

CONFIDENTIAL: Adoption of Consultation material: Emergency Budget Annual Budget 2020/2021

File No.: CP2020/06711

Item C1

Matatapuanga Confidentiality

Reason:	The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
Interests:	<p>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p> <p>In particular, the report contains information around potential financial implications and emerging financial risk of COVID-19 in a highly uncertain environment. The release of this information could prejudice the position of the council and CCOs in sensitive commercial arrangements and negotiations.</p>
Grounds:	<p>s48(1)(a)</p> <p>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</p>

Te take mō te pūrongo Purpose of the report

1. To recommend adoption of the Consultation Document and Supporting Information for the Emergency Budget - Annual Budget 2020/2021.

Whakarāpopototanga matua Executive summary

2. We usually refer to Auckland Council group's annual plan as the Annual Budget and its long-term plan as the 10-year Budget. This year, we are referring to this plan as the council's Emergency Budget to reflect the large and sudden impact the COVID-19 situation has had on revenue for the council group, and the nature of the mitigations that are now needed.
3. The council's Finance and Performance Committee held workshops with local board representatives in April and May 2020 to discuss the development of the Emergency Budget, particularly in terms of levers for mitigation and potential areas for cost savings.
4. The local boards and each Council-Controlled Organisation (CCOs) have considered their views and inputs into the Emergency Budget and presented this to the workshop of the Finance and Performance Committee on 20 May.
5. The Emergency Committee agreed high-level consultation items on 16 April 2020 and agreed the detailed proposals for consultation on 21 May 2020.

Ngā tūtohunga Recommendation/s

That the Emergency Committee:

- a) agree to recommend to the Governing Body to adopt the Supporting Information for the Emergency Budget - Annual Budget 2020/2021.
- b) agree to recommend to the Governing Body to adopt the Consultation Document for the Emergency Budget - Annual Budget 2020/2021.
- c) agree to recommend to the Governing Body to delegate responsibility to the Chair of Finance and Performance Committee, and the Group Chief Financial Officer to approve any final edits required to the Consultation Document and Supporting Information in order to finalise the documents for uploading online and physical distribution.

Horopaki Context

6. All councils are required by legislation to adopt an annual plan every year (except once every three years when the long-term plan acts as the annual plan). We refer to Auckland Council's annual plan as the Annual Budget and its long-term plan as the 10-year Budget. This year, we are referring to this plan as the council's Emergency Budget to reflect the large and sudden impact the COVID-19 situation has had on revenue for the council group, and the nature of the mitigations that are now needed.
7. The starting point for the budgets, priorities and funding envelopes for the Emergency Budget 2020/2021 is that set out in the third year of the current 10-year Budget. Any proposed significant or material changes from the content of the third year of the 10-year budget require consultation.

Developing the Emergency Budget

8. During the public consultation in February/March on the proposed Annual Budget 2020/2021, New Zealand moved into alert level 2 in response to the outbreak of COVID-19. This forced 9 planned feedback events to be cancelled in order to ensure social distancing was followed in compliance with the relevant COVID-19 Alert Level rules.
9. Since this consultation was conducted, the financial landscape has changed almost beyond comprehension. As a result, we find ourselves requiring a very different budget - one that responds to the emergency we are now facing.
10. On the 16 April 2020, the Emergency Committee agreed to undertake further consultation on significant or material budget and rating policy changes for an Emergency Budget 2020/2021, and agreed that further consultation would include:
 - considering whether to adopt a 2.5 per cent rather than 3.5 per cent general rates increase for the 2020/2021 financial year
 - a proposal that would have the effect of suspending the Accommodation Provider Targeted Rate (APTR) until 28 May 2021 and reducing the expenditure that it would fund for the 2020/2021 year
 - extending the council's rates postponement policy to include businesses experiencing financial hardship.
11. As the proposed local board priorities have not materially changed from what was initially consulted on, they are not required to be consulted on again and therefore are not included in this Consultation Document or Supporting Information.

12. Similarly, there are no material changes planned to the Tūpuna Maunga Authority Draft Operational Plan that require further consultation.
13. On the 21 May 2020 the Emergency Committee agreed:
 - to consult alongside the Emergency Budget 2020/2021 on an addition to the Rates Remission and Postponement Policy of a COVID-19 Rates postponement scheme (noting that the consultation materials for the COVID-19 Rates postponement scheme will be included in the Consultation Document and Supporting Information for the Emergency Budget 2020/2021)
 - that the draft Emergency Budget 2020/2021 for consultation be based on the budget proposals set out in the report and attachments presented to the committee for both the 2.5 per cent and 3.5 per cent average general rates increases scenarios
 - that the consultation material for the Emergency Budget describe the implications of average general rates increases between 0 per cent and 3.5 per cent as set out in the report and attachments presented to the committee
 - that it is prudent to temporarily depart from the council's financial policies of limiting debt to revenue to 270 per cent and balancing the budget (including funding a specified proportion of depreciation) as set out in the council's 10-year Budget and Revenue and Financing Policy.

Tātaritanga me ngā tohutohu Analysis and advice

Consultation Document

14. As detailed above, previous decisions on the following proposed topics have been captured within the consultation document, these are:
 - Accommodation Provider Targeted Rate
 - COVID-19 Rates Postponement Scheme
 - average general rates increases scenarios
 - amendment to the Funding Impact Statement regarding interest on repayments schemes.
15. The following proposals that were consulted on in the previous round of consultation have been agreed subject to consideration of any further feedback that may happen to be received in the Emergency Budget consultation:
 - increase to the waste management base service targeted rate
 - increase to the waste management standard refuse rate in former Auckland City and Manukau City areas
 - discontinuing the Waitākere rural sewerage service and targeted rate for ratepayers in the Upper Harbour Local Board area effective from 1 July 2021.
16. The consultation document also reflects the Emergency Committee's recommendation on 21 May 2020 that the Emergency Budget 2020/2021 include a new targeted rate for the Central Park Henderson Business Improvement District (BID), subject to further engagement with affected businesses.

17. Our initial consultation on the Annual Budget 2020/2021 in February/March noted that some changes had been made to the Credit Contracts and Consumer Finance Act 2003 and that we were working through the implications of these for our various voluntary financial assistance schemes. We are now aware that we will be unable to make the changes to our systems and processes that we know are required in time to set rates for the 2020/2021 year. Without implementing these changes, we cannot recover interest on the financial support these schemes provide. This requires technical amendments to the Funding Impact Statement for the 2020/2021 financial year in relation to the rates set to recover the cost of these schemes. We have, therefore, included reference to these changes in the consultation documentation.

Tauākī whakaaweawe āhuarangi **Climate impact statement**

18. The implications of proposed budget changes for climate change are set out in the documents recommended for adoption.

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

19. The Emergency Budget is an Auckland Council group document and will include budgets at a consolidated group level.
20. Consultation items and updates to budgets to reflect decisions and new information reflects input from across the group.
21. Further information and input will be sought from across the council group as the Emergency Budget 2020/2021 is finalised following public consultation.

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

22. Local board Chairs and representatives attended briefings with the Finance and Performance Committee between late April and May which focused on savings opportunities and how to respond to the considerable budget gap.
23. Local boards made decisions between 14 – 19 May 2020 and feedback was provided to the Finance and Performance Committee at a workshop on 20 May 2020.
24. Local boards will continue to have input on the Emergency Budget following consultation and prior to any final decisions made by Governing Body, including as part of decision-making on each local board agreement.

Tauākī whakaaweawe Māori **Māori impact statement**

25. We understand that Māori are particularly vulnerable to the impacts of COVID-19. Opportunities are being considered to repurpose existing Māori Outcomes budgets to support Māori-led responses to and recovery from COVID-19.
26. Targeted engagement with mana whenua and mataawaka is being planned during the consultation period. More information regarding this is contained in the separate Annual Budget 2020/2021 Emergency Budget public consultation approach report that was agreed to by the Emergency Committee on 21 May 2020, resolution number EME/2020/73.

Ngā ritenga ā-pūtea **Financial implications**

27. The financial implications of proposed budget changes are set out in the documents recommended for adoption.

28. The annual plan is a statutory process which must be completed annually. The council budget provides for the resourcing to deliver this project.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

29. Given the uncertainty around how long the impacts from COVID-19 may last, there is risk around the projected budget that our consultation is based on. This is mitigated by using the most up to date information available.
30. Annual budgets enable rates to be set for the following financial year. Not completing the Emergency Budget 2020/2021 in accordance with statutory requirements has the potential to impact on the council's ability to continue to deliver the services and projects that Auckland needs.
31. Another risk is compliance and timing. The legal team have reviewed the consultation material for legislative compliance. Approval of the Consultation Document and Supporting Information at this meeting will enable the planned timetable for consultation and subsequent decision-making to be met.

Ngā koringa ā-muri Next steps

32. Following decisions today, all finalised consultation material will be made available online ready for consultation opening at 12.00pm 29 May 2020. Soft copies will be immediately distributed to libraries, service centres, local board offices (that are open) followed by printed versions.
33. The key steps for finalising the emergency budget are:

Emergency budget revised annual budget timeline	2020
Public consultation period	29 May – 19 June
Finance and Performance workshop – feedback is reported back	8 July
Finance and Performance workshop – Local boards invited to provide feedback and consider budget options	14 July
Finance and Performance/Governing Body meetings – decision making meeting	16 July
Local boards - adopt local board agreements	20 – 24 July
Governing Body workshop – adoption of final Annual Budget 2020/2021	29 July
Governing Body meeting – adoption of final Annual Budget 2020/2021	30 July

Ngā tāpirihanga Attachments

There are no attachments for this report.

Ngā kaihaina Signatories

Author	Kylie Thompson - Programme Manager
Authorisers	Ross Tucker - General Manager, Financial Strategy and Planning Kevin Ramsay - Acting Group Chief Financial Officer Phil Wilson - Governance Director