

Mayoral Intent for the 10-year Budget (Long-term Plan) 2018–2028



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Purpose

This report sets out my priorities as Mayor and the advice and work plans that I am asking from Council officers, which will inform Council's direction for the next 10 years.

Legislation governing Auckland Council gives the Mayor the mandate to lead the Long-term and Annual Plan processes of Council.

Vision for Auckland

I want Auckland to be a world-class city where talent wants to live.

For New Zealand we need to be a city able to compete with other global cities, attracting skill, entrepreneurship and investment from within New Zealand and abroad and capable of retaining the best and brightest of our people.

I want Auckland to be prosperous and fairly share that prosperity among all of our residents.

I want Auckland to be a place of learning and of innovation that provides its people choice and opportunity in work, learning and leisure. I want it to be inclusive so that all can participate.

I want to live in an exciting Auckland which celebrates its diversity and offers rich cultural opportunities. It enjoys a strong mana whenua presence which gives New Zealand its unique culture and point of difference. It is the largest Polynesian city in the world and draws strength from its European, Asian and other diverse ethnic communities.

Auckland must also be a region that protects, sustains and enhances its beautiful environment. It must have a well-run and efficient council, which gives value for money in the services it provides.

Priorities

The unprecedented growth of Auckland in recent years is evidence of it being a desirable place to live. That growth however brings its own challenges. If Auckland's infrastructure does not keep up with the demands created by population growth, the quality of life of its citizens will suffer and it will be harder to do business here.

My priorities for the 10-year budget consequently focus on the need to develop our infrastructure over the next decade, to tackle the problems of housing shortages and unaffordability, traffic congestion and pressures on our environment. We need to lift our investment in infrastructure more than has ever been the case previously.

This 10-year budget should have a clear focus on the following priorities:

- Accelerating investment in our transport network, in particular public and active transport and optimising the existing network to address traffic congestion.

- Facilitating the lift in scale and pace of housing construction, both through intensified housing and investment in new greenfields infrastructure to help ease the housing shortage and improve housing affordability.
- Protecting our environment with a particular emphasis on improving water quality in our harbours and addressing climate change challenges.
- Making Auckland a great place to live, work and visit, as an inclusive city which celebrates its unique mana whenua identity and cultural diversity.

Seven years on from amalgamation, this 10-year budget will focus on accelerating infrastructure investment and working with Government to broaden our revenue base beyond reliance on traditional rating. We will strive to promote value for money and efficiency and achieve economies of scale through group-wide shared services and procurement.

I encourage elected members to be focussed on these goals and Council officers and CCOs to work collaboratively and cohesively to deliver optimal services in a cost effective manner.

Transport

Worsening traffic congestion is a critical issue for Auckland. The recent NZIER report suggested that Auckland's congestion could cost the city and the country \$2 billion a year. Add to the economic cost the impact on our quality of life, through increasing frustration and taking time away from our families, tackling this problem is a core priority.

Transport needs a joined up response from Council and central government as a shared responsibility, with central government having significantly larger revenue sources. The Auckland Transport Alignment Project (ATAP) creates a framework for our response to transport challenges over the next decade. It has been recently updated at Council's request to reflect higher than expected population growth requiring acceleration of the ATAP programme with expenditure increasing from \$24 billion to \$26.9 billion for the next decade. ATAP will form the basis of Auckland Council's 10-year transport budget.

There is however a decade one funding deficit of \$5.9 billion which needs to be addressed. I welcome recognition from Government that increased income from petrol tax and road user charges gives them more headroom, enabling them to meet the majority of the cost. Aucklanders however will also need to contribute more beyond the increased amount of road taxes Auckland already pays.

Officers need to work on providing the following advice, some of which by necessity will only be forthcoming when the policy priorities of the incoming government are known:

1. The quantum of funding required to meet Council's share of the decade one ATAP deficit.
2. Options available for raising this funding including:

- a. Access to road pricing mechanisms which might include a toll regime, regional fuel tax or congestion charging.
 - b. Potential further use of special purpose vehicles to finance transport infrastructure projects, and what revenue streams could support these.
 - c. Future options for the Interim Transport Levy, acknowledging the requirement for more equitable burden-sharing and the need for significantly higher revenue.
3. Investigation into how transport congestion on the isthmus might be alleviated by the introduction of light rail from the city centre to the airport and beyond and how quickly this could be done.
 4. How use of existing assets can be optimised, such as by improving car capacity utilisation, corridor improvements, new technology to facilitate car-sharing and the use of autonomous vehicles among others.

Housing and urban renewal

As Auckland's population has grown, new housing construction has failed to keep pace with a backlog of housing shortages and new dwelling consents are still not keeping up with demand. Housing shortages have contributed to soaring house prices, rising rents and homelessness as affordability for most of our community has declined.

The Mayoral Housing Taskforce, which reported in July, provides a framework for actions needed by Council, central government and the private sector to address these issues. Council's commitment to the Housing First project specifically addresses homelessness and needs to be built upon.

Planning issues and the need for adequate land zoned for housing have been successfully addressed by the Auckland Unitary Plan. Council's Future Urban Land Supply Strategy sets out new areas for greenfield growth over the next 30 years and the Unitary Plan enables brownfields development and intensification.

We need advice from officers in the following areas:

5. How infrastructure investment needed to turn greenfield growth areas into serviced land can be secured on an ongoing basis, including building on mechanisms such as the Housing Infrastructure Fund and Special Purpose Vehicles.
6. How transport, water and other infrastructure plans can be integrated and funded to promote housing intensification (brownfield development).
7. How we can maximise the outcomes from Panuku Development Auckland's Transform, Unlock and Support programmes and work with central government on redevelopment of Housing New Zealand properties and what the budgetary implications are.

8. The budgetary implications of addressing the Housing Taskforce recommendations and working with other sectors to implement them.
9. Options for a programme to build on the progress made through Housing First to work with central government to secure the reduction and elimination of homelessness.
10. How Council can further influence the supply of affordable housing including by employing regulatory tools.

Sustaining and protecting our environment

While population growth places more pressure on our environment and our need for recreational and green space, some of the biggest challenges to environmental quality are long-standing.

Wastewater overflows into our harbour, which damage our ability to safely swim at our beaches, go back more than a century, but are no longer acceptable in 21st century Auckland. Upgrading and building our water infrastructure is a top priority for the next decade with the objective of substantially reducing wastewater overflows. That will include, where practicable and financially viable, separating stormwater from wastewater in older areas of the city.

We also need to ensure that Auckland is playing its part in addressing the causes of climate change as well as ensuring that Aucklanders are well-prepared to adapt to the impacts of climate change.

Greening Auckland through programmes, such as my Million Trees programme, will help create carbon sinks as well as reducing siltation from run-off and making our region more beautiful. Biodiversity issues such as pest control and kauri dieback disease should also be addressed. Reducing waste will be addressed in a parallel process through the refresh of the Waste Management and Minimisation Plan.

Advice required from officers includes:

11. Securing the funding to construct the central interceptor, including the potential for a special purpose vehicle to finance this development.
12. Other projects and funding options that contribute to water quality improvement including stormwater separation where practicable, green infrastructure and further measures to stop wastewater overflows.
13. A range of scenarios for other environmental projects to ensure we protect the natural environment that Aucklanders value that will make a real difference and what the costs and potential funding sources would be.

Auckland as a great place to live

While our focus must necessarily be on creating the infrastructure needed for transport accessibility and housing and a clean environment, we will not overlook other things that make this region a desirable place to live. Within the constraints of our resources, we need to promote the innovation, diversity, inclusiveness, cultural and recreational facilities that make Auckland a great place.

Place-making across our region, making our city hubs interesting and enjoyable places to be is essential. With APEC and the Americas Cup Defence key events for 2021, there will also be focus on our city centre.

Our waterfronts on the Waitemata and Manukau offer great opportunities for place-making. On the Waitemata, we need to consider how best to secure a legacy for the city from infrastructure created for the Americas Cup. Development of Wynyard Point when the tank farm leases expire, the central wharves strategy, the future of land currently occupied by the port and transforming transport and pedestrian usage in the central city, are all important developments for the next decade.

Recreational facilities across the region, the need for green spaces where intensification and new developments are occurring and a comprehensive stadium strategy for Auckland are key considerations.

Promoting Auckland's unique mana whenua identity and the richness of our ethnic and cultural diversity are important.

Local boards are responsible for local place-making and for setting the local board plans for their communities. They play a key role in providing local input into regional strategies, policies and plans. For this 10-year budget, steps have been taken to allow local boards to have greater and more timely involvement in regional policy setting.

I'm very supportive of the "one local initiative" programme for the Long-term Plan and look forward to the range of projects that will be presented and debated.

We need advice from officers on:

14. Investment planned for the harbour front and centre city including ensuring the success of major events planned for 2021.
15. Options regarding preserving the future of the waterfront area currently occupied by the port, and steps for considering port relocation, including building on the Port Future Study to determine an alternative viable option.
16. Investment scenarios for community assets required for sport and recreation including Auckland's stadiums.

Funding Auckland

Auckland's sheer size and growth rates have put enormous pressure on traditional funding sources. Major infrastructure spending exceeds the capacity of property rates to fund it and the debt to revenue ratio threshold limits Auckland's ability to keep borrowing to pay for intergenerational assets.

Local Government funding legislation was not designed to meet the needs of a region such as post-amalgamation Auckland which encompasses over 36% of New Zealand's population, 37.2% of GDP and over half of its annual growth.

Rates make up almost half of Auckland Council's revenue. My preference is to maintain a 2.5% average general rates increase for the immediate future, but taking into account inflationary pressures faced by Council.

Officers should assume that the Uniform Annual General Charge will follow any general rates average increases and that the business rating differential reduction resumes as planned.

I am, however, aware that the current 10-year budget assumes 3.5% general rates increases and that higher than expected growth demands are putting pressure on Council finances. Our ability to constrain rates increases also depends on central government responses to our requests on a broader revenue base through measures such as revenue-sharing from central government and road pricing.

Officers should provide advice on:

17. Options for broadening Council's revenue base including:

- a. the further development of special purpose vehicles funded by growth infrastructure targeted rates.
- b. the application of the targeted rate on accommodation to the informal sector (e.g. Airbnb).
- c. the sale of non-strategic assets.
- d. likely proceeds from various road pricing options and practicality of implementation.

18. General rates modelling based over the 10-year period on average rate rises of between 2.5% and 3.5%.

19. The average general rate increases which would be required to meet critical infrastructure investment required to be funded through general rates.

20. The likely impacts on rates changes in each area of the region based on the 2017 revaluations and possible mitigations for any rating units with increases in rates greater than 10%.

Achieving efficiency and value for money for Council services

The Auckland Council group is budgeted to spend \$3.8 billion on operating costs and \$2.0 billion on capital expenditure in 2017/18. As Auckland builds more infrastructure to keep up with population growth, capital spending, the value of our asset base, our debt levels and the cost of providing for depreciation and interest rates all increase.

The benefits of amalgamation and Council's efforts to achieve efficiency gains have succeeded in keeping core operating expenditure growth at around 1.1% per annum compared with asset growth of over 3% per annum and general inflation at just over 1%.

Council must continue to strive for further efficiency gains, to improve the quality of its services and provide value for ratepayers' money. This year I launched four major reviews under section 17A of the Local Government Act to investigate areas where better services and lower costs might be achieved. An independent review panel is part of the process to ensure that the reviews are thorough and outcomes reliable.

Officers are requested to:

21. Advise on key items that should be considered as part of the 10-year budget process that have arisen as a result of the three waters, waste, communications and engagement and investment attraction and global partnerships reviews.
22. Present a group-wide shared services strategy to identify the opportunities for the Council group, with priority areas that can be delivered in the next three years to increase efficiency and effectiveness and reduce costs of back office and other services. This advice should include high-level prioritisation of the initiatives and an estimation of potential benefits.

Having completed the NewCore project in July, it is time to realise the full value of the integrated technology platform's size and scale.

Council-controlled organisations (CCOs)

The majority of the Council group's assets are managed by CCOs and these assets create demand for renewals and maintenance.

23. Officers should provide advice on the implications of significant funding requests made by CCOs, particularly where they vary from the current 10-year budget, including scenarios to address such funding requests.

Auckland Council Investments Limited (ACIL) holds the shares in Auckland Airport and Ports of Auckland Limited, following the decision to transfer the Auckland Film Studio to the Council parent.

24. Officers should provide advice including a cost-benefit analysis as to whether the functions of ACIL could be carried out by existing parts of the Council group resulting in ACIL being disestablished.

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