I hereby give notice that an ordinary meeting of the Ōtara-Papatoetoe Local Board will be held on:

**Date:** Tuesday, 16 June 2020  
**Time:** 5.00pm  
**Meeting Room:** This meeting will proceed via Skype for Business.  
**Venue:** Either a recording or written summary will be uploaded on the Auckland Council website

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**Ōtara-Papatoetoe Local Board**  
**OPEN ADDENDUM AGENDA**

---

**MEMBERSHIP**

Chairperson  
Lotu Fuli  
Deputy Chairperson  
Dr Ashraf Choudhary, QSO, JP  
Members  
Apulu Reece Autagavaia  
Dr Ofa Dewes  
Swanie Nelson  
Ross Robertson, QSO, JP  
Dawn Trenberth

(Quorum 4 members)

Carol McGarry  
Democracy Advisor Otara-Papatoetoe  
11 June 2020

Contact Telephone: +64 27 591 5024  
Email carol.mcgarry@aucklandcouncil.govt.nz  
Website: www.aucklandcouncil.govt.nz

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**Note:** The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.
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<td>28</td>
<td>Ōtara-Papatoetoe Local Board Business Associations</td>
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Local board resolution responses and information report - Local Board input into the Emergency Budget 2020/2021

File No.: CP2020/06292

Te take mō te pūrongo / Purpose of the report

1. This report provides a summary of resolution responses and information reports for circulation to the Ōtara-Papatoetoe Local Board.

Information reports for the local board:

2. The board provided feedback on what amount of savings the Otara-Papatoetoe Local Board could achieve within its discretionary budgets, what service level reductions may be acceptable and the right balance of the four levers of savings proposed for the 2020/2021 financial year. A copy of the report and attachments are Attachment A. The boards feedback is Attachment B.

Ngā tūtohunga / Recommendation/s That the Ōtara-Papatoetoe Local Board:

a) note the feedback to the Finance and Performance Committee on what amount of savings the Otara-Papatoetoe Local Board could achieve within its discretionary budgets, what service level reductions may be acceptable and the right balance of the four levers of savings proposed for the 2020/2021 financial year. Attachment B.

Ngā tāpirihanga / Attachments

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<td>B</td>
<td>Otara-Papatoetoe Local Board feedback to the Emergency Budget 2020/2021</td>
<td>19</td>
</tr>
</tbody>
</table>

Ngā kaihina / Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Caroll McGarry - Democracy Advisor Otara-Papatoetoe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Victoria Villaraza - Relationship Manager, Mangere-Otahuhu and Otara- Papatoetoe Local Boards</td>
</tr>
</tbody>
</table>
Local board input into the Emergency Budget 2020/2021

Matataputanga Confidentiality

<table>
<thead>
<tr>
<th>Reason:</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interests:</td>
<td>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.</td>
</tr>
<tr>
<td></td>
<td>s7(2)(j) - 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). In particular, the report contains information around potential financial implications and emerging financial risks 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.</td>
</tr>
<tr>
<td>Grounds:</td>
<td>s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</td>
</tr>
</tbody>
</table>

Te take mō te pūrongo

Purpose of the report

1. To seek input on what savings can be identified within local board budgets and seek feedback on the balance of funding levers available for Auckland Council’s Emergency Budget 2020/2021.

Whakarāpopototanga matua

Executive summary

2. The economic impact COVID-19 will have on communities and the Auckland economy is still unclear. The initial budget projections provided a few weeks ago have been updated and we now need to identify further savings across the council family.

3. Updated budget projections were sought from council departments and CCOs based on a set of “most likely scenario” assumptions and collated to inform the projected group financial position.

4. The current modelling suggests that cash operating revenue for the group may reduce by $550 million, along with a lower reduction in operating expenditure of $150 million. The net operating cashflow position is projected to be worse than the previously reported scenarios.

5. The updated projections indicate that the group can invest around $2.6 billion of capital expenditure in the 2020/2021 financial year. However, funding this level of capital investment would result in a debt to revenue ratio of 305%, exceeding the council’s debt to revenue policy limit of 270% and have flow on impact on ratios for the following years.

6. Staff have considered a number of levers such as capital investment deferrals and asset recycling to mitigate the financial impacts of COVID-19. This has been discussed with the Finance and Performance Committee and local board chairs at workshops. The update and analysis are in Attachment A (Emergency Budget update).

7. The Finance and Performance Committee Chair has asked for local boards to consider this information and provide views on the following:
Confidential Meeting of the Ōtara-Papatoetoe Local Board

May 2020

- What amount of savings could you achieve within your discretionary budgets?
- What service level reductions may be acceptable to your community next year?
- What is your board’s view on the right balance of the four levers?

The full letter from the Finance and Performance Committee Chair is Attachment B (Emergency Budget letter from Finance and Performance Committee Chair).

Ngā tūtohunga
Recommendation/s

That the Ōtara-Papatoetoe Local Board:

a) provide feedback on what amount of savings the Ōtara-Papatoetoe Local Board could achieve within its discretionary budgets for the 2020/2021 financial year.

b) provide feedback on what service level reductions may be acceptable to the Ōtara-Papatoetoe Local Board community for the 2020/2021 financial year.

c) provide feedback on the right balance of the four levers of savings proposed.

Ngā tāpirihanga
Attachments

<table>
<thead>
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<td>B</td>
<td>Emergency Budget letter from the Finance and Performance Committee Chair</td>
<td></td>
</tr>
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</table>

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Beth Corlett - Advisor Plans &amp; Programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Oliver Roberts - Manager - Central Teams Unit</td>
</tr>
<tr>
<td></td>
<td>Victoria Villaraza - Relationship Manager, Mangere-Otahuhu and Ōtara-Papatoetoe Local Boards</td>
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</table>
Emergency Budget update

Confidentiality

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<tr>
<td></td>
<td>s7(2)(i) The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</td>
</tr>
<tr>
<td>Grounds:</td>
<td>s4K(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</td>
</tr>
</tbody>
</table>

Purpose

1. The purpose of this document is to:
   b) Outline the levers available to the council to respond to this challenge and how different combinations of these levers might result in improved financial projections.

Executive Summary

2. Updated budget projections were sought from council departments and CCOs based on a set of “most likely scenario” assumptions and collated to inform the projected group financial position.

3. This updated set of assumptions suggest that the COVID-19 Alert levels will sit at 1 or 2 for the duration of the next financial year. Under these alert levels the council faces expectations of a return of all our services but not a return of all our revenue streams.

4. The current modelling suggests that cash operating revenue for the group may reduce by $550 million, along with a lower reduction in operating expenditure of $160 million. The net operating cashflow position is projected to be worse than the previously reported scenarios.

5. The updated projections indicate that the group can invest around $2.6 billion of capital expenditure in the 2020/2021 financial year. However, funding this level of capital investment would result in a debt to revenue ratio of 305%, exceeding the council’s debt to revenue policy limit of 270% and have flow on impact on ratios for the following years.

6. Staff have considered a number of levers such as capital investment deferrals and asset recycling to mitigate the financial impacts of COVID-19.
7. Three example response packages have been prepared to show how these levers might work together in achieving an acceptable outcome within our financial constraints.

Analysis and advice

Background

8. Prior to the COVID-19 disruption the council group had maintained a strong financial position. In the half year to December 2019 the group exceeded its direct revenue target by 7%, maintained control of operating expenditure and delivered a record level of capital investment. At the same time debt was kept at 245% of revenue and the group maintained an AA/Aa2 credit rating.

9. Group budgets have been refreshed in March to reflect updates to projected costs and timing of planned capital investments and operations. A number of new spending requests were identified and incorporated into the updated budget. Key requests include:
   - Up to $50 million for 2021 events
   - Additional funding for public transport growth of $12.7 million
   - Additional repairs and maintenance for community assets of $7.5 million
   - Additional net operating funding of $14 million and $8 million of capital expenditure for RFA
   - CRL related costs of $4.5 million

10. An update was provided to this committee on 18 April 2020 on the potential financial implications of COVID-19 on the council’s financial position.

Updated group position for financial year 2020/2021

Operating impacts

11. The potential impacts of the most likely scenario on operating budgets compared with previous scenarios are estimated as follows:

<table>
<thead>
<tr>
<th>Potential impacts on operating budgets</th>
<th>6 months disruption scenario</th>
<th>12 months disruption scenario</th>
<th>Current position – most likely scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash operating revenue</td>
<td>-$450m</td>
<td>-$650m</td>
<td>-$550m</td>
</tr>
<tr>
<td>Cash operating expenditure</td>
<td>-$200m</td>
<td>-$300m</td>
<td>-$150m</td>
</tr>
<tr>
<td>Net operating cashflow</td>
<td>-$250m</td>
<td>-$350m</td>
<td>-$400m</td>
</tr>
</tbody>
</table>

12. In the most likely scenario, cash operating revenue is forecast to reduce by $550 million. This is mainly due to slower development activity reducing regulatory revenue, development contributions and infrastructure growth charges. Water pricing and lower volumes due to drought conditions along with potential uptake of rates postponement is also adversely impacting projected revenues.

13. Cash operating expenditure is projected to be reduced by about $150 million compared to the March pre-COVID position. This is a smaller reduction compared to the previously reported scenarios primarily due to community facilities reopening under Alert Level 2 and return of full provision of public transport services.
14. Given this challenging financial position, council departments and CCOs have reviewed their existing operating budgets including any cost pressures submitted pre-COVID and reflected cost reductions where possible in the most likely scenario.

15. Proposed mitigation includes new savings reflected in parent numbers from material staff cost reductions and lower spend on consultancy, travel and training. Also, a reduction of $18 million has been factored in by Auckland Transport from staff pay and professional services as well as reducing its share of 2021 events cost to $20m.

16. Other notable reductions reflected in the current position include Accommodation Provider Targeted Rate (APTR) funded expenditure of $11 million in ATEED, and various operating costs reductions amongst other CCOs.
17. The potential impacts on capital investment of the most likely scenario compared with previous scenarios are estimated as follows:

<table>
<thead>
<tr>
<th>Potential Impacts on capital budgets</th>
<th>6 months disruption</th>
<th>12 months disruption</th>
<th>Current position – most likely scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital delivery</td>
<td>-$300M</td>
<td>-$1,000M</td>
<td>-$500M</td>
</tr>
<tr>
<td>External capital funding</td>
<td>-$200M</td>
<td>-$400M</td>
<td>+$80M</td>
</tr>
<tr>
<td>Net capital funding requirement</td>
<td>-$100M</td>
<td>-$600M</td>
<td>-$100M</td>
</tr>
</tbody>
</table>

18. The updated impacts on capital delivery and net capital funding requirement vary significantly from previous scenarios. Under the updated assumptions, more capital projects can restart compared to the previous scenarios and therefore capital delivery reduction is forecast to be much lower than previously projected.

19. External capital funding is forecast to increase in line with projected higher delivery of transport capital projects which will be partially funded by NZTA capital subsidies as well as higher proceeds from asset sales.

20. Further reductions to the capital programme have been reflected in the current situation to mitigate the adverse impact on the overall cashflow and the debt to revenue ratio.

21. These include the council’s parent holding capital delivery to current year forecast of $550 million, which would mean a focus on renewals, committed healthy waters and downtown projects and deferrals for community investment.

22. In addition, there is a reduction of $55 million to planned capital expenditure for Auckland Transport. The impact of this reduction requires deferral of uncommitted growth projects, road corridor projects, lowest priority spend within renewal and safety programmes as well as some delays for Eastern Busway, park and ride and local board initiatives.

**Debt management**

23. Despite the extensive mitigation action, the high level of revenue reduction results in a debt to revenue ratio of around 306%, exceeding the council’s debt to revenue policy limit of 270%. This will also have a flow on impact with ratios exceeding limits for the following three years.

24. The projected debt to revenue ratio impacts for the mostly likely scenario compared with previous scenarios are set out in the following table:

<table>
<thead>
<tr>
<th></th>
<th>6 months disruption</th>
<th>12 months disruption</th>
<th>Current position - most likely scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt to revenue in 2020/2021</td>
<td>286%</td>
<td>290%</td>
<td>305%</td>
</tr>
<tr>
<td>Debt to revenue policy limit</td>
<td>270%</td>
<td>270%</td>
<td>270%</td>
</tr>
</tbody>
</table>
25. The following chart shows that debt ratio impacts under the most likely scenario.

Response to the Emergency Budget challenge

Available levers

25. In planning additional actions to mitigate the impacts of COVID-19 on the budget for 2020/2021 the council has a number of levers.

<table>
<thead>
<tr>
<th>Lever</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Actions to increase revenue are not seen as practical at this time. Significant reductions in demand for our services are a key driver of the pressure on our financial position. Price increases are projected to be at or below 10-year Budget settings. General rates increases have been modelled at 3.6%.</td>
</tr>
<tr>
<td>Operating cost reductions</td>
<td>In addition to savings already included in the current position the council could choose to reduce service levels in some areas either just for one year, or permanently.</td>
</tr>
<tr>
<td>Capital investment deferrals</td>
<td>While maintaining commitment to the 10-year Budget investment programme the council could choose to defer some projects and reduce investment levels for 1-2 years.</td>
</tr>
<tr>
<td>Accept higher debt profile</td>
<td>The council could choose to accept higher projected debt levels. While this might put the council credit rating at risk a temporary elevation may be seen as a prudent response.</td>
</tr>
<tr>
<td>Asset recycling</td>
<td>In order to maintain a capital investment programme, the council might choose to dispose of, or grant concessions over, some assets in order to reinvest the proceeds in higher priority infrastructure.</td>
</tr>
</tbody>
</table>
Central government funding

The current position includes allowances for central government funding through regular transport subsidies, and the Crown taking ownership of projects through the New Zealand Upgrade Programme.

It is possible that additional government funding might be made available as part of a fiscal stimulus package from central government to support economic recovery. Given the level of uncertainty around this it would not be appropriate to plan for this but if it became available it would enable the council to increase its investment programme or reduce borrowing.

26. To show how these levers might work together three example response packages have been prepared.

Response Package A

27. The actions included in this package are:

- Deferrals of a substantial portion of the 2020/2021 capital programme (27%, $700m) and an additional deferral from 2021/2022 (10%, $300m). This would result in capital investment of $1.9 billion in 2020/2021 and $2.6 billion in the following year.

- Temporary service level reductions for one year sufficient to save $50 million.

- Asset disposals or concessions worth $100 million.

28. Budgeting for a package of this nature would require accepting a projected debt-to-revenue level of 299% in 2020/2021, reducing down to our policy limit of 270% the following year.
Response Package B

29. The actions included in this package are:
   - Deferrals of a smaller portion of the 2020/2021 capital programme (14%, $350m) and an equivalent additional deferral from 2021/2022 ($350m). This would result in capital investment of $2.2 billion in 2020/2021 and $2.5 billion in the following year.
   - More substantial temporary service level reductions for one year sufficient to save $100 million.
   - Asset disposals or concessions worth $100 million.

30. Budgeting for a package of this nature would require accepting a projected debt-to-revenue level of 294% in 2020/2021, reducing down to 274% the following year, and below both our policy limit of 270% and internal ceiling of 265% the year after.

![Response Package B graph]

Response Package C

31. The actions included in this package are:
   - Deferrals of $350 million from the 2020/2021 capital programme and an equivalent additional deferral from 2021/2022 ($350m). This would result in capital investment of $2.2 billion in 2020/2021 and $2.5 billion in the following year.
   - No service level reductions
   - Asset disposals or concessions worth $350 million.

32. Budgeting for a package of this nature would require accepting a projected debt-to-revenue level of 289% in 2020/2021, reducing down to our policy limit of 270% the following year.
Attachment A

Item 27

Response Package C

<table>
<thead>
<tr>
<th>Year</th>
<th>Current position</th>
<th>Capital Investment</th>
<th>Debt limit</th>
<th>Internal ceiling</th>
<th>Debt to revenue ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019/20</td>
<td>2,422</td>
<td>2,213</td>
<td>2,315</td>
<td>2,500</td>
<td>2,655</td>
</tr>
<tr>
<td>2021/22</td>
<td>2,598</td>
<td>2,699</td>
<td>2,700</td>
<td>2,800</td>
<td>2,900</td>
</tr>
<tr>
<td>2022/23</td>
<td>2,699</td>
<td>2,800</td>
<td>2,800</td>
<td>2,900</td>
<td>3,000</td>
</tr>
<tr>
<td>2023/24</td>
<td>2,699</td>
<td>2,800</td>
<td>2,800</td>
<td>2,900</td>
<td>3,000</td>
</tr>
</tbody>
</table>

Local board resolution responses and information report - Local Board input into the Emergency Budget 2020/2021

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Otara-Papatoetoe Local Board
16 June 2020

May 2020

Attachment A
14 May 2020

Dear Local Board members

Re: EMERGENCY BUDGET 2020/2021 – YOUR FEEDBACK PLEASE

I want to thank the local board chairs and/or delegates for the spirit and willingness in the way you have contributed to the conversations we have had at the recent Finance and Performance Committee workshops. I also want to thank other board members for your input into those discussions. I strongly believe, as elected members, we have all demonstrated a joint commitment to lead Auckland Council through the substantial economic, social and financial impacts of COVID-19.

It is still unclear as to the specific economic impact COVID-19 will have on our respective communities and the Auckland economy. Sadly, the initial budget projections provided a few weeks ago have been updated and we now need to identify further savings across the council family.

Together we need to make some difficult decisions to reduce our operating and capital spend over the next year so that the council is in the strongest possible position to deliver the outcomes that are important to Aucklanders and regain a robust long-term financial position. We all know local boards play a critical role in understanding the impacts of budgetary decisions on their specific local communities.

We have heard your clear message that, as much as possible, “core” community services need to be maintained and we should target our investment into projects which protect our assets and support local communities through this challenging period. You have also told us we should be investing in projects that help local businesses to stimulate activity, protect jobs and boost economic confidence along with the importance of partnering with local community groups who have strong “on-the-ground” knowledge as to where support is most needed.

As a council we now have a major revenue shortfall and we have a limited number of levers we can use to address that. We can:

- reduce operational spending, which may impact service levels, see some people lose their jobs, and require all of us to focus our energy on doing only what adds the greatest value;
- defer capital projects, focusing that spend on building required infrastructure and targeting it to areas which have the greatest downstream impacts on rebuilding our economy, protecting jobs and supporting the community;
- choose to borrow more and accept higher projected debt levels. While this might put the council credit rating at risk a temporary elevation may be a prudent response;
- in order to maintain a capital investment programme, choose to dispose of, or grant concessions over, some assets in order to reinvest the proceeds in higher priority infrastructure.

There are multiple options with regards to which levers we pull and to what level. Each has its own set of trade-offs and considerations. However, our financial team tell us that on its own, no single lever will deliver the outcome we require.

CCCs account for approximately fifty-five percent of council’s operational budget. They have already come to us prepared to offer up savings. However, today at the Emergency Committee meeting, we requested

CONFIDENTIAL
each CEO identify additional savings opportunities along with associated implications to contribute towards further mitigations now required.

Every area of the business is being asked to play their part. As we have done with our CEOs, we want to request that you consider what savings, or further savings, you could find within your budget. Specifically, we want your views on the following:

1. What amount of savings could you achieve within your discretionary budgets?
2. What service level reductions may be acceptable to your community next year?
3. What is your board’s view on the right balance of the four levers?

Your lead financial advisors will be appropriately briefed and available to assist you with preparing your answers to those questions.

As an important part of our shared governance structure, your feedback will also help shape what information goes out for public consultation. To that end, and with apologies for the tight timeframes, can you please send your feedback by COB Tuesday 19 May to annual.budget@aucklandcouncil.govt.nz.

These are difficult times, very difficult times. But we need to stand together and be courageous with our decisions. Our focus must be on what our communities need most as well as the need to make prudent budget decisions. I strongly believe we can collectively lead Auckland through the challenges COVID 19 has presented and get back on track to delivering the long-term outcomes that are important to Auckland.

To each one of you, thank you for your support and the advocacy you bring to the table.

Ngā mihi

Dealey Simpson, Auckland Councillor | Orakei ward
Chair of Finance and Performance
02197 796
Level 26, 135 Albert Street, Auckland
www.aucklandcouncil.govt.nz

CONFIDENTIAL
Memo

CONFIDENTIAL
19 May 2020

To: Cr. Desley Simpson, Chair, Finance Committee;
    annualbudget@aucklandcouncil.govt.nz
cc: Cr. Efeso Collins and Cr. Alf Filipaina, Ward Councillors;
    Victoria Villaraza, Relationship Manager, Local Board Services
From: Ōtara-Papatoetoe Local Board
Subject: EMERGENCY BUDGET 2020/2021 – Ōtara-Papatoetoe Local Board feedback

The Ōtara-Papatoetoe Local Board acknowledges the workshop discussions over the past two weeks with Governing Body members and a further invitation to provide feedback to the Finance Committee for deliberations on the Annual Budget 2020/2021.

The following feedback points are for consideration by the Finance Committee, noting also that presently there is an absence of local board level detail analysis on the three questions:

Overarching comments:

i. The **Four Well-beings** are paramount principles to be applied in the financial decisions on reduction of services and in identifying projects for deferrals or otherwise.

ii. Ensuring equity is crucial as part of financial modelling/calculation so that existing differences between communities well-served by council facilities and services and those that are under-served are not exacerbated further.
   - Any reduction of services or deferment of capital projects should be **temporary measures to manage** an unprecedented economic situation. These should be "normalised" in later years, unless specifically agreed to be permanently cancelled through appropriate community consultation.
   - Ensuring support for vulnerable communities such as Maori/Pasifika communities, the elderly, and those living in high unemployment, low income communities is maintained or enhanced through the Emergency Budget as these communities are disproportionately affected by health and economic emergencies.
   - The impact of COVID 19 has had significant impact in Ōtara-Papatoetoe, e.g. increased need for social welfare benefits, high need for wage subsidy, demand for food parcels in the area, and the challenges will continue for many in the local community, to maintain essential levels of daily living.

iii. Consider a long-term shift to community-led / or delivered services
   - Increase the use of local procurement and supporting local services/businesses, especially in vulnerable communities for the delivery of council projects and services to stimulate jobs and economic development in these areas that are hardest hit by the crisis.
   - more community-led and managed events, activations, environment projects in partnership with local businesses/service providers and supported through relevant funding sources, rather than staff-led delivery.

iv. Leverage other sources of funding by collaborating with central government ministries (such as Ministry of Business, Innovation and Employment and Ministry for Pacific Peoples) for skills training, creating employment and multi-sectoral partnerships.
Response to three questions:

1. What amount of savings could you achieve within your discretionary budgets?
   a. Defer the regional funding of $8.9 million dollars for motor sports facility at Colin Dale park. This does not serve priority needs for local communities. The impact of this deferral or suspension on local community would be low.
   b. Defer sports-fields upgrades, approx $1-2 million (prefer for a shorter period):
      - The upgrades of sports fields can be deferred for 2-3 years.
      - However, we make an exception for Papatoetoe Sports field, the highest prioritized field upgrade to go ahead as planned.
      - The two upgrades in Otara were not to start very soon in any case. Ōtara-Papatoetoe is one of the board areas that does not have sports fields with sand-carpeting.
      - Local community has been tolerant. There is also a capacity in the community to understand and know what it means to “share the burden” under the present circumstances.

   Like our pools and libraries, sports fields are a valuable resource for our local community, and yet overlooked for more than 30 years. Current situation is unique opportunity to work towards closing equity gap, not extending/deepening it.

   However, the board does want to see the upgrades of our fields eventually, so a deferral of a short period of 2-3 years would be preferable. These savings from deferring sports fields upgrade are small when compared with $8.9m above and potential savings that other advantaged boards/communities can afford to release.

   c. Do not reduce or cut Local board funding (LD) Operational budget
      - It is a very small part of the overall council group budget
      - Communities will have a reliance on this small component of the overall budget during the recovery. Local board funding (especially through grants) is a vital and highly responsive support avenue for a variety of community initiatives.

   d. Progress growth projects
      - These will grow the local and city-wide economy, sustain and create opportunities for work/employment

2. What service level reductions may be acceptable to your community next year?

   i. Local context:
      - Community services through libraries, arts, recreation, leisure and pools facilities are critical infrastructure for local communities. The services are essential to the day-to-day family and community life. E.g. Libraries provide significant support and even access to wifi for people in an area with low connectivity/uptake. Local pools are not a luxury. Older adults and members of our community access our pools daily for exercise/health reasons. These are very often the only place children/adults can learn to swim, as many local schools do not have pools. Our local board has prioritized free access to our pools through our targeted rate for many years. We recognize that for many of our residents, the pools provide a safe, free place to exercise, get much needed recreation space and for our needy families and homeless to have access to safe bathroom and shower facilities.

      - These services give employment to local people. At this time, any reduction in service risks loss of employment in an area of high deprivation. Reducing hours is a possibility – in the context of city-wide reduction of hours. However, will need to be carefully considered against our guiding principles and impact on our communities.
• Service reduction should not impact employment, including for council staff. We value staff, particularly front-line staff. Local staff at libraries and pools and recreation centres are local people for whom retaining employment is critical.

ii. The Otara-Papatoetoe board views service reduction as a last resort and only for a small number of hours as part of a regional decision. For example, 10 per cent of reduction in library hours across the city, without impacting peoples employment.

iii. The board may reluctantly accept marginal reductions in full facility maintenance contracts could accommodate marginal reductions in few areas:
   - Reduction in parks maintenance, e.g. mowing berms and reserves. However, retain maintenance of sports fields
   - Minor maintenance but retain maintenance of town centres

iv. Let go of Early Childhood Education centres (ECEs) that are council owned through planned restructuring. The provision of ECE services are not essential for council. Local Kohanga Reo and other providers are better placed to provide this service.

v. Explore scope of reducing gym services through council recreational centres as these are not a priority service from council.

3. What is your board’s view on the right balance of the four levers?
   • Reduce operational budget: This is the least preferred lever by the board, and strongly recommends that it is a ‘no go zone’. In a worst-case scenario, the board would accommodate only a very low use of this lever of up to 10 per cent.
   
   • Defer capital projects: The board is of the view that a moderate use of this lever of 30 to 40 per cent of would be appropriate to manage the unprecedented gap in council budget.

   • Borrow more: The council can borrow above threshold, there is scope to take this risk. The board would support a moderate the use of this lever, say 30 to 40 per cent.

   • Maintain capital investment by disposing or granting concessions: The reality for Otara-Papatoetoe area is that we have very little asset left for disposal. In our view, at best, this lever can be used up to 30 per cent only after a closer analysis to assess opportunities from underutilized facilities (e.g. East Tamaki Hall) or small pockets of land (e.g. car park areas). However, ensure equity in service to the local area from the network of facilities.

Finally, our board urges the Finance Committee and Emergency Committee to advocate to the central government for assistance to manage the glaring gap in council’s budget. In our understanding a grant or a borrowing from our own government would not breach the debt to revenue ratio. Auckland is the economic engine room and driver for the nation and in the wake of the unprecedented adversity, the local government of the city can legitimately seek help to retain services, employment and support for our people. The fact is that this council delivers for one – third of the population of New Zealand.

Lotu Full
Chair
Otara-Papatoetoe Local Board
Te take mō te pūrongo
Purpose of the report
1. To amend the 2019/2020 Ōtara-Papatoetoe Local Board Work Programme Line #123 and confirm direction on the allocated funding for this item.

Whakarāpopototanga matua
Executive summary
2. The Ōtara-Papatoetoe Local Board allocated $240,000 in their 2019/2020 Work Programme (OP/2019/83), to support three local business associations to contribute to clean, safe and attractive town centres (Line #123). These local business associations are the Ōtara Business Association, Hunters Corner Town Centre and the Papatoetoe Central Mainstreet Society Incorporated.

3. On 11 February 2020, the local board received verbal presentations from these organisations on outcomes they achieved so far in 2019/2020 and on ideas for future initiatives and plans for 2020/2021.

4. The presentation by the Ōtara Business Association and the Papatoetoe Central Mainstreet Society Incorporated highlighted the need for both organisations to improve their operational and governance functions. There was also unsatisfactory accountability reporting for funding received in 2018/2019.

5. Based on this, staff originally proposed funding of:
   - $80,000 to Hunters Corner Town Centre (full funding)
   - $25,000 to Ōtara Business Association
   - $25,000 to Papatoetoe Central Mainstreet Society

6. The funding for both Ōtara Business Association and the Papatoetoe Central Mainstreet Society Incorporated ($50,000 total) are proposed to be carry-forward to the next financial year, and used to fund a town centre post COVID-19 economic recovery plan in collaboration with council staff, the business associations, and local businesses.

7. Staff recommend the unspent funding ($110,000) would be returned to savings.

8. Due to council budget restrictions following COVID-19 this carry forward will be subject to the carry forward and expenditure guidelines.

Ngā tūtohunga
Recommendation/s
That the Ōtara-Papatoetoe Local Board:

a) amend the 2019/2020 Ōtara-Papatoetoe Local Board Work Programme Line #123 to no longer allocate funding to the Ōtara Business Association and the Papatoetoe Central Mainstreet Society Incorporated.

b) approve $50,000 to engage a third party to co-design a post-COVID-19 economic development recovery plan in collaboration with council staff, the business associations, and local businesses and request these funds to be carried forward.

c) approve the remaining $110,000 to be returned to savings in financial year 2019/2020.
Horopaki Context
9. In June 2019, the local board resolved to support town centre development and initiatives as part of the 2019/2020 Arts, Culture and Events work programme, line #123, with a budget of $240,000.
10. The specified business association partners for this work programme are:
   - Ōtara Business Association Incorporated
   - Hunters Corner Town Centre Society Incorporated
   - Papatoetoe Central Mainstreet Society Incorporated.
11. On 11 February 2020, the local board received verbal presentations from the Ōtara Business Association, Hunters Corner Town Centre and the Papatoetoe Central Mainstreet Society Incorporated on outcomes they achieved in 2019/2020 and future initiatives and plans for the 2020/2021 financial year.
12. The presentations by the Ōtara Business Association and the Papatoetoe Central Mainstreet Society Incorporated highlighted the need for both organisations to improve their operational and governance functions and there was low alignment with the Business Improvement Development (BID) policy at the time of the presentations.
13. A funding agreement for $80,000 was completed for the Hunters Corner Town Centre as all BID criteria was met and there were robust operational, management and governance systems evident.
14. A report to the local board on 19 May 2020 confirmed that both Ōtara Business Association and Papatoetoe Central Mainstreet business association were now compliant with BID policy, however there were ongoing concerns about their operations and governance, and with their inability to provide accountability reports in 2018/2019.

Tātaritanga me ngā tohutohu
Analysis and advice
15. Staff considered the following criteria when assessing the funding contributions:

<table>
<thead>
<tr>
<th>Criteria for</th>
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</thead>
<tbody>
<tr>
<td>a) Compliance with Auckland BID Policy 2016</td>
</tr>
<tr>
<td>The business association must be fully compliant with the Auckland Business Improvement District (BID) Policy 2016. This includes meeting all the requirements of the BID Policy in terms of operational management and governance and the requirements of the Incorporated Societies Act. This is an encompassing policy that outlines matters such as Annual General Meeting, membership and reporting requirements.</td>
</tr>
<tr>
<td>The Auckland Council BID Team is responsible for ensuring individual associations are fully compliant with the BID Policy. Compliance with the BID Policy is an indicator of how the business association is functioning.</td>
</tr>
</tbody>
</table>
b) Accountability for previous funding

The business association must provide full accountability reporting for any previous council funding received. It must be clear how the funds were applied and the outcomes/impact of the funded initiatives.

Accountability reporting includes financial reporting, recognising the impact of the activity, and reflecting on opportunities for enhancement for future initiatives.

c) Quality of proposal

Proposed initiatives should:

- be clear about intended initiatives and outcomes
- align to local board plan outcomes and community aspirations
- reflect the definition of ‘safety’ agreed by the Local Board in April 2019 i.e. safety is about building strong, cohesive, vibrant and participatory communities. Safety initiatives can include community events, activations and placemaking activities that welcome locals and visitors; and
- be future-focused and relevant to the town centre needs and development potential.

b) Community feedback

Consideration of any other context, information or feedback from the local community, including business association members. Local Boards partner with business associations on placemaking and other community initiatives only when they are well connected to the local community and contributing positively to community outcomes. This may be information that local board or staff members are aware of, or feedback from those interacting with the association. Care is taken to use professional judgement in the importance, or impact, of the knowledge in decision-making.

16. Following presentations from all three business associations in February 2020, and subsequent workshops, staff made the following analysis:

<table>
<thead>
<tr>
<th>Business Association</th>
<th>Compliance with Auckland BID Policy 2016</th>
<th>Accountability for previous funding</th>
<th>Quality of proposal</th>
<th>Community feedback</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hunters Corner Town Centre Society Incorporated</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
17. Papatoetoe Central Mainstreet Society (PCMS) and Ōtara Business Association Incorporated (OBA) have the same town centre manager.
18. PCMS presented to the local board and included their car promotion and efforts to connect with all business association members.
20. Several comments were noted about these two organisations:
   - That OBA had significant financial reserves.
   - The 2019 accounts revealed a large percentage of funds was spent on salaries.
   - OBA received revenue from the BID targeted rate in 2018/2019 and grant funding from a variety of sources.
   - Accountability reporting needed to improve.
   - Funding for the annual Diversity Festival was of concern.
   - As of February 2020, the Ōtara Business Association Incorporated had been struck off the Incorporated Societies register as the appropriate financial reporting was not submitted.
   - OBA have re-registered with the Incorporated Societies but note that financial reporting requires improvement.
   - PCMS had significant reserves according to its year end 30 June 2019 financial accounts filed with the Incorporated Societies.
   - Concerns from the community on the management and governance of the association.
   - There needs to be stronger alignment to the local board outcomes.

<table>
<thead>
<tr>
<th>Business Association</th>
<th>Compliance with Auckland BID Policy 2016</th>
<th>Accountability for previous funding</th>
<th>Quality of proposal</th>
<th>Community feedback</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ōtara Business Association Incorporated</td>
<td>✓</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td>Initial Concerns resolved</td>
<td>Unclear for 2018/2019</td>
<td>Proposal requires more alignment to local board outcomes</td>
<td>Requires better engagement in the community and currently has limited evidence of community support and participation</td>
</tr>
<tr>
<td>Papatoetoe Central Mainstreet Society Incorporated</td>
<td>✓</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td>Initial Concerns resolved</td>
<td>Unclear for 2018/2019</td>
<td>Proposal against local board outcomes needs strengthening</td>
<td>Requires better engagement with its members and has limited evidence of community support and participation</td>
</tr>
</tbody>
</table>
21. There is a significant risk associated with allocating funding to the organisations with identified governance and operational concerns as their projects may not be completed.

22. To respond to these concerns, staff have developed a proposal to engage a third party to co-design post-COVID-19 economic development recovery plan in collaboration with the business associations, local businesses council staff.

23. Staff propose carrying forward $50,000 of the unspent funding ($25,000 for each organisation) to fund this recovery plan in 2020/2021.

24. Due to council budget restrictions following COVID-19, carry forward will have to meet specific criteria. Staff have sought advice and believe the scenario described would meet an exception as per the carry forward and expenditure guidelines.

25. Remaining unspent funding (totaling $110,000) will be returned as savings to the organization.

Tauākī whakaaweawe āhuarangi
Climate impact statement

26. The business associations align with the criteria and use recycling and environmentally appropriate waste systems. This will have a positive impact on climate change.

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

27. The Auckland Council Emergency Budget has impacted the process of carrying forward unspent budget, which has been taken into consideration.

28. Advice in this report has been collated by staff from council’s Community Empowerment Unit, Local Board Services and the Business Improvement District Programme.

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

29. Feedback received from the local board have informed the recommendations.

30. The business association’s initiatives are intended to contribute to the local board plan outcomes of:
   - Manukau transformation
   - Revitalising town centres
   - Parks and facilities that meet people’s needs
   - Healthy natural environment
   - Empowered, inclusive and prosperous communities
   - Honouring youth and seniors
   - It’s easy to get around.

Tauākī whakaaweawe Māori
Māori impact statement

31. Māori make up 16 per cent of the local board population, which is higher than the Auckland average by six per cent.

32. Māori often suffer disproportionately lower socio-economic statuses compared to other ethnicities and will benefit from an increase in town centre development and economic stimulation, creating job and business opportunities.
Ngā ritenga ā-pūtea
Financial implications
33. Both the Ōtara Business Association and the Papatoetoe Central Mainstreet Society Incorporated show high reserves in their current financial statements. This has informed staff’s recommendation to not allocate any funding to either organisation with low associated risk.
34. Due to COVID-19, financial processes and guidelines in council have changed to reduce the risks associated with carry forward budgets.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
35. There is a high risk that if funding is allocated at the present time, the purpose of the funding will not be delivered due to identified operational and governance issues within the two business organisations.
36. There is a risk associated with not providing any funding for the two organisations in relation to the proposed projects from each two group no longer going ahead.
37. There is a minor reputational risk associated with amending the local board work programme. Staff hope to have mitigated this through the above analysis and making this report publicly accessible.

Ngā koringa ā-muri
Next steps
38. Staff will send correspondence to the business associations regarding this decision.
39. Staff will progress an exception to restrictions on carry-forwards.

Ngā tāpirihanga
Attachments
There are no attachments for this report.

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Zella Morrison Community Empowerment Unit Manager Strategic Brokers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Graham Bodman - General Manager Arts, Community and Events</td>
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<td></td>
<td>Victoria Villaraza - Relationship Manager, Mangere-Otahuhu and Otara-</td>
</tr>
<tr>
<td></td>
<td>Papatoetoe Local Boards</td>
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</tbody>
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