

I hereby give notice that an ordinary meeting of the Finance and Performance Committee will be held on:

**Date:** Thursday, 22 April 2021  
**Time:** 10.00am  
**Meeting Room:** Reception Lounge  
**Venue:** Auckland Town Hall  
301-305 Queen Street  
Auckland

---

**Kōmiti ā Pūtea, ā Mahi Hoki /  
Finance and Performance Committee  
OPEN ADDENDUM AGENDA**

---

**MEMBERSHIP**

<b>Chairperson</b>	Cr Desley Simpson, JP	
<b>Deputy Chairperson</b>	Cr Shane Henderson	
<b>Members</b>	Cr Josephine Bartley	Mayor Hon Phil Goff, CNZM, JP
	IMSB Member Renata Blair	Cr Richard Hills
	Cr Dr Cathy Casey	Cr Tracy Mulholland
	Deputy Mayor Cr Bill Cashmore	Cr Daniel Newman, JP
	Cr Fa'anana Efeso Collins	Cr Greg Sayers
	Cr Pippa Coom	Cr Sharon Stewart, QSM
	Cr Linda Cooper, JP	IMSB Chair David Taipari
	Cr Angela Dalton	Cr Wayne Walker
	Cr Chris Darby	Cr John Watson
	Cr Alf Filipaina	Cr Paul Young
	Cr Christine Fletcher, QSO	

(Quorum 11 members)

**Sandra Gordon**  
Kaitohutohu Mana Whakahaere Matua / Senior  
Governance Advisor

**20 April 2021**

Contact Telephone: (09) 890 8150  
Email: [sandra.gordon@aucklandcouncil.govt.nz](mailto:sandra.gordon@aucklandcouncil.govt.nz)  
Website: [www.aucklandcouncil.govt.nz](http://www.aucklandcouncil.govt.nz)



---

**ITEM TABLE OF CONTENTS**

**PAGE**

**11 Accommodation Provider Targeted Rate Suspension**

**5**



## Accommodation Provider Targeted Rate Suspension

File No.: CP2021/04229

### Te take mō te pūrongo Purpose of the report

1. To consider whether to extend the reduction in spending on visitor attraction and major events and the suspension of the Accommodation Provider Targeted Rate and include any changes in the Recovery Budget 2021-2031.

### Whakarāpopototanga matua Executive summary

2. As part of the Emergency Budget 2020/2021 the council reduced spending on visitor attraction and major events by \$10.68 million (to \$17.8 million) and suspended the Accommodation Provider Targeted Rate (APTR) until 31 March 2020. This was achieved by setting the APTR to collect \$3.56 million (1/4 of \$14.24 million) with payment due in fourth quarter of 2020/2021 (due date 28 May 2021).
3. Consultation on the Recovery Budget 2021-2031 included three options for reinstating the APTR. The primary consideration for a further extension was the uncertainty about the ongoing impact of COVID-19 on the visitor economy. The options for the timing of reinstatement of spending and the APTR and the feedback from 278 submitters are:

Response	Feedback Numbers and per cent
Option 1: resume from 1 April 2021	10 (3 per cent)
Option 2: resume from 1 January 2022	11 (4 per cent)
Option 3: resume 1 July 2022	49 (17 per cent)
Did not support any option	136 (47 per cent)
Other	86 (29 per cent)
Don't know	(>1 per cent)

4. Feedback across most submitters was that accommodation providers are currently struggling, and that the situation is unlikely to get better in the near future. Feedback from the accommodation sector showed their continued opposition to funding visitor attraction activities from the APTR. Feedback from the sector also included:
  - that expenditure on visitor attraction is not a priority right now as many are struggling financially
  - the longest possible suspension should be considered to provide sufficient time for the sector to return to profitability.
5. Current border restrictions beyond the trans-Tasman bubble are likely to be in place for some time. The balanced scenario for the Recovery Budget 2021-2031 assumes that borders will be substantially open by 1 July 2022. There is also the prospect during this time that Auckland faces further lockdowns.
6. Despite these assumptions there is still substantial uncertainty. Officers therefore consider it is too soon to resume the partial funding all of Auckland Unlimited's visitor attraction activities and that a further suspension of the APTR is justified.

7. This will mean reduced expenditure on visitor attraction, major events, and destination marketing and a delay to any international marketing beyond 'keeping the lights on' with a heavy reliance on Tourism New Zealand. This will limit the creation of latent demand which would be of advantage when borders fully reopen. It will require suspension or cancellation of work programmes within the overall destination portfolio and impact on Auckland's ability to attract events in the future.
8. Officers consider that the suspension of visitor attraction and major events spending and the reinstatement of the APTR should be extended until 30 June 2022. This will provide affected ratepayers with certainty about their rates liability for the 2021/2022 financial period.
9. The alternative options of earlier reinstatement of both spending and the APTR would give the council greater flexibility in the event borders reopen earlier. However, this approach would require more communications, messaging would be more complicated, and there would be uncertainty for affected ratepayers. This would also present planning difficulties for Auckland Unlimited.

## Ngā tūhonga Recommendation/s

That the Finance and Performance Committee:

- a) agree that staff use existing rating policies to fully remit the fourth quarter instalment of the Accommodation Provider Targeted Rate set for 2020/2021 due to be invoiced in the 4th quarter rates invoice (May 2021), and that this be noted on the invoice.
- b) agree to recommend to the Governing Body at its meeting on 25 May 2021, subject to consideration of local board feedback, that it agree as part of the Recovery Budget 2021-2031 that:
  - i) expenditure on visitor attraction and major events be reduced from \$29 million to around \$14.5 million; and
  - ii) the Accommodation Provider Targeted Rate be suspended until 30 June 2022.

## Horopaki Context

10. The Accommodation Provider Targeted Rate (APTR) seeks to recover from accommodation providers a fair proportion of visitor attraction and major events spending by Auckland Unlimited (previously ATEED).
11. In response to the closure of borders, the council remitted the APTR for the fourth quarter of 2019/2020 and decided to consult as part of the Emergency Budget 2020/2021 on suspending the APTR for 12 months from 1 April 2020 until 31 March 2021. The year-long suspension did not align with the rating year which runs from 1 July 2020 to 30 June 2021. The suspension was for the last quarter of the 2019/2020 rating year and the first three quarters of the 2020/2021 rating year.
12. The council implemented the suspension by:
  - remitting the APTR in the fourth quarter of the 2019/2020 year (shown on the May 2020 invoice).
  - setting the APTR for the 2020/2021 year at \$3.56 million, one quarter of the previously planned sum, and due in the fourth quarter of the 2020/2021 year (invoices for fourth quarter due to be sent May 2021).
13. As legally required, ratepayers liable for the APTR in 2020/2021 have been sent rates assessments advising them of their liability for the year. The August, November, and February instalment invoices showed that the APTR would be invoiced in the fourth quarter (May). The council has not yet invoiced ratepayers for the APTR for 2020/2021.

## Recovery Budget 2021-2031 proposal

14. As part of the Recovery Budget 2021-2031, the council proposed the following three options for resuming the APTR:
- Option 1 (Status quo): resume the APTR as currently planned from 1 April 2021 raising around \$14.5 million in 2021/2022 to help support \$29 million of spending on visitor attraction, major events, and destination marketing activity.
  - Option 2: reinstate the APTR from 1 January 2022 reducing the APTR revenue to around \$7.2 million in 2021/2022 and lower spending on visitor attraction, major events, and destination marketing activity to around \$21.8 million in 2021/2022
  - Option 3: reinstate the APTR from 1 July 2022 and lower spending on visitor attraction, major events, and destination marketing activity to around \$14.5 million in 2021/2022.
15. The proposal also noted:
- that depending on developments in the visitor economy, the council may consider an intermediate option between those outlined above
  - if the suspension of the APTR was extended under option two or three, then the council would also look to remove APTR charges (around \$3.3 million) from the May 2021 rates invoice.

## Decision making

16. When making decisions, sections 77 and 78 of the Local Government Act 2002 requires the council to:
- identify all reasonably practicable options to achieve the objective of the decision
  - assess those options in terms of their advantages and disadvantages
  - give due consideration, with an open mind, to the views and preferences of people likely to be affected by, or have an interest in, the decision.
17. The consultation process for the Recovery Budget 2021-2031 ensures those interested in, or affected by, decisions have an opportunity to have their voices heard by their elected representatives prior to decisions being made. Feedback received during consultation is one key part of many components that need to be considered when making final decisions. Comments provided as part of the feedback should be considered in order to understand the context and the meanings behind the numbers and percentages presented.
18. The council must weigh up the information provided on the advantages and disadvantages of each option, consider the feedback received from local boards and the public, and then arrive at what it determines to be the best decision.
19. When making decisions the council is limited by the scope of the original consultation. Decisions can only be made within the bounds of the options considered in the proposal put forward for consultation. If the council wishes to make a decision outside the scope of the original consultation, then further consultation may be required.

## Tātaritanga me ngā tohutohu Analysis and advice

### Feedback form consultation

20. 292 submitters provided feedback in response to this issue. Key findings across all feedback received are:
- the majority of submitters (136 submitters or 45.7 per cent) did not support any of the options presented for the resumption of the APTR
  - Option 3, resume from 1 July 2022, was the most supported of the three proposed options (49 submitters or 17 per cent)

- common feedback across most submitters was that accommodation providers are currently struggling due to COVID-19 and that this situation is unlikely to get better in the near future
  - other comments included that the APTR should not resume until borders are fully open again and international visitors return, consideration of a further extension may be needed, or that visitor attraction activities should be funded some other way.
21. The feedback noted above includes 16 submissions where the submitters identified themselves as accommodation providers or representative organisations. Key feedback from the accommodation sector included:
- the sector continues to oppose the APTR as a funding mechanism for visitor attraction activity undertaken by Auckland Unlimited
  - many accommodation providers are currently struggling due to the effects of border restrictions and lockdowns resulting from COVID-19
  - domestic visitors are inadequate to provide sufficient occupancy to support profitability
  - the situation will not improve until normal inflows of international visitors resume and there is a high level of uncertainty on when this will occur
  - expenditure on visitor attraction is not a priority for the sector until recovered from the effects of COVID-19.

## Consideration

### Impacts on accommodation providers

22. From June 2020 to February 2021, hotel occupancies in Auckland (including managed isolation and quarantine facilities (MIQ)) have ranged between 45.6 per cent in August 2020 and 60.6 per cent in November 2020 with an average occupancy during this time of 53.1 per cent. The majority of these guest nights were made up of domestic guests. This compares with average occupancies around 90 per cent prior to COVID-19.
23. A key performance measure for hotels is revenue per available room (RevPAR). This metric shows the average room rate being achieved across all available rooms regardless of whether they are occupied. Feedback from the Hotel Council Aotearoa indicates that across Auckland hotels, RevPAR for February 2021 was around \$107. When MIQ hotels are excluded from this RevPAR was \$82. This indicates a drop of around 64 per cent compared to February 2020 when RevPAR was around \$229.
24. While RevPAR is a measure of accommodation revenue being generated it does not include other revenue sources. Revenue generated from food and beverage (F&B), spa and other sources will have been similarly affected. Feedback from the sector indicates that costs have not decreased in line with revenues as many costs are fixed and at the same time some costs have increased.
25. In Auckland, occupancies for motels and lodges from June 2020 to February 2021 have ranged between 34.1 per cent in August 2020 and 67.7 per cent in November 2020 with an average occupancy during this time of 54.9 per cent. The majority of guests were domestic visitors. RevPAR for these types of accommodation is unavailable however we assume that they have been similarly affected.

### Trans-Tasman bubble and future prospects

26. In the year ending December 2019 (the last month prior to any COVID-19 impact):
- 864,121 visitors travelled to Auckland from Australia. Of those, 43% were visiting friends and relatives, and 28% were here on holiday
  - total Australian visitor arrivals were 32% of all international visitor arrivals
  - Australian visitors accounted for 19% of the total international tourism market spend in Auckland with a value of approximately \$933 million.

27. Initial bookings for trans-Tasman travel are expected to be for those wishing to reunite with family and friends, followed by business people, and then holiday makers. Tourism New Zealand forecasts visitor numbers from Australia returning to 80 per cent of pre-COVID-19 levels by January 2022. There is considerable uncertainty around this forecast as:
- changes to alert levels or temporary border closures will affect visitation
  - there may be increased visitation from Australians who now have New Zealand as their only international option
  - there may also be decreased domestic visitors from New Zealanders choosing Australian over New Zealand holidays.
28. There is substantial uncertainty around when a wider opening of the borders will occur, and it is unlikely before early 2022. Once border restrictions are lifted it will take time for the tourism market to re-establish itself and for commercial accommodation providers to return to profitability. During this time, investment in visitor attraction and major events will be key to revitalising the tourism sector.

### General discussion

29. When restrictions on international travel, mass gatherings, and domestic travel due to COVID-19 are in place, the immediate benefits from Auckland Unlimited's visitor attraction activities are reduced and the ability of the sector to afford the rate is affected. However, there are benefits to funding investment in domestic visitor attraction to Auckland as well as international marketing to maintain Auckland's profile to international visitors.
30. Under any option, the council will continue to spend on visitor attraction through major and business events, supplemented by the Regional Events Fund allocation that Auckland and Northland received courtesy of central government. However, the overall budget reduction for this activity will likely result in a reduced events calendar and a temporary cessation of the marketing and promotion of Auckland as a visitor destination. The council will also have an opportunity to reconsider the resumption of the APTR as part of the Annual Budget 2022/2023.
31. None of the options impact operating funding as Auckland Unlimited's spending will reduce by the same amount as any reduction in the APTR.
32. Given the current border restrictions and the potential for further lockdowns, officers consider it is too soon to resume fully funding all of Auckland Unlimited's visitor attraction activities and that a further suspension of the APTR is justified. Officers do not recommend reinstatement of the rate and spending from 1 April 2021.
33. Reinstating spending and the APTR from 1 January 2022 or earlier would provide flexibility on when the APTR can be resumed, in the event borders reopened earlier. Decisions on further extensions could be made throughout the year ahead of the instalment for each quarter being issued. However, this approach would require more ratepayer communications, messaging would be more complicated, and there would be uncertainty for affected ratepayers. This would also make planning difficult for Auckland Unlimited.
34. Officers recommend extending the suspension of spending and the reinstatement of the APTR until 30 June 2022. This timeframe is consistent with our assumptions around when borders are likely to reopen and reflect the uncertain environment the council and visitor economy is operating in and the present financial challenges facing the accommodation sector. This would provide certainty to affected ratepayers and Auckland Unlimited.

### Tauākī whakaaweawe āhuarangi Climate impact statement

35. Recommendations in this report have a neutral climate impact as they relate to the allocation of charges rather than decisions on activities to be undertaken.

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

36. The recommendations in this report impact on the activities that Auckland Unlimited undertake. The views of Auckland Unlimited have been reflected in the advice above. The proposals in this report have been reviewed by our legal team and their feedback is reflected in the report.
37. Auckland Unlimited propose that the APTR be deferred and reviewed for re-implementation on 1 July 2022, or prior should global conditions change significantly. The financial impacts will be managed by reducing spending on visitor attraction and major events in 2021/2022. They have also proposed that the APTR for the fourth quarter of 2020/2021 should be remitted.
38. Auckland Unlimited will finalise the full impact of a further suspension of the APTR as part of confirming their strategic priorities. A reduction in overall funding will require further suspension or cancellation of existing work programmes within the overall destination portfolio. It will impact on Auckland Unlimited's ability to attract and retain events in the future.

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

39. Local boards will hold workshops on the feedback from consultation on the Recovery Budget 2021-2031 between 12 April and 30 April. Formal recommendations on consultation topics will be made at meetings held between 3 May and 11 May. Each local board will have an opportunity to discuss feedback on issues consulted on in the Recovery Budget 2021-2031 at a Finance and Performance Committee workshop on 12 May.
40. Local board impacts and views will be considered by the Finance and Performance Committee at its meeting on 25 May ahead of decisions being made by the Governing Body on 25 May.

## Tauākī whakaaweawe Māori Māori impact statement

41. The council does not hold information on the ethnicity of ratepayers so is not able to identify the exact impact on the proposed changes on Māori. The impact of the proposed change on Māori is assumed to be similar to that on other residents in Auckland.

### Māori Feedback

42. Feedback was received from 12 submitters who identified as Māori:
  - 1 supported option 1
  - 1 supported option 2
  - 1 supported option 3
  - 5 did not support any option
  - 4 made other comments.

## Mataawaka Organisations and Mana Whenua

43. There was no feedback on the APTR proposal from mataawaka organisations or mana whenua.

## Ngā ritenga ā-pūtea Financial implications

44. As discussed above, the recommended revenue and spending reductions offset each other so the overall on group cashflows is neutral. The reduction in revenue recommended in the report does not impact on total debt but will affect the debt to revenue ratio. This would see a temporary reduction in overall group debt headroom in 2021/2022 of \$42 million, with this reverting back when the APTR is reinstated on 1 July 2022.

## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

45. The risks and mitigations of the recommended charges are noted in the relevant sections above.

## Ngā koringa ā-muri Next steps

46. On 25 May 2021, the Finance and Performance Committee will consider any local board feedback on the proposal. The Governing Body will then consider the recommendations regarding the APTR.
47. On 29 June 2021, the Governing Body will adopt the Recovery Budget 2021-2031 and set rates for the 2021/2022 financial year.

## Ngā tāpirihanga Attachments

There are no attachments for this report.

## Ngā kaihaina Signatories

Authors	Aaron Matich - Principal Advisor – Financial Policy Andrew Duncan - Manager Financial Policy
Authorisers	Ross Tucker - General Manager, Financial Strategy and Planning Peter Gudsell - Group Chief Financial Officer