Date: Tuesday 23 October 2018
Time: 9.30am
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
            301-305 Queen Street
            Auckland

Komiti ā Pūtea, ā Mahi Hoki /
Finance and Performance Committee

OPEN ATTACHMENTS

ADDITIONAL ATTACHMENTS
UNDER SEPARATE COVER

<table>
<thead>
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<th>ITEM</th>
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<tr>
<td>11</td>
<td>Finance and Performance Committee - Information Report - 23 October 2018</td>
<td></td>
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<td></td>
<td>A. 11 September 2018 – Memo from Group Financial Controller regarding the draft</td>
<td>3</td>
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<td></td>
<td>2017/2018 Annual Report and Summary Annual Report for the Auckland Council and</td>
<td></td>
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<tr>
<td></td>
<td>group</td>
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<td>B. 18 September 2018 – Workshop – Current Rating Issues</td>
<td>5</td>
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</tbody>
</table>

Note: The attachments contained within this document are for consideration and should not be construed as Council policy unless and until adopted. Should Councillors require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.
Memo

11 September 2018

To: Finance and Performance Committee members
cc: General Manager Corporate Finance and Property Kevin Ramsay
Group Chief Financial Officer Matthew Walker
From: Group Financial Controller Francis Caetano

Subject: Draft 2017/2018 Annual Report and Summary Annual Report for the Auckland Council and group

The draft 2017/2018 Annual Report and Summary Annual Report are being presented to:

1) Audit and Risk Committee on 13 September 2018
2) Finance and Performance Committee on 18 September 2018

Following this, there will be a recommendation to adopt the 2017/2018 Annual Report and Summary Annual Report at the Governing Body meeting on 27 September 2018.

Attached to this memo are the following relevant documents being presented to the Finance and Performance Committee:

- Draft Summary Annual Report 2017/2018

As part of our preparation process we are seeking comment and feedback from all Finance and Performance Committee members. I am happy to receive comments via email or on hard copies of the relevant pages of the specific volume or the summary, by no later than COB on Tuesday 18 September 2018.

Please feel free to contact me if there are any queries ahead of this meeting.

Kind regards

Francis Caetano
Group Financial Controller
francis.caetano@aucklandcouncil.govt.nz
021 827 517

Confidentiality:

- Auckland Council currently has a number of series of bonds quoted on the NZX Debt Market maintained by NZX Limited.
- As a result, the Auckland Council Group is subject to obligations under the NZX Main Board and Debt Market Listing Rules and the Financial Markets Conduct Act 2013.
- These obligations affect the ways that the Auckland Council Group deal with and release price sensitive information in three important respects namely:
  a) Financial reporting
  b) Continuous disclosure
  c) Protecting inside information
- Financial Reporting: Annual and half-year reporting must be released to the NZX within three months of each year end and half year end and before being made public.
- Price sensitive information, such as the Auckland Council Group financial information, must be handled confidentially and with care, until proper disclosure on 28 September 2018. This ensures that all market participants get the benefit of the information at the same time, and no one can buy or sell our bonds with the benefit of “insider Information” (whether positive or negative).
- You should be aware that the intention is not to prohibit disclosure of financial information but to align the timing of the release of that information with the release of information to the NZX.
- Under the Financial Markets Conduct Act 2013, Section 244, if any person commits an offence by releasing information that is not generally available to the market is liable on conviction:
  a) In the case of an individual, to imprisonment for a term not exceeding five years, a fine not exceeding $500,000, or both; and
  b) In any other cases, to a fine not exceeding $2.5 million.
Minutes of the workshop of the Finance and Performance Committee held on Tuesday, 18 September at 2.30pm in the Reception Lounge, Level 2, Auckland Town Hall, 301-305 Queen Street, Auckland.

## Attendees

<table>
<thead>
<tr>
<th>Category</th>
<th>Name</th>
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</thead>
<tbody>
<tr>
<td>Deputy Chairperson Members</td>
<td>Cr Desley Simpson, JP, presiding</td>
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<td>Cr Josephine Bartley</td>
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<td></td>
<td>Deputy Mayor Bill Cashmore</td>
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<td>Cr Fa’anana Efeso Collins</td>
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<td>Cr Linda Cooper, JP</td>
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<td>Cr Chris Darby</td>
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<td>Cr Hon Christine Fletcher, QSO</td>
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<td>Mayor Hon Phil Goff, JP</td>
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<td>Cr Richard Hills</td>
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<td>Cr Penny Hulse</td>
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<td>Cr Daniel Newman, JP</td>
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<td>Cr Greg Sayers</td>
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<td>Cr Sharon Stewart, QSM</td>
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<td>Cr Wayne Walker</td>
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<td>Cr John Watson</td>
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<tr>
<td>Apologies</td>
<td>Cr Ross Clow</td>
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<td></td>
<td>Cr Dr Cathy Casey</td>
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<td></td>
<td>Cr Alf Filipaina</td>
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<td></td>
<td>Cr Mike Lee</td>
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<td>IMSB Member Terrence Hohneck</td>
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<td>IMSB Chair David Taipari</td>
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<td>Cr Sir John Walker, KNZM, CBE</td>
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</table>

Until 2.41pm
Purpose: To receive an update on current rating issues (including churches).

<table>
<thead>
<tr>
<th>ITEM</th>
<th>TOPIC</th>
</tr>
</thead>
</table>
| 1    | Apologies  
Apologies from Cr C Casey, Cr R Clow, Cr A Filipaina, IMSB Member T Hohneck, Cr M Lee, Cr Sir J Walker, and IMSB Chair D Taipari for absence were noted. |
| 2    | Declaration of interest  
There were no declarations of interest. |
| 3    | Current Rating Issues  
Aaron Match, Deborah Acott and Andrew Duncan gave a PowerPoint presentation on current rating issues including:  
- Update on outstanding changes valuation objections  
- Update on rates changes for online accommodation providers  
- Outline existing approach to rating of home business  
A copy of the PowerPoint presentation is attached to these minutes.  
Cr W Walker retired from the meeting. |

The workshop ended at 3.32pm.
Attachment B

Content

- Outstanding valuation objections
- Rates changes for online accommodation providers
- Rating of home business
- Rates impact of non-rateable review
Outstanding valuation objections
Affected ratepayers

• QV processing errors resulted in 5000 valuation objections being incomplete by 30 June
• Letter sent to 2500 ratepayers who sought a lower valuation (August)
  ➢ contact us if concerned about paying rates before objection being settled
• 29 enquiries received and 15 special payment arrangements set up
Current status

• Payment to QV withheld for outstanding objections
• Around 1,000 (20%) now completed
• Follow-up audit conducted by Deputy Valuer General
  • sampled selected objections
  • generally in line with sales evidence
  • suitable for release to objector
  • minor technical follow-up actions
• Remaining objections completed before 31 Dec
Rates changes for online accommodation providers
Policy overview

- Response to concerns raised by hotels and motels
- Graduated scale of charges

<table>
<thead>
<tr>
<th>Annual booked nights</th>
<th>General rates</th>
<th>APTR (zones A or B only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 28</td>
<td>100% residential</td>
<td>No APTR</td>
</tr>
<tr>
<td>29 to 135</td>
<td>75% residential</td>
<td>25% APTR</td>
</tr>
<tr>
<td></td>
<td>25% business</td>
<td></td>
</tr>
<tr>
<td>136 to 180</td>
<td>50% residential</td>
<td>50% APTR</td>
</tr>
<tr>
<td></td>
<td>50% business</td>
<td></td>
</tr>
<tr>
<td>More than 180</td>
<td>100% business</td>
<td>100% APTR</td>
</tr>
</tbody>
</table>

- Additional information required from ratepayers
When do changes apply?

• When it applies
  • entire dwellings (apartment, house, bach)
  • self contained units (granny flats, minor dwellings)
  • any clearly identifiable area providing accommodation
    (converted sleep-outs, studios, purpose built)

• When it does not apply
  • bedrooms
  • shared rooms
Ratepayer communications

- Initial letter to identified ratepayers (June)
- Dedicated council web page established
- Dedicated rates team managing queries
- Additional communications through Airbnb and Bookabach (June/July)
- Follow-up letter to non-respondents (early Aug)
- 2nd follow-up letter to non-respondents (soon)
Rates impact

• 1240 ratepayers identified as online providers
  • 440 – declared 28 nights or less – no additional charges
  • 560 – declared 29+ nights – additional charges as per policy
  • 240 – no response – full business rates

• Median additional rates
  • $1,965 – zone A & B (business plus APTR)
  • $903 – zone C (business only)

• Highest additional rates around $17,000
  • 200+ booked nights
  • around $700/night
# Examples

<table>
<thead>
<tr>
<th>Property</th>
<th>Daily rate</th>
<th>Booked nights</th>
<th>Additional Rates</th>
<th>Annual Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.5m Pakuranga (granny flat $400k)</td>
<td>$100</td>
<td>160</td>
<td>$998</td>
<td>$16,000</td>
</tr>
<tr>
<td>$900k Waiheke bach</td>
<td>$200</td>
<td>60</td>
<td>$1,316</td>
<td>$11,000</td>
</tr>
<tr>
<td>$500k city centre apartment</td>
<td>$200</td>
<td>200</td>
<td>$5,304</td>
<td>$40,000</td>
</tr>
<tr>
<td>$700k Snells Beach bach (no APTR)</td>
<td>$100</td>
<td>80</td>
<td>$518</td>
<td>$8,000</td>
</tr>
</tbody>
</table>
Next steps

- Initial confusion for affected ratepayers
- Continue to encourage non-responders to contact council
  - rates will be reassessed when they do
- Continue to identify additional providers
  - where identified will rate them accordingly
- Website [www.aucklandcouncil.govt.nz/APTR](http://www.aucklandcouncil.govt.nz/APTR)
- Dedicated contact details
  - accommodationproviderrate@aucklandcouncil.govt.nz
  - (09) 979-5500
Rating of home business
Current approach

- Rates assessed in parts where each part has different rating treatment
- Mixed use rateability - eg: café operating on reserve land
- Mixed use differential categories - eg: corner dairy, motels
- Ensures consistent and equitable application of rates
- Each part considered a separate SUIP liable for additional uniform charges
Criteria

• Must be clearly identifiable part of property
  • separate building eg: converted garage
  • definable area within the residence and only used for business purposes – not a bedroom used as an office

• Other considerations
  • size of area
  • administrative practicality
Process

• Prior to making any changes
  • staff engage with property owner
  • agreement is sought on specific area being used separately
  • where possible site plans used
  • sometimes a site visit is necessary
  • other information may be requested to determine extent of business activity

• Rights to object – RID objection
Rates impact of non-rateable review
Non-rateable review

- Non-rateability is set by legislation
- Rating treatment for rateable property is determined by council
- Prior to review
  - $2.3m rates from religious use properties
  - rates charged reflected differing legacy council approaches
  - result = inconsistent application of legislation and policy
- Review process
  - correspondence with all affected properties
  - quarterly reporting to Finance and Performance Committee
  - result = consistent application of legislation and policy
Non-rateable review – results

• $3.6m rates from religious use properties (additional $1.3m)
• Some churches have experienced large increases
• Highlighting issues of rating religious use properties
• Affected ratepayers have been contacted
  • council considering the issue
  • deferred payment offered until council decision
• Analysis of impacts currently being undertaken
• Report to October F&P Committee