

I hereby give notice that an extraordinary meeting of the Governing Body will be held on:

**Date:** Thursday, 10 November 2022  
**Time:** 10.00am  
**Meeting Room:** Reception Lounge  
**Venue:** Auckland Town Hall  
301-305 Queen Street  
Auckland

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## Tira Kāwana / Governing Body

### OPEN AGENDA

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#### MEMBERSHIP

<b>Mayor</b>	Wayne Brown	
<b>Deputy Mayor</b>	Cr Desley Simpson, JP	
<b>Councillors</b>	Cr Andrew Baker	Cr Mike Lee
	Cr Josephine Bartley	Cr Kerrin Leoni
	Cr Angela Dalton	Cr Daniel Newman, JP
	Cr Chris Darby	Cr Greg Sayers
	Cr Julie Fairey	Cr Sharon Stewart, QSM
	Cr Alf Filipaina, MNZM	Cr Ken Turner
	Cr Christine Fletcher, QSO	Cr Wayne Walker
	Cr Lotu Fuli	Cr John Watson
	Cr Shane Henderson	Cr Maurice Williamson
	Cr Richard Hills	

(Quorum 11 members)

**Sandra O'Toole**  
**Kaiarataki Kapa Tohutohu Mana Whakahaere /**  
**Team Leader Governance Advisors**

**4 November 2022**

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- 1 **Ngā Tamōtanga | Apologies**
- 2 **Te Whakapuaki i te Whai Pānga | Declaration of Interest**
- 3 **Ngā Kōrero a te Marea | Public Input**
- 4 **Ngā Kōrero a te Poari ā-Rohe Pātata | Local Board Input**
- 5 **Ngā Pakihi Autaia | Extraordinary Business**



## Annual Budget 2023/2024: Context setting and process

File No.: CP2022/15348

### Te take mō te pūrongo

#### Purpose of the report

1. To update on current financial projections for the Auckland Council group and the process relating to the Annual Budget 2023/2024.

### Whakarāpopototanga matua

#### Executive summary

2. The council is required to prepare and adopt an annual plan (referred to by Auckland Council as the annual budget) for each financial year.
3. Before adopting an annual plan, the council must consult on any significant or material differences from the content of the Long-term Plan (LTP) for the financial year to which the proposed annual plan relates.
4. The Governing Body must adopt a consultation document setting out these matters. This document must also include:
  - content relating to local board agreements
  - a summary of the draft Tūpuna Maunga o Tāmaki Makaurau Authority Operational Plan 2023/2024 (draft operational plan).
5. In its Annual Budget 2022/2023 the council noted it would need to address further adverse impacts of higher inflation and higher interest rates in future years as these factors were uncertain. It was estimated the ongoing operating gap to be between \$90 and \$150 million per year and noted an incoming council would have a range of options and budget levers available to mitigate this.
6. Inflation and interest rates have risen higher and more rapidly than economic forecasts had projected at the time the last budget was prepared. As of late October, the total ongoing operating budget pressures for 2023/2024 are estimated to be around \$270 million. This operating gap needs to be addressed for 2023/2024 in a sustainable way that also supports the council's long-term financial position.
7. This means that for 2023/2024 around \$180 million of additional operating budget mitigations will be needed over and above the \$90 million of previously signalled mitigations. Council continues to have the financial flexibility to respond to the budget situation, but tough choices and trade-offs about the mix of budget levers will need to be made given the scale of the challenge. These additional choices and subsequent decisions need to move the council towards long-term financial sustainability in addition to solving the short-term financial challenge.
8. Making these tough decisions will be a key part of the annual budget process which begins today. Following this meeting, the Governing Body will hold a workshop to discuss the details of the cost pressures and the potential mix of options/levers to respond. Local boards and council-controlled organisations (CCOs) will also provide input on options.
9. On 15 December 2022, the Governing Body will meet to decide which options (or mix of options) to take forward to public consultation. Any options relating to strategic assets or significant changes to significant activities will also require an audited LTP amendment process and will need to be supported by a detailed statement of proposal.

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10. Final budget decisions will be made following public consultation early next year and prior to adoption of the final annual budget by 30 June 2023.
11. Performance reporting on the progress against the plan for the current financial year will be provided to the Governing Body or relevant committee later this year (following decisions on the committee structure for the current term).

## Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) tuhi ā-taipitopito / note the update on the financial projections of the Auckland Council group and the process relating to the Annual Budget 2023/2024 in this report, which sets the context for further discussion at a workshop today.

## Horopaki Context

12. The council is required by legislation to prepare and adopt an annual plan (referred to by Auckland Council as the annual budget), every year, except once every three years when the long-term plan (LTP) acts as the annual budget as well as a plan for the coming ten-year period.
13. The annual budget outlines what we plan to do and how we plan to pay for it over the coming financial year.
14. It is the role of the Mayor to lead the development of the budget, while the decision to adopt the consultation document and final annual budget is the responsibility of the Governing Body.

### Financial context

15. Budget decisions since the COVID-19 pandemic began have focussed on reprioritising expenditure and finding cost reductions and efficiencies, while considering options to face the substantial long-term financial challenge of constrained funding meeting higher costs of delivering services and capital investments.
16. The situation has been exacerbated both by ongoing COVID-19 revenue impacts and rapid changes to economic factors such as continued inflation and interest rate rises. These factors are making it increasingly challenging for the council to balance its operating budget.
17. A credible and sustainable plan is required to tackle the many financial pressures facing us, while continuing to prepare for further challenges such as climate change and the dynamic economic environment. A lack of a credible plan would impact confidence of key stakeholders such as auditors, central government, investors, and council's credit rating agencies and could lead to unacceptable rates shocks for households and businesses in the future.
18. The council will need a credible plan for the Annual Budget 2023/2024 that supports the council's long-term financial position.



## Developing the Annual Budget 2023/2024

19. This meeting marks the beginning of the process for developing the Annual Budget 2023/2024 and will be followed by a Governing Body workshop.
20. After considering direction from the Mayor and input from members of the Governing Body, staff will prepare further advice on budget options/levers to support future workshops, the development of a Mayoral Proposal and then Governing Body decision-making on items for consultation in December.
21. Staff will then prepare a Consultation Document and Supporting Information for adoption by the Governing Body in February 2023 to support public consultation with Aucklanders. For any proposed options that require an LTP amendment, a detailed statement of proposal will need to be prepared and then audited by Audit New Zealand prior to the Governing Body adopting the consultation material and consultation commencing.

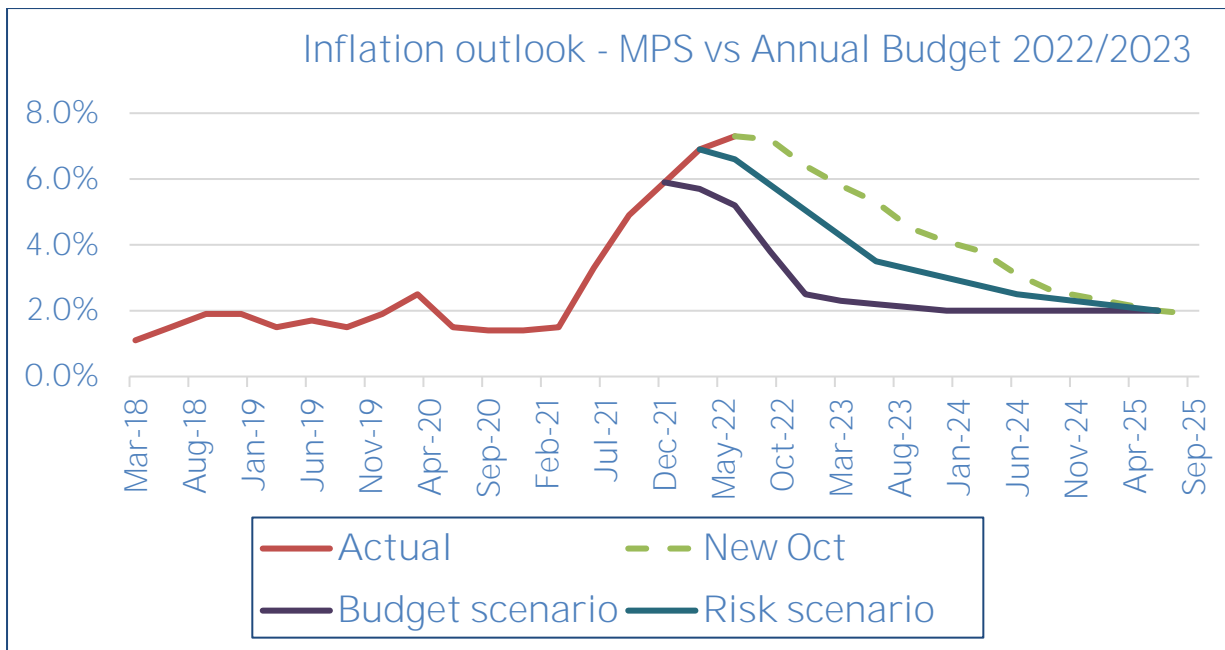
## Tātaritanga me ngā tohutohu Analysis and advice

22. The starting budget for 2023/2024 is year three of the 10-year Budget 2021-2031 (also known as the Long-term Plan or the Recovery Budget). Staff update this to incorporate any council decisions made since the 10-year Budget was adopted, and any changes to the council's significant forecasting assumptions.
23. The communications and engagement approach for the Annual Budget 2023/2024 consultation will be outlined in a report for consideration alongside the Consultation Document and Supporting Information for approval at a Governing Body meeting in February 2023.

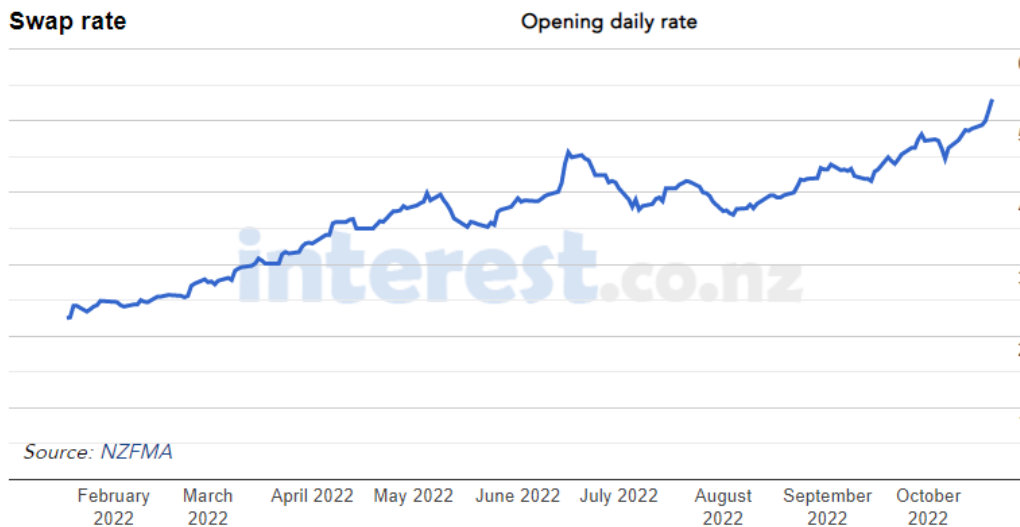
## Financial context for the Annual Budget 2023/2024

24. In its Annual Budget 2022/2023, the council projected ongoing operating budget pressures for future years to be \$90-150 million depending on inflation & interest outcomes.
25. The budget showed that \$90 million of ongoing pressure could be mitigated over the medium term through a range of levers including:
  - achievement of an existing \$90 million efficiency target and \$70m asset recycling targets each year
  - deferring \$230 million of lower priority capital projects over three years
  - reducing \$30 million of lower priority services in 2023/24, and
  - using additional debt to fund the capital programme in 2023/24 and reducing a further \$50 million of lower priority services in 2024/25
26. The budget also noted further mitigations (e.g., higher rates increases or further service reductions) of around \$60 million might be needed if inflation and interest rates turned out to be at the higher end of projections.
27. Latest projections are for substantially higher than the previously forecast rises in both inflation and interest rates.
28. Inflation is now forecast to have peaked at 7.3 per cent in the year to the end of June 2022, and to remain relatively high throughout 2024.<sup>1</sup>

<sup>1</sup> Inflation projections are prepared by council finance staff working with the council's Chief Economist and are informed by external projections from the Reserve Bank of New Zealand and other economic forecasters.



29. Interest rates are now forecast to be higher, reflecting the Reserve Bank of New Zealand's response to inflation<sup>2</sup>. Since 1 July this year, the market interest rate for a two-year term (the New Zealand two-year swap rate) has increased by 31 per cent. While the council has a high level of protection from interest rate movements due to its hedging programme, the size and pace of the recent interest rate movements mean that the additional interest costs for the smaller unhedged portion still equates to a sizeable dollar amount.



- 30. As of late October, these economic factors along with some other operating pressures have been assessed as creating an unmitigated operating budget gap of around \$270 million for 2023/2024. This is based on the currently planned 3.5 per cent general rates increase for 2023/2024 and may change if there are further inflation and interest rate movements.
- 31. This means around \$180 million of additional operating budget mitigations will be needed for 2023/2024 over and above the \$90 million of previously signalled mitigations.
- 32. Council has previously announced it has several levers, or options, to manage its operating budget gap and this continues to be the case. However, the scale of this challenge will mean tough choices and trade-offs about the mix of budget levers will need to be made via this annual budget. These additional choices need to move the council towards long-term financial sustainability as well as solving for the short-term financial challenge.

<sup>2</sup> Interest rate projections are provided by the council's Treasury department based on an assessment of market rates and anticipated borrowing requirements.

33. The available budget levers include:
- **Debt** – there is some further short-term ability to fund more of the capital programme with debt while remaining within key prudential policy settings. This could temporarily free up more rates funding to fund operating expenditure although this is not an enduring solution as it will need to be followed up with replacement mitigations in future years. Unconstrained use of borrowings to simply fund ongoing operating deficits would not be prudent or sustainable and is not recommended.
  - **General rates** –the currently planned 3.5 per cent increase could be higher provided this remains within affordability guidelines and does not create an unacceptable shock for households and businesses.
  - **Assets** – further asset disposal could be considered including possible options for council’s investments in strategic assets. Changes to council’s ownership or control of strategic assets would require public consultation via an audited LTP amendment process.
  - **Capital expenditure** – more capital investment could be delayed in addition to the \$230 million of deferrals agreed in the previous annual budget.
  - **Non-rates revenue** – could increase revenue by reviewing commercial revenue streams and pricing, including increasing fees and user charges for some council services.
  - **Central government** – could advocate to central government for funding changes.
  - **Operational expenditure** – could seek further reductions in operating costs, noting that this would need to be over and above existing efficiency targets. As costs are a function of delivery, this would likely require some noticeable and material changes to some services provided by Auckland Council, its council-controlled organisations and/or other entities (which may require an audited LTP amendment, depending on the scale of any changes).
34. There are many ways the levers can be combined to address the estimated \$270 million operating challenge for 2023/2024. Different approaches will have different consequences, and some will provide more sustainable and enduring benefits in future years than others.
35. Staff will provide advice on a mix of levers guided by the following criteria:
- i) giving confidence in the council’s financial management to investors, credit rating agencies and other external stakeholders
  - ii) helping create enduring solutions for ongoing budget pressures and moving the council towards long-term financial sustainability
  - iii) not imposing too high a burden on ratepayers or creating unacceptable shocks for them in the short or long term
  - iv) being able to be implemented within the required timeframe.
36. The Governing Body will discuss the details of the cost pressures and the options/levers to consider as part of the Annual Budget 2023/2024 at a workshop today.

## Tauākī whakaaweawe āhuarangi Climate impact statement

37. Climate action continues to be a consideration as part of the annual budget process and political decision-making.

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

38. All council departments, CCOs and other entities funded by the council could be impacted by decisions made for the Annual Budget 2023/2024. Auckland Council's executive leadership team and the chief executives of the CCOs were briefed on the budget in early November and will continue to be regularly updated as the development of the budget progresses.

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

39. Local boards have a legislative role to provide input on regional plans.
40. Local board feedback on regional decision-making will be captured in a separate report for decision-making in December.
41. Local boards will adopt their local content for inclusion in the consultation material in December. This includes the proposed key priorities for each local board for 2023/2024, to be included in each local board agreement.

## Tauākī whakaaweawe Māori Māori impact statement

42. Māori engagement will be planned for as part of the communications and engagement plan for consultation. More details will be provided in a report to Governing Body in December.
43. Reporting on the Annual Budget 2023/2024 will include separate analysis of feedback we receive from Māori entities.

## Ngā ritenga ā-pūtea Financial implications

44. The Annual Budget 2023/2024 project is funded as part of existing operational budgets.

## Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

45. Annual budgets (including the LTP every third year) enable rates to be set for the following financial year. Not completing the Annual Budget 2023/2024 in accordance with statutory requirements has the potential to impact on the council's revenue, and its ability to continue to deliver the services and projects that Auckland needs.
46. Another risk is compliance with the prescriptive requirements of the Local Government Act 2002. Legal Services will review the consultation material for legislative compliance before it is reported to the Governing Body for adoption.
47. If a proposal triggers an amendment to the LTP, an external audit by Audit NZ on behalf of the Office of the Auditor General will be required.
48. Any proposal that requires an LTP amendment will need to be supported by a detailed statement of proposal containing a range of analysis, options and financial impacts prepared by staff and audited by Audit NZ prior to adoption by the Governing Body.
49. The timeline for the Annual Budget 2023/2024 has significant risk associated with it. Large volumes of public feedback may need to be collated, analysed and considered prior to decision-making and input from local boards, CCOs, the Independent Māori Statutory Board, mana whenua and mataawaka will need to feed into the appropriate parts of the process. Substantial project management and political engagement is required to meet the key milestones and adopt the annual budget by the statutory deadline of 30 June 2023.

50. Staff plan to provide updates on key risks associated with the Annual Budget 2023/2024 and any audit requirements will be reported to the council's Audit and Risk Committee (or other committee with relevant delegation) as part of the annual budget process in accordance with that committee's terms of reference.

## Ngā koringa ā-muri

### Next steps

51. A workshop will take place directly after this meeting to discuss the updated financial position and levers to consider as part of the Annual Budget 2023/2024.
52. After considering direction from the Mayor and input from members of the Governing Body, staff will prepare further advice on budget options/levers to support future workshops, the development of a Mayoral Proposal and Governing Body decision-making on items for consultation in December. Staff advice will inform both the short and long-term impacts of the relevant options.
53. Staff will then prepare a Consultation Document and Supporting Information for adoption by the Governing Body in February 2023 to support public consultation with Aucklanders.
54. The table below sets out key dates in the process (at a high level) to support decision-making for the Annual Budget 2023/2024.

Phase	Timing
Local boards hold workshops and meetings to finalise local content for local consultation matters	Dec 2022
Governing Body decision-making on mayoral proposal and items for consultation	15 Dec 2022
Governing Body recommend/adopt consultation material	Early Feb 2023
Public consultation	Late Feb 2023 – Late March 2023
Governing Body workshop/briefing on consultation feedback	Late April 2023
Governing Body workshop/briefing on financial position and final decision-making	Apr-May 2023
Governing Body workshop/briefing to receive local board input on decision making for the annual budget	Late May 2023
Governing Body workshop/briefing on final decisions for the annual budget	Early June 2023
Governing Body make recommendations/final decisions on the content for the annual budget	Early June 2023
Local boards workshop local board agreements	June 2023
Local boards meet to adopt the local board agreements	June 2023
Governing Body meet to adopt the final Annual Budget, including agreeing Local Board Agreements	29 June 2023
Final Annual Budget 2023/2024 documentation and information relating to the decisions made will be made available to the public	July 2023

## Ngā tāpirihanga Attachments

There are no attachments for this report.

## Ngā kaihaina Signatories

Authors	Tamsyn Matchett - Programme Manager Ross Tucker - General Manager, Financial Strategy and Planning
Authorisers	Peter Gudsell - Group Chief Financial Officer Jim Stabback - Tumu Whakarae / Chief Executive

## Governing Body decision-making during the 2022/2023, 2023/2024 and 2024/2025 Christmas recess periods

File No.: CP2022/15387

### Te take mō te pūrongo

#### Purpose of the report

1. To whakaū / confirm the process for urgent political decisions-making over the 2022/2023, 2023/2024 and 2024/2025 Christmas recess periods.

### Whakarāpopototanga matua

#### Executive summary

2. The Christmas recess period starts from the last Governing Body meeting in December and ends when the first scheduled meeting of the Governing Body or its committees resume in the following new year. The council has a responsibility to ensure there is a process available to make urgent or significant decisions during the Christmas recess period.
3. [Part 6 of the Local Government Act 2002](#) sets out the obligations of local authorities in relation to decision-making. The council needs to be able to make urgent decisions during the Christmas recess period when required. This is simply a procedural decision to enable efficient decision-making to occur. Existing delegations will remain in place for all non-urgent decisions.
4. Any matters to be decided under this delegation will be advised to decision-makers via the chief executive or his delegate, who will supply the necessary background and reasons for urgency. The decision will also be reported to the next ordinary meeting of the Governing Body or relevant committee.
5. If the matter is considered to be major, an extraordinary meeting of the Governing Body will be called.
6. This decision is procedural in nature and has negligible impacts on climate change, local boards or other parts of the council group.
7. If a matter of significance arises and requires an extraordinary meeting, there will be no additional cost as there is already budget provided to cover political meetings.
8. There are no risks identified provided there is a process in place to deal with any urgent or significant decisions that may need to be made during this period.
9. The Democracy and Engagement department will administer this process if required. Any urgent decisions will be reported to the first governing body meeting after the Christmas recess period.



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## Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) tautapa / delegate to any two of either the Mayor or Deputy Mayor, and a chairperson of a committee of the whole, the power to make urgent decisions on behalf of the Governing Body or its committees, between:
  - i) the last scheduled Governing Body meeting in December 2022 and the first meeting of the Governing Body or other relevant committee in 2023
  - ii) the last scheduled Governing Body meeting in December 2023 and the first meeting of the Governing Body or other relevant committee in 2024
  - iii) the last scheduled Governing Body meeting in December 2024 and the first meeting of the Governing Body or other relevant committee in 2025
- b) whakaae / agree that if a matter of major significance arises during any of the Christmas recess periods listed in clause a), an extraordinary meeting of the Governing Body will be called.

## Ngā tāpirihanga Attachments

There are no attachments for this report.

## Ngā kaihaina Signatories

Author	Sarndra O'Toole - Kaiarataki Kapa Tohutohu Mana Whakahaere / Team Leader Governance Advisors
Authoriser	Jim Stabback - Tumu Whakarae / Chief Executive



## Decisions made under delegation during the 2022 election period

File No.: CP2022/11141

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

1. To tuhi ā-taipitopito / note the decisions made under delegation during the 2022 election period.

### Whakarāpopototanga matua Executive summary

2. At its meeting on 25 August 2022, the Governing Body delegated authority for decision-making during the 2022 election period. The decision can be found here: [GB/2022/79](#)
3. This is an information only report which aims to provide greater visibility and outlines the decisions that were made under those delegations.
4. The following decisions were made under delegation by the Chief Executive:

Date	Subject
21/10/22	Approval of Auckland Council's submission to Accessibility for New Zealand Bill


5. Note that, unlike an agenda report, **staff will not be present to answer questions about the items referred to in this summary.** Governing Body members should direct any questions to the authors.

### Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) tuhi ā-taipitopito / note the decisions made under delegation by the Chief executive during the 2022 election period.

### Ngā tāpirihanga Attachments

No.	Title	Page
A 	Approval of Auckland Council's submission to Accessibility for New Zealand Bill ( <i>Under Separate Cover</i> )	

### Ngā kaihaina Signatories

Author	Sandra O'Toole - Kaiarataki Kapa Tohutohu Mana Whakahaere / Team Leader Governance Advisors
Authoriser	Jim Stabback - Tumu Whakarae / Chief Executive

**Item 8**

## Summary of information memoranda and briefings circulated to Governing Body since 29 September 2022

File No.: CP2022/15033

### Te take mō te pūrongo

#### Purpose of the report

1. To whiwhi / receive a summary and provide a public record of memoranda or briefing papers that may have been distributed to the Governing Body since 29 September 2022.

### Whakarāpopototanga matua

#### Executive summary

2. This is an information-only report which aims to provide greater visibility of information circulated to Governing Body members via memoranda/briefings, where no decisions are required.
3. Information appended to this report has been circulated since the final Governing Body meeting of the 2019-2022 political term.
4. The following information was circulated to members of the Governing Body:

Date	Subject
5.10.22	Climate Action Targeted Rate Governance and Oversight Group – Key decisions from first meeting
6.10.22	Finance and Performance Committee - Own Your Own Home Scheme – Go-to-market Update

5. This document can be found on the Auckland Council website, at the following link:  
<http://infocouncil.aucklandcouncil.govt.nz/>
6. Note that, unlike an agenda report, **staff will not be present to answer questions about the items referred to in this summary.** Governing Body members should direct any questions to the authors.



### Ngā tūtohunga

#### Recommendation/s

That the Governing Body:

- a) whiwhi / receive the Summary of information memoranda and briefings circulated to Governing Body since 29 September 2022.

## Ngā tāpirihanga Attachments

No.	Title	Page
A 	Climate Action Targeted Rate Governance and Oversight Group – Key decisions from first meeting ( <i>Under Separate Cover</i> )	
B 	Finance and Performance Committee - Own Your Own Home Scheme – Go-to-market Update ( <i>Under Separate Cover</i> )	

## Ngā kaihaina Signatories

Author	Sarndra O'Toole - Kaiarataki Kapa Tohutohu Mana Whakahaere / Team Leader Governance Advisors
Authoriser	Jim Stabback - Tumu Whakarae / Chief Executive