agencies for flood intelligence work.

110. This programme includes funding for nine initiatives:

    a. Blue-green networks in critical flood-risk areas: Stormwater solutions (stream daylighting, widening, and realignment), enhancing parkland or open space, and property acquisition and removal.

b. **High-risk properties**: Working with property owners on engineering solutions, managed retreat, and property acquisition.

c. **Culvert and bridge upgrades:** The assessment, replacement, and upgrade of vulnerable assets.

d. **Overland flow path management**: Work to repair, maintain, and monitor overland flow paths, and educate property owners.

e. **Rural settlements**: Responding to three waters needs in storm-affected communities, including marae and papakāinga, and supporting community resilience planning.

f. **Flood intelligence**: Investment in planning and modelling tools to enhance council decision-making.

g. **Stream rehabilitation**: Vegetation management, slope stabilisation, bank battering, stream channel modification, and advice for property owners.

h. **Community-led flood resilience**: Advice for property owners in high-risk areas, industry-specific advice, public events, and awareness campaigns.

i. **Increased maintenance**: Maximising stormwater network efficiency, including street sweeping, catchpit cleaning, and weed clearance from streams.

111. A proportion of the cost of the Making Space for Water programme is going to be funded through the cost sharing agreement with the Crown relating to Category 3 buyouts. The rest of it will need to be funded through rates, so I want to make sure we are getting the best value for the spend and levels of risk, not for gold plated solutions.

Storm recovery, home buyouts and property risk mitigation scheme

112. We also need to make provision to manage the ongoing storm recovery and cover the cost of our decisions to agree to the Government's proposal for property buyouts. This includes buying out high-risk properties (Category 3 properties) and funding mitigations for some properties (Category 2P).

113. These decisions, which were the right ones, are a big reason we need to increase rates over the next three years. However, we need to be vigilant to manage cost and expectations. As a council we do not and cannot insure private properties against the hazards of coastal erosion and climate change. We must continue to make it clear throughout this process that the government needs to come up with a national scheme. In the meantime, council should progress with implementing coastal adaptation plans.

Climate emissions

114. We need to continue progress on reducing climate emissions, for both the council and Auckland. This long-term plan will see greater levels of reporting and accountability in this respect.

115. In some cases, reducing climate emissions can also save us money and I would like us to find these opportunities. We need to advance work towards our climate targets. I think we can be better as a group at focusing climate initiatives in areas that will get us our best bang for buck in terms of emissions, rather than spending on "climate friendly" initiatives that do little to shift the dial.

116. My overarching direction to council group for this plan is as follows:

- Incorporate climate change considerations (whole of life GHG emissions and resilience) into work programmes and decisions, based on realistic assessments.

- Savings targets in operational and capital expenditure should target areas where both cost and whole of life greenhouse gas emissions can be reduced and should not reduce well-performing emissions reduction projects or investments.
- Focus on lowest cost delivery of climate positive projects, such as, in the transport area:
  - implementation of tactical improvements that align with renewals
  - delivery of priority lanes for buses using existing space
  - low-cost neighbourhoods interchange
  - consider cheaper alternatives for large projects, focusing on key priorities
- Work towards reducing the impacts of climate-related risks, which also reduces long-term cost to council and community by continuing to fund activities that reduce the likelihood of stranded assets, support community resilience and reviewing the Unitary Plan
- Ensure appropriate accountability for Auckland Council leadership (including CCOs) through the measurement and reporting on the climate performance of their decisions.

Renewable energy

117. Renewable electricity is a significant part of our country's future. The Government has announced plans to double generation of renewable energy.

118. I have commissioned advice from staff on whether we can generate electricity more on underutilised council land and assets, to reduce our emissions and our energy costs. This could be done in partnership with private enterprise.

119. I expect initial advice to be available to us before we confirm the final LTP.

Auckland Future Fund

- **A new regional wealth fund for Auckland to secure its long-term financial future and make the most of its strategic assets, while reducing risk by diversifying our asset base**
- **Make provision for council to respond to risks presented by climate change and other major environmental challenges**
- **Initial $3 - $4 billion investment of Auckland Airport shares and the proceeds of any lease of the Port of Auckland, as these assets are exposed to our same risks**
- **Protect the value of council's intergenerational strategic assets so they continue to benefit future generations**
- **Target a better return on investment from council's big financial assets, providing a better source of non-rates revenue, predicted to be $180 million in year two of the Long-term Plan**
- **Over time, will deliver increased investment in Auckland – as can be seen with wealth funds around the world**

Long-term challenges

Auckland Council faces major long-term risks from climate change and other environmental challenges

120. The Auckland floods and Cyclone Gabrielle demonstrated that the region faces long-term risks because of climate change and other major environmental challenges.

121. These risks include the increased risk of damage to Auckland Council's physical assets, costs of transitioning to a net-zero economy, and less access to capital and insurance. This year alone, the cost of insurance for the council's assets increased by more than 44%.

122. We need to have a credible plan to show Aucklanders how we can deal with the risks to our assets and finances that may come from climate-related risks.

Current financial assets are not diversified and have underperformed in the long run

123. One thing we know about risks, especially climate risks, is that having all our eggs in Auckland is the last thing we want if something bad happens to Auckland.

124. The same disaster be it climate, pandemic or natural hazard will impact Auckland International Airport Limited (AIAL) and Port of Auckland Limited (POAL), as well as council's other assets. It makes sense to spread our risks and look to earn a better cash return. Access to funds in times of climate crises is a big risk to organisations, and we are not immune.

125. Our biggest financial assets have also underperformed relative to what we could expect from a well-managed fund. While the Port of Auckland is turning around it still does not cover its average cost of capital, meaning in economic terms it has lost council money. The dividends from the airport do not cover the cost of capital either and there is risk in predicting long-term capital growth for any single asset.

126. Our strategic assets have been built up over generations. I do not believe in using those assets for short-term gain. But I do believe in making better use out of what we have.

Auckland Future Fund

The solution

127. I am proposing that we consult the public on establishing an Auckland Future Fund, which would have the purpose of improving Auckland Council's long-term financial position through the following:

  a. Make provision to help address and mitigate council's long-term financial and physical risks posed by climate change and other major environmental challenges, including self-insurance.

  b. Protect the value of council's intergenerational assets so they continue to benefit future generations and are not expended for short-term gain.

  c. Achieve a strong and sustainable return on investment from council's financial investments.

128. I propose the fund is initially capitalised with the council's remaining shares in AIAL and the proceeds from any lease of the operations of the Ports of Auckland, if council proceeds with that option. I am open to consulting on whether the proceeds from the partial sale of council's shares in Auckland Airport also be included, but it is not part of my main proposal. The fund size could be $3-$4 billion if all these options are chosen.

129. The fund would have specific functions to achieve those purposes:

  a. Invest in a well-managed diversified asset portfolio to secure a long-term sustainable return on investment. The fund will be required to be a diversified fund across financial asset classes and geographic locations and will be protected with the strongest possible protections to stop it being used for anything that does not meet its core purposes.

  b. Assist with self-insurance of council against major risks.

  c. Provide a sustainable annual cash dividend to council that more than meets the council's long-term cost of debt and reinvest additional returns.

  d. Provide future funding for investments that are relevant to the fund's main purpose (that is, managing council's long-term financial and physical risks posed by climate change and other major environmental challenges).

Protection of our intergenerational assets

130. The fund must be robustly protected from divestment in future for short-term gain. The current preferred structure, based on preliminary legal advice we received, is an unincorporated non-charitable trust, with council as trustee, a Statement of Investment Policy Objectives, and professional investment managers.

131. Other structures could be explored, if they provide a sufficient degree of protection. A trust is a robust and well-known structure, which will ensure that funds are protected to be used for the long-term purposes that they are set aside for.

Self-insurance saves up to $25 million a year and manages a big risk

132. A big climate risk is to our ability to get insurance. Costs of insuring property, particularly climate related risks, are rising. Our costs of insuring property assets this year alone rose more than 44%.

133. At least $1 billion of the fund could be earmarked to cover insurance of council owned assets, which is becoming harder and more expensive to get as a result of climate change. This will have the positive cash impact of council no longer having to buy insurance cover for our assets, which would

save up to $25 million a year in insurance premiums (around 1% of general rates every year). This is a smart way of council managing our risks and saving money.

134. There are some important assets that council group can't get insurance for either and we have to provision for any risks to repair or replace those too as we have discovered this year.

Targeting a better return on investment

135. The fund will replace the dividends received from current strategic assets with a more sustainable non-rates revenue stream, and should be expected to cover at least the council's cost of capital.

136. Once capitalised, I propose the fund will be mandated to achieve an expected return of at least 7.5% per annum with a minimum cash return to council of $180 million (up to 6% a year) to minimise the impact of rates increases. A cash dividend of $180 million in year two compares with the combined predicted returns from the AIAL and Port of Auckland of around $100 million. Combined with the insurance savings, this will potentially leave us more than $100 million a year better off.

137. Any surplus returns above the cash dividend to council will be reinvested in the fund to preserve and grow its capital.

138. The balance of any capital gain of the fund can be set aside to make provision for the known financial, physical and transitional climate risks identified for council group.

139. Through this we can secure the future financial position of the council, giving future generations more choices about confronting the challenges they will face and investing in Auckland's future. Future councillors in twenty years won't be sitting in a gloomy town hall looking at even gloomier financial statements.

Securing our future

140. Around the world, there are many examples of successful regional and sovereign wealth funds. They are a proven tool to accrue profit for the benefit of a region's economy and citizens, providing stability through diversification and growing wealth for future generations.

141. The New Zealand Superannuation Fund turned 20 this year and has returned 9.53% per year over that time. It recently announced it has left the government's finances $40 billion better off than if the funds had been used to pay off debt.

142. When I was in Australia, I met with the chair of the Australian Future Fund Peter Costello. That $204 billion fund has performed strongly, returning 10.8% per annum over the last 10 years.

143. These funds do more than provide for the future. Globally, they are a major source of capital that have the potential to invest for the long-term in sectors that desperately need it.

144. Setting up a fund like this is a way for us to help future generations deal with our greatest challenges. If we do this, over the long-term our region and council will much better off.

145. I am directing staff to get the appropriate expert advice including legal, accounting and tax advice, to support consultation on this proposal.

Making the most of Auckland's Waterfront and Port

- **Plan for the return of Auckland's prime waterfront land while continuing operation of the Port: Captain Cook and Marsden wharves in two years, Bledisloe North possible in 15 years**
- **Progress work on an integrated freight plan, including moving more freight by rail to reduce congestion and greenhouse gases, and enable investment in inland port infrastructure**
- **Progress work on future development of Port land**
- **Consult on two options to get better return from Port operations: enhanced status quo or a 35-year lease of the operations of the Port of Auckland, with funds invested in Auckland Future Fund**
  - Provide certainty to businesses and workers about long-term footprint of Port – locking in at least a 35-year commitment
  - Robust protections for employment relations, health and safety, prices, the environment and relationship with Iwi
  - Improve Port efficiency and development
  - Port expected to retire some trades, including importation of coal
  - All Port land and strategic assets must remain in public ownership - my bottom line is that the port is not for sale.
- **Contestable advice to be commissioned on Port options by Councillors, who will also have oversight over appointment of investment advisors**

Return of Port land to Aucklanders

146. I remain committed to my vision of delivering to Auckland the most beautiful and loved publicly owned waterfront of any harbour city in the world.

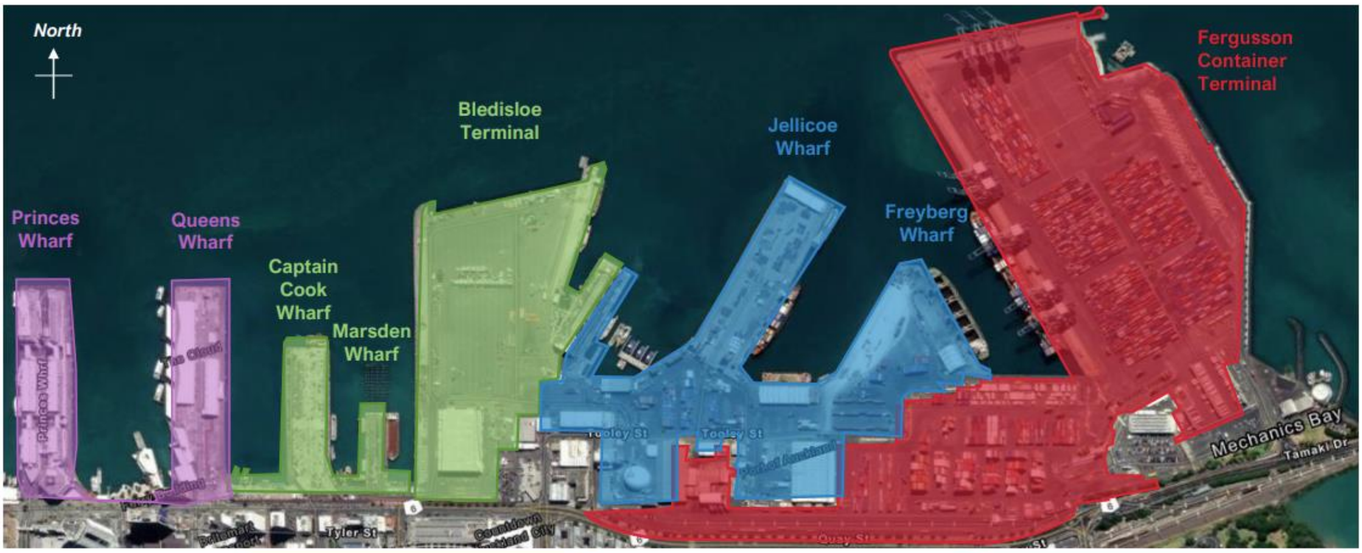
147. A majority of Aucklanders want prime waterfront land released back to the public so they can make the most of the Waitematā Harbour at the heart of our city centre. I made a promise to try and do this as soon as possible once I was elected.

148. I am pleased to say that after working closely with POAL, they have agreed that the Captain Cook and Marsden wharves can be released from being used for car parking within the next two years. The release of this land will have no material impact on the Port's commercial value, with all trade retained.

149. I am proposing that we do this and shrink the port footprint in that timeframe. Transition risks, including relating to council's ability to develop the land, can be managed by maintaining the option of leasing the land back to the Port while we get the timeframes right.

150. The Port has also said that it could return Bledisloe North Wharf to Aucklanders within 15 years. We have been told that this option would have an impact on the Port's commercial value, although this is offset by the value of the land returned and its development potential. The value of this land to the Port operations could be tested by the market in any lease process.

151. I propose to continue this long-term work by asking Eke Panuku to consider the development potential of this Port land and asking Aucklanders about their views on the return of Bledisloe North Wharf, and timing of that.



Cruise	Vehicles (3.15ha & 13.26ha)	Bulk, Multi-Cargo & Pacific (18.25ha)	Containers (39.4ha)
▪ Access to Princess/Queens for cruise berthing	▪ Imports / exports and handling of vehicles ▪ Roll on roll off ("RoRo") vessels berth at Capital Cook and Bledisloe Wharves	▪ Bulk and breakbulk cargo including coal, cement, steel, aggregates, wheat / grain, gypsum, etc. ▪ Pacific trade primarily uses Jellicoe Wharf	▪ Container terminal and container storage yard ▪ Links to KiwiRail operated rail infrastructure

Progress integrated plan for freight

152. I want to prioritise freight and ensure that freight to rail becomes a viable option to move freight around Auckland. In the future, a new inland port in the North-West of Auckland makes sense too, so Auckland can be supplied from two sides.

153. POAL is already making the right moves in terms of variable charging to move freight trucks off our roads in peak hours, but I want to see this go further, faster.

154. We will need to work with the new government to make sure the right investment in infrastructure happens to accelerate this transition. It will ease congestion on our roads and motorways, reduce greenhouse gas emissions, and save us all money in maintenance and renewals. A lease option may also bring in private sector investment to deliver on some of these goals.

Improve Port productivity and return for Auckland

155. I have said many times that we don't get a great return from having a port operating on what is some of the most valuable waterfront land in the country.

156. While I am happy that POAL have started their turnaround strategy and are delivering more returns to council, it still does not return its cost of capital and it would be a missed opportunity if we didn't look at other ways to get a better return on this valuable asset. The Port also remains a heavy emitter in the council group.

157. I have followed through with the work commissioned by the previous council which narrowed down two options to make the most of council's ownership objectives for the port.

a. The first was to enhance the status quo and we have already seen some of the results of that work in the POAL's turnaround strategy and proposal to release Captain Cook and Marsden wharf.

b. The second was to lease the port's commercial operations by partnering with an experienced port operator or investor (approved by council), noting the port already partners with private stevedores for handling vehicles and bulk cargo.

158. There is more work to be done but given all the work that has been done, I think it is fair to consult Aucklanders on these two options.

Option A: Enhanced status quo

159. We should properly consult Aucklanders on the enhanced status quo option, which is based on the Port of Auckland's turnaround plan.

160. This is the base case and will need to be well articulated in the consultation document.

Option B: Operating lease for the Port

Lease could net council $2 billion plus and attract investment in productivity

161. Under a lease model, we have been advised council could expect to receive a $2 - $3 billion in an upfront payment from a Port operator for a 35-year lease. This compares with the net present value of the Port's projected dividends over the next 35 years of $900 million.

162. The proceeds could be invested in the Auckland Future Fund. In 35 years' time, the Port operations would return to council and we would have the net return on investment from $2 - $3 billion.

163. The other potential benefits are significant too, including attracting investment in improving Port efficiency and development.

Maintain ownership of land and strategic assets

164. Under a lease operating model council would continue to own the Port, its land and strategic assets such as the wharves, with the operating partner undertaking the port's commercial activities under strict conditions set by us.

165. And just like a property lease, the port's commercial operations would return to council at the end of the lease term.

Conditions and protections

166. I am aware of concerns about the lease model. A lease gives us considerable control and choices. I would consider a lease model if:

a. *Public ownership:* We keep council's waterfront land in public ownership in perpetuity
b. *Footprint consolidation:* We make better use of the port footprint and return port land for the people of Auckland as soon as practical;
c. *Strategic rail investment:* The port partner invests in rail, port road infrastructure and has a plan to take trucks off our busy roads, particularly during the day;
d. *Cease coal:* The port ceases coal imports and other "dirty, dusty" trades as soon as practicable where alternatives exist for these trades – we want a cleaner, greener port for the city moving forward;
e. *Safety and environmental standards:* We set improved operating, safety and environmental standards (including a reduction in Scope 1, 2 & 3 emissions, and the protection and, where

appropriate, the enhancement of the life-supporting capacity, and the natural, history and physical resources for the Hauraki Gulf), with transparent reporting to council of performance (including on-site tenants) against these standards, and penalties for falling short of our requirements;

f. *Jobs protected*: We ensure port jobs are safeguarded and workforce entitlements are protected for those working at the port including union representation, ideally with requirements to ensure local employment and business procurement are prioritised by any operating partner;
g. *Future investment:* The operating partner pays for all future investment at the port to create growth and jobs, including a mandate to deliver on minimum asset maintenance standards to ensure there is no asset stripping and investing in infrastructure ahead of the demand curve where commercially feasible;
h. *Important decisions*: We have the right to be consulted on matters we consider important to council and the community; and
i. *Prices:* Port prices and access is properly regulated – I will not allow unconstrained commercial activity on our waterfront at the cost of our local businesses, however rate payers cannot continue to subsidise port importers by the port not recovering its operating and capital costs;

167. I would also like to see any potential port partner present to council a Port Development Plan that they will legally commit to address these requirements, including their plan for land release, rail investment and softening the port’s commercial interface with the city.

168. Just like leasing your house, council would enforce our lease conditions through financial penalties, a right to step in and fix any problems (at the commercial partner’s cost) and a right to terminate the lease early for any serious breaches.

169. These are my minimum requirements - and I have asked council staff to explore how these requirements could be delivered while ensuring council receives value for money under any arrangement.

Examples in Australia have been successful

170. Many States in Australia have implemented a lease model, including at their largest ports.

171. I have visited some of the larger Australian ports to understand how this has worked in practice, and I have been comforted by the public policy success of these transactions for the State Governments. Where there have been issues, the lease structure seems to have provided a good model to address them.

172. They have leased their port operations for up to 99 years to local and international partners. I would only consider a far shorter lease term (say 35 years), being in line with the period over which the POAL is expected to reach its long-term capacity.

Need for further contestable advice and fair consultation

173. A few billion dollars today, in comparison to only receiving $900 million of port dividends, while securing the port’s future, jobs and growth for the city of Auckland is something we should explore.

174. However, if we consult on this, we will need more advice before we can make a final decision.

175. As a condition of consulting on this proposal, Councillors and I will expect contestable advice from independent experts. My Office has offered to fund advice commissioned by the Investments Political Working Group and we have identified options. I have also directed that Councillors have oversight over appointment of investment advisors. This advice will inform our decisions.

176. We need to also consult fairly, and Councillors will have oversight over the questions we ask.

Local Boards

- **Accelerate fairer funding for Local Boards to address legacy imbalances, with a combination of new funding and reallocation (increased LDI and capex funding)**
- **Retain the Local Board Capital Transport Fund**
- **Continue the track to empower Local Boards with more decisions about community assets and budgets**
- **Better support for Local Board decision-making, including a new a task force on community asset optimisation**

More powerful Local Boards with Fairer Funding

177. I have spoken a lot about properly empowering and funding local boards to be fully in charge of local matters and to make the council decisions that have been allocated to them. I am heartened to see that local boards are eager and willing to embrace this.

178. I want to recognise and appreciate the steps that many local boards took during the last annual budget to seriously reshape their budgets and activities to deliver savings within the current, odd, funding structure. But this structure seems to be based around preserving community facilities built 50 years ago, rather than planning for the Auckland of tomorrow.

179. One local board member told me recently: "I never realised it would take so long to get things done!" That is why I am proposing to move faster towards fairer funding of local boards than what had previously been agreed through the Governance Framework Review process.

180. I am proposing to adopt one of the options for fairer funding considered by the Joint Governance Working Party that will get 18 Local Boards within 5% of the magic funding equity line. This will be achieved and funded by a 50% reallocation of funding from some local boards and 50% of new funding in the LTP and completed by year three of the LTP. This will require an amendment to the Local Board Funding Policy.

181. It will also require more funding. I am proposing a total of $20 million of operational funding and $30 million of capital funding to be allocated in years two and three of the LTP ($10 million opex in each of years two and three, and $15 million capex in each of years two and three).

182. The reason for starting this fairer funding in year-two is that there are challenges in terms of the information and analysis required to make this funding transition happen, so the first year of the LTP will be dedicated to preparing all local boards and staff for the transition.

183. With the powers already allocated and delegated to local boards, and this new funding model, I expect all local boards to start planning for how they will deliver for their local communities better and not rely on owning old and expensive properties to provide services, just because that's what they've always done. We are already seeing fundamental shifts in the way our communities use our services or engage with local board led activities, and I expect that change to continue as Auckland grows. Work has been underway on the best way to connect local boards with their communities.

184. <u>There is simply not enough money to renew all our community assets</u>. This, combined with the changing nature of what our communities want should be driving local boards to consolidate their property footprint to less, better quality or more multi-use assets that are cheaper to run. We need to do things differently.

185. In some instances, Local Boards might just need to get rid of some buildings that will never be fit for a future council purpose. Funding policy changes, coupled with the already allocated and delegated decision-making framework, means that local boards will be able to recycle this money within their local areas for better ways to deliver services to their communities.

186. Another thing that comes up every budget cycle is council-owned golf courses and how to get a better return on them. Many of these are key local assets so need the local boards to provide input on how best to utilise them based on what is best for the local area and the region. I am calling this out in my discussion on asset sales elsewhere in this proposal.

187. There is value in investigating different approaches to funding local boards in the future and I believe this work is being explored by the Joint Governance Working Party with input from across our complex governance structure.

Supporting Local boards to make decisions about assets

188. Local boards need quality advice from the council organisation to deliver on what their communities expect, as well as to prepare for the transition to the new funding model and approach to community asset provision.

189. I am aware that there are gaps in providing that advice, which I have asked our Chief Executive to address as a matter of urgency. It is essential that Auckland Council resources giving local boards advice, while ensuring that advice is delivery-focused and targeted to areas with the greatest impact. I know staff and elected members are up for this challenge.

190. I have heard from several local boards that they understand the problem and are up for and the challenge and opportunity of optimising their assets. But they have several concerns which include:

- Process is too slow.
- Unable to get the advice they need on service, property and commercial matters.
- Clarity of roles and responsibilities and too many people involved.
- How we effectively engage our communities in these difficult conversations.
- Investment is required in our systems, data and tools (also identified in Group Property review).

191. I understand that there are several real constraints which on a case-by-case basis may include the Reserves Act, other legislative considerations, and our planning rules.

192. We also need to stop putting barriers up for local boards to raise revenue. Leases can be often hard to get approved. Our leasing teams need to be effective and commercially minded. Local Boards should also be supported to consider the amount of peppercorn rentals they have in place.

193. I request that the Chief Executive establish a task force, either under his or the Group Chief Financial Officer's leadership, to urgently review this issue and identify an accelerated approach to implementation. I expect a revised approach to be in place when we adopt the Long-term Plan in June 2024 and request the Revenue, Expenditure and Value Committee monitor progress.

194. I trust local boards, armed with quality advice, will be able to deliver better, faster and cheaper for their communities.

Community Assets, Services and Open Space

- **Invest $4 billion capital expenditure and $6.7 billion operating expenditure in community assets, services and open space**
- **Sport and Recreation Facilities Plan to address deficit in indoor sports facilities, including addition $35 million over three years**
- **Implement recommendations of the Regional Parks Political Working Group**
- **Pause funding for seismic upgrades pending a review of standards**
- **$5.9 million per annum to allow our animal control officers to do their job more efficiently, including improvements and increasing capacity in our animal shelter network**

Overall funding approach

195. Aucklanders love and value our parks and open spaces as well as our community assets. However, some of these assets are not fit for purpose.

196. Instead of a network of high-quality assets, Auckland currently has a complex and ageing network of community assets that are a mix of some high-quality ones and some which are dilapidated, and a lot in between. While some of these assets are our most loved, others are less loved. But they still cost ever larger sums to maintain or renew. We need to fix what needs to be fixed and get rid of the rest.

197. The way Aucklanders interact with council services is changing but having a large, ageing asset base to deliver these services from gives us less flexibility to respond to these changes.

198. The challenge is shared by the local boards for local assets and the wider council for regional assets and the solution is not just building new assets or replacing old ones but to think differently about how we deliver services.

199. We need to start to reduce the overall number of these assets and integrating services into fewer assets to avoid renewal costs and adapt to climate change. We should add parks and assets where needed in priority locations and shift service delivery to other models in other areas.

200. We need to partner with community groups and other organisations so that we can transition to a different community investment model focussed on multi-use services, partnerships and digital services.

201. I want to propose we proceed with the option to reduce assets through consolidation and by not renewing all assets when required, new land and assets where needed, together with a shift to a different delivery model.

202. I am proposing that we will spend $4 billion on capital expenditure and $6.7 billion on operating expenditure over the LTP period. This includes $700 million of operating expenditure that we will be tagged to helping council transition to fewer renewals and more innovative ways of delivering council services or “do differently”.

Regional Parks

203. Auckland's Regional Parks are extremely popular and highly valued by the people of Auckland. The parks network presently comprises 28 regional parks, encompassing 41,000 ha of land and 210 km of coastline. The parks attract some six million visitors a year.

204. Council does not currently have plans to add to this network. However, I am glad that, with the support of Political Working Group of Regional Parks, we were able to add a strategic land holding to the Auckland Botanic Gardens this year.

205. The Political Working Group of Regional Parks made several additional recommendations which I endorse and which I would like our plan to reflect the following tasks:

    a. Review regional park operations to ensure best-value for money from external contract and in-park ranger operations.

    b. Investigate options to acquire land for a new regional park so support growth in the south of the Auckland region. This could look at making a regional park out of existing land at Puhinui/Stonefields-Otuataua or acquiring one on the west coast between Awhitu and Port Waikato.

    c. Building cooperation between the regional parks network and mana whenua-owner Tūpuna Maunga whenua.

    d. Mana whenua are involved in the preparation and engagement on all plans in regional parks.

    e. Review track upgrade engineering methodologies to ensure resilience and functionality.

    f. Safeguard all regional parks' legal protection.

Community-led action

206. I heard loud and clear that we need to deliver some community services through volunteers to make our money go further. I want to see the continued and maintained investment in community-led action and volunteer activity.

Seismic and heritage funding

207. I propose to pause spending on seismic upgrades of council assets until we have reviewed our standards and assured ourselves we are not wasting vast sums of money. My initial conversations with Minister for Regulation Hon David Seymour have been positive about looking at whether the regulations are appropriate.

208. Council is proposing to spend $90 million over the next 10 years on seismic strengthening and the regulations also force ratepayers into large spends that are of low value. I am concerned this is too much. It is another cost imposed on us by Government regulation, but I don't believe that the Governing Body, as governors, has enough information to how this spend is being scoped.

209. For example, are we doing enough to ensure that our seismic ratings are accurate and not overly pessimistic? Have we done enough to advocate for standards appropriate to Auckland region's risk profile? Has anyone checked that seismic upgrades have a positive benefit cost ratio?

210. Quite often it is the cost of meeting seismic strengthening requirements, which may be unreasonable, that makes renewals of these assets unaffordable. Let's look at how we can do these renewals better and cheaper.

211. So, I am proposing that all seismic upgrade funding in the LTP is set aside in a new fund to be prioritised based on a clear set of criteria, including benefit cost ratio. This should be contestable within council for priority assets.

212. I also want the council-built heritage fund to be repurposed so that it is available to council-owned buildings and available on a contestable basis for local board assets as well. This fund is approximately $60 million in this LTP.

213. Where demolition of an asset or building is the viable option, and is deemed to be an operational cost, the $700 million set aside in Community for "do differently" may be able to be applied to this work, especially for those local boards that want to prioritise these types of demolition activity.

Sports and Recreation Facilities Plan

214. I have heard from our community that there is a major infrastructure deficit for indoor sports facilities in Auckland. In order to address this and to achieve a transition to a different approach to community facilities capital expenditure, I am proposing an additional $35 million for the Sports and Recreation Facilities Investment Fund being split $10 million in year-one, $10 million in year-two and $15 million in year-three of the LTP. This money is to be reallocated from the $700 million allocated for do differently spending in the community space.

215. We also need to spend smarter to deliver the step-change in infrastructure required. Council cannot afford to build the full network of sports facilities that Aucklanders need, but we also need to avoid scattering our funding around too thinly. We need to more to leverage other sources of funding, signal areas of priority and assist in aggregation. I am proposing to

   a. Refine the criteria of the Sport and Recreation Facilities Investment Fund, so that a large proportion (say 70%) is no longer contestable, utilising the independent Single Facilities Priority Plan that Aktive has commissioned to inform decisions on where capital investment should be placed.

   b. Assist in leveraging different funding available from other organisations (such as licensing trusts and Foundation North) for priority projects. This can include providing seed funding or supporting the aggregation of funding from source for priority projects.

   c. Pursue, as a matter of priority, working with the Ministry of Education and local schools to find better opportunities to share sport and recreation assets.

   d. Look at developing a regional sports and recreation facilities network investment plan that looks across all local board areas to prioritise investment.

216. I believe this would see Auckland's facility priorities delivered rather than the status quo, which is seeing them stall or not eventuate at all.

City Safety

217. Aucklanders should be proud of the central city, and feel comfortable living, working and playing there. Council has a role to play, but it is a partnership with central government, social service agencies and community groups.

218. The Central City Advisory Panel (of which I am a member) has been advocating for a police station to be returned to the central city. I am expecting 100 new police officers to be based in Auckland Central including Karangahape Road as part of the government's election policies.

219. Agencies should work together to maximise the impact of the investment council does put in. I also believe that Business Improvement Districts (BIDs) should consider funding safety initiatives, as some already do now, including crime prevention through environmental design. All safety funding and initiatives should be focusing one of the three pillars of safety; reducing crime, improving social wellbeing, and positive activation to avoid duplication and enable delivery of long-term objectives.

220. This proposal recognises the importance of Auckland Council's investment in safety initiatives and continues our approach from earlier budgets of funding areas. CityWatch patrols are now an in-house function of council. Their presence will increase safety, provide regulatory support, and improve engagement within the CBD. We will continue to review and monitor this programme and consider its ability to be extended to become a regional initiative across other town centres.

221. Dog attacks are a significant safety issue throughout Auckland. Previous budgets have supported an increase in animal control officers, to improve response times. I am supporting a further increase in funding of $5.9 million per annum to allow our animal control officers to do their job more efficiently, including improvements and increasing capacity in our animal shelter network.

222. However, I don't agree that we need to spend more to get more. I want to see how we can leverage our existing spending but with a different approach to empowering communities to deliver on our behalf. This includes working in partnership with the Government and community sector to tackle homelessness, rather than just adding more money to the budget and hoping people move off the street.

Regional facilities and development

- **Maintain funding for economic development and events, while alternative revenue sources are sought, including a bed night visitor levy**
- **Investigate options to make more out of the North Harbour Stadium precinct for the North Shore community**
- **Retore Strategic Development Fund for urban regeneration programme, to enable the faster regeneration of run-down parts of Auckland**

Economic Development and Events

223. I propose to maintain the current (reduced) funding levels of $25 million for economic development and major events and destination activity. However, there will be a $5 million events funding gap left by government funding expiring at the end of the current financial year. I want this gap to be funded from the proceeds of Tātaki Auckland Unlimited (TAU) selling the Auckland Film Studio or seek additional government funding.

224. However, over the long-term, I maintain my position that these activities should not be primarily funded by general rates, and I want other sustainable sources of revenue to fund it.

225. We will progress work on a bed night visitor levy in Auckland to fund major events and destination marketing. My conversations with the hotel and Airbnb industry have been positive about this.

226. I also want a review of the way events, both regional and local are delivered across the council group. Events are being delivered by council, TAU, Eke Panuku, and AT. I want to see work done to identify

how the delivery teams and activity for these events can be consolidated to one entity. I understand there will be some small local events that will be retained in either entities or local boards, but having duplicate events teams across council seems inefficient.

Stadium Investment Plan

227. There are four major stadia in Auckland, but some are underutilised and don't make enough money to pay their operating costs let alone set money aside to do capital improvements.

228. TAU on behalf of council owns three of them (North Harbour, Western Springs, and Go Media Mt Smart) and over this LTP won't have enough money to deliver the work required to keep them all in a fit condition. The fourth, our national stadium at Eden Park, is not owned by Auckland Council, although council has provided loans and funding in the past, and it may have plans that require council support.

North Shore Stadium Precinct redevelopment

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

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

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

232. I propose we consult Aucklanders, and especially the North Shore community, on several options.

233. The first option is the status quo, which would involve retaining the current North Harbour Stadium and investing in essential renewals ($33 million). Within this option, I am open to considering how we improve the operational model for the stadium, including considering its management.

234. The second option is to, in consultation with the North Shore community, redevelop North Harbour Stadium Precinct into a fit for purpose multisport area, including the following steps:

    a. Redevelop the current stadium to a more fit for purpose venue for local events and existing North Harbour sporting organisations, including up to 8,000 seats and additional scalable capacity if ever required. This could provide for a more commercial facility and a better fan experience.

    b. Providing funding towards an additional multi-use indoor sports / basketball arena in the precinct.

    c. Retain existing community playing fields.

    d. Fund the above through:

        i. Redirecting the funds that would have otherwise been spent on funding renewal of the current North Harbour Stadium stand.

        ii. Selling <u>some</u> of the stadium precinct land.

        iii. Any other additional external funding that can be sourced.

235. If the Budget Committee supports this approach, my office and TAU will work with the local community to develop the second option further before the consultation document is agreed. This

second option essentially enables the North Shore to get something better out of what they already, and it should be for the community to decide if that's what they want.

236. Given the different scope, the new right-sized stadium could be administered by a community organisation rather than TAU.

Western Springs and Go Media Mt Smart

237. We cannot fund the full capital needs of our other stadiums now. I propose we meet the essential costs of these stadia.

238. This means <u>not</u> consulting on additional investment for Western Spring or Go Media Mt Smart that was suggested could be funded through the sale of North Harbour Stadium.

Auckland's national stadium

239. The Stadiums Political Working Group continues towards identifying preferred options for a "national stadium", including any options for a waterfront stadium that could be built without ratepayer funding. At this stage, Eden Park is our national stadium and it does an excellent job, as demonstrated during the recent FIFA World Cup, and there is no proposal to change that.

240. I am interested, too, in the recent idea that a smaller 20,000 seat stadium could be built somewhere on our waterfront with private money. Let's consider that option with an open mind, if it won't cost us any money.

Regional facilities and amenities, including Auckland War Memorial Museum, MOTAT, and ARAFA

241. We will need to maintain funding levels for the facilities and amenities that we are required by law to fund. However, I do not think the *status quo* is tolerable or sustainable. Auckland Council is the only council that gets told what it is required to fund in this area, without democratic accountability or even the ability to set outcomes.

242. I endorse the recommendations of the Arts, Social, Sports and Community Political Working Group chaired by the Deputy Mayor, which found there was a case for change including opportunities for collaboration, efficiencies and strategic action among instructions.

243. I propose we progress those recommendations from the Working Group:

   a. Closer integration of Auckland Museum and MOTAT to the Auckland Council group (specifically Tātaki Auckland Unlimited). Discussions would encompass the levy process (caps, timeline, arbitration provisions), modernisation of the Board and appointment rights, and formal accountability processes for council added (strategic direction and performance reporting), and appropriate steps towards integration (again, noting that different models may be required for the Museum and MOTAT).

   b. Consideration be given to how to continue to provide long-term funding certainty to these organisations while reducing annual resources dedicated to the levy process. This may mean long-term funding agreements and/or a new funding formula. This would be subject to agreement on legislative changes.

   c. Council confirms its intention to ultimately repeal the ARAFA legislation. To this end, staff initiate discussions with individual ARAFA amenities with a request to discuss their individual future relationships with council, including the option of longer-term funding agreements (eg. three years through the LTP) – meaning that these organisations are no longer funded through ARAFA.

244. The Political Working Group will remain in existence until 30 June 2024 to progress this work.

245. Auckland Council is blessed with a significant art collection. When we amalgamated in 2010, all art from all the legacy regional, city, borough and district councils came to Auckland Council. It is boxed away unseen for the most part, or displayed in dark corridors where Aucklanders cannot visit. We expect the art to be better utilised and for the Gallery to explore ways it can be exhibited or leased around the region – otherwise it is hard to justify keeping it.

246. Another idea proposed to me was that Auckland's cultural institutions could collaborate on an 'Auckland Pass' integrated ticket solution (which could be delivered as part of our fit-for-purpose technology effort) for these attractions, to make the visitor experience seamless, rather than queuing separately for tickets to different museums, galleries and the zoo. This should be investigated further by TAU.

Urban Regeneration

247. I am proposing to restore Eke Panuku's $100 million Strategic Development Fund to enable the faster regeneration of run-down parts of Auckland. This will allow Eke Panuku to carry on funding property acquisitions through existing asset sales without coming back to council for more funding. I am proposing that Eke Panuku maintain its capital investment funding through this LTP period.

248. I require Eke Panuku to allocate enough funding to complete master planning the Port land to be released, along with what to do with Queens Wharf. This work may be supported by the Mayor's Office budget too. I have also set aside $5 million from the Community "do differently" fund to progress a waterfront swimming pool as part of that effort.

249. As part of our focus on urban regeneration and potential changes to property management, Eke Panuku's ongoing management of Marinas should also be considered. The 2020 CCO Review recommended "Panuku manages and develops the three city centre marinas until the waterfront redevelopment is complete" (Recommendation 12).

250. I propose that a cost-effectiveness (section 17A) review is completed on the management of Marinas, and this is added to the work programme of the Revenue, Expenditure and Value Committee.

Haumaru Housing

251. There is no new council funding for Haumaru Housing in this LTP. I am aware that this partnership is looking for different ways to deliver more housing and I encourage that. I would expect some more certainty on the future direction following staff advice and ideas from Haumaru's board in the first year of the LTP.

Ad-Hoc Funding Arrangements

252. There are a number of ad-hoc funding arrangements that council has, which are not based on council policies and that need to be reviewed against other council priorities. I have not proposed additional funding for these arrangements, beyond their current time limits.

Māori Outcomes

- **Increase Māori Outcome funding to $171 million over 10 years**

253. I am encouraged by the mahi being done through the Māori Outcomes funding in the LTP. I heard a number of views that this funding should increase and that it could be spent or applied better in partnership with Māori to get the best out of that investment.

254. So, I am proposing that we increase the funding by $3 million a year from year 4 of the LTP so that there is a total funding increase of $21 million over the 10 years from $150 million to $171 million.

255. This increase in budget must be accompanied by a review on how this spending can be better done in partnership with Māori, iwi, mataawaka and mana whenua to achieve our shared goals, such as energy efficient marae, and initiatives to recognise Tāmaki Makaurau's unique identity.

256. This was a key recommendation of the Māori Outcomes Political Working Group, and includes exploring opportunities to partner with central government and external funders, to increase the impact of what money we do put in.

257. Simply allocating money to a fund will be ineffective unless Auckland Council actively works as a partner with Māori. I am pleased to see the work underway on relationship agreements by Ngā Mātārae, and have met with iwi leaders and the Independent Māori Statutory Board during the development of this proposal.

258. I am also interested in how we can use procurement better to improve Māori Outcomes, as recommended by the political working group.

259. We need to leverage the good work that is already happening and identify new opportunities to partner on delivering better outcomes for Māori in Tamaki Makaurau, not just deliver more funding.

Watercare

- **Maintain Watercare's debt to revenue at 340%**
- **Work with Government on balance sheet separation, to enable necessary investment in water infrastructure and avoid big water price increases for households**

260. Under current legislation, council is not allowed to take Watercare's funding requirements into account as part of our LTP. However, we know that the new government has signalled its intention to repeal part of this legislation and propose alternative approaches for council to manage its water services.

261. To minimise any risks of these changes on council's overall LTP, particularly the balance sheet impacts of what Watercare plans to do over the period of the LTP, I am proposing to make the following assumptions:

    a. Watercare's debt to revenue settings per our current group treasury function is to remain at 340%;

    b. Water charges and growth charges will need to increase; and

c. Watercare's capital expenditure programme will need to take into account a need to keep the water charges affordable but recover as much as possible from developers the costs of growth infrastructure.

262. I will continue to advocate to Government an alternative model that enables balance sheet separation, so Watercare can make necessary investment without big price increases.

Consultation Scenarios

263. I want to consult Aucklanders on the broadest possible range of options for the long-term plan. My proposal is what I would call the middle or "right sized" option that balances the need for critical spending and the need to keep rates lower for Aucklanders.

264. It is based on making the most with what we already have.

265. I also want us to consult on an option that does less with less money (and lower rates) and an option that does more with more money (and higher rates).