

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

Date: Tuesday, 23 May 2023
Time: 10.00am
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

Tira Hautū / Governing Body

OPEN AGENDA

MEMBERSHIP

Mayor	Wayne Brown	
Deputy Mayor	Cr Desley Simpson, JP	
Councillors	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 Gordon
Kaitohutohu Mana Whakahaere Matua / Senior
Governance Advisor

18 May 2023

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- 1 **Ngā Tamōtanga | Apologies**
- 2 **Te Whakapuaki i te Whai Pānga | Declaration of Interest**
- 3 **Te Whakaū i ngā Āmiki | Confirmation of Minutes**

Click the meeting date below to access the minutes.

That the Governing Body:

 - a) confirm the ordinary minutes of its meeting, held on [Thursday, 27 April 2023](#) and the extraordinary minutes of its meeting, held on [Friday, 5 May 2023](#), including the confidential section, as a true and correct record.
- 4 **Ngā Kōrero a te Marea | Public Input**
- 5 **Ngā Kōrero a te Poari ā-Rohe Pātata | Local Board Input**
- 6 **Ngā Pakihi Autaia | Extraordinary Business**

Auckland Council Group and Auckland Council Quarterly Performance Reports for the nine months ended 31 March 2023

File No.: CP2023/06158

Item 7

Te take mō te pūrongo Purpose of the report

1. To provide a performance update for the Auckland Council Group and Auckland Council for the nine months from 1 July 2022 to 31 March 2023.

Whakarāpopototanga matua Executive summary

2. Auckland Council operated under a State of National Emergency from 27 January until 14 March. Once the state was concluded, Auckland Emergency Management transitioned from emergency response to recovery.
3. The group undertook urgent remedial works to infrastructure and the cleaning-up of parks, reserves and facilities, with the costs being mainly operating costs. Capital costs will be incurred later in the year or in the next financial year as renewals take time to plan and design.
4. Capital investment for the group was \$1.87 billion year to date with capital delivery achieving 93 per cent of budget – the highest delivery percentage since the start of the COVID-19 pandemic. The year-to-date March capital delivery against budget has increased by 3 per cent compared to year-to-date December capital delivery of 90 per cent.
5. Direct expenditure was relatively on budget due to the focus on savings, prudent spending and slowing down of recruitment with employee benefits, consultancy, and professional services lower than budget. This was despite the current inflation rate of 6.7 per cent exceeding our budget expectation of 2.5 per cent and an unbudgeted \$43 million of costs relating to the storm events. The group is still in the process of assessing the storm damage and expects more costs will be incurred later in the year.
6. Direct revenue was \$63 million favourable to budget driven by operating grants from Waka Kotahi, higher port revenue and water and wastewater revenue being above budget. This offset the shortfalls in public transport, parking, and enforcement revenue.
7. Auckland Council achieved \$95.7 million in savings against an annual target of \$90 million.

Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) whiwhi / receive the Auckland Council Group and Auckland Council quarterly performance reports for the nine months ended 31 March 2023.

Tātaritanga me ngā tohutohu Analysis and advice

Group performance

8. The group's quarterly performance report is included in Attachment A.

9. Capital investment of \$1.87 billion was delivered in the first nine months against a budget of \$2.0 billion – a 93 per cent delivery of budget which was the highest delivery percentage since the start of the COVID-19 pandemic. This included progress on the Northwest Bus Improvements Programme and practical completion of the Te Atatu South and North main works. The upgrade of the Pukekohe Wastewater Treatment Plant was also completed, doubling its capacity and improving water quality in the Parker Lane stream.
10. Net debt increased by \$760 million to \$11.9 billion to fund capital investment and is slightly below the year end budget of \$12.0 billion. The council's credit ratings from S&P Global Ratings and Moody's Investor Services remained at AA and Aa2 respectively. Both are on stable outlook.
11. Direct revenue was \$2.0 billion against a budget of \$1.9 billion. This was mainly due to operating grants from Waka Kotahi who provided funding to cover public transport revenue shortfalls and half-price fares. Shortfalls in transport-related revenue were partially offset by higher port revenue due to higher demurrage and storage revenue and an increase in containers pricing. Water and wastewater revenue was favourable given Watercare's conservative annual plan to reflect the previous year's drought conditions. Other direct revenue was below budget as a result of lower water infrastructure growth charges and revenue associated with new water supply connections due to the slowdown in developer activity. This was partially offset by higher than budgeted other direct revenue from increased rent, leisure centre and building consent revenue.
12. Direct expenditure was on budget at \$2.5 billion. Employee benefits were lower than budget mainly due to staff vacancies across the group as a result of staff turnover, slowed recruitment and difficulties finding suitably skilled employees. Further, consultancy and professional services were also lower than budget due to underspends in multiple projects resulting from lower activity. This was partially offset by increased outsourced works and services costs due to weather event related costs across the group. This was despite the current inflation rate of 6.7 per cent exceeding our budget expectation of 2.5 per cent and an unbudgeted \$43 million of costs relating to the storm events. The group is still in the process of assessing the storm damage and expects more costs will be incurred later in the year.
13. Full-time equivalent (FTE) employees increased by 324 for the group from 30 June 2022, but decreased by 30 from quarter two. During the quarter, Auckland Council's FTEs decreased by 104 mainly because of a decrease in seasonal workers employed for summer events and staff turnover. Watercare's FTEs decreased by 20 mainly due to a corporate restructure. This was partially offset by increases in FTEs from quarter two at Auckland Transport by 59, Tātaki Auckland Unlimited by 17 and Ports of Auckland by 21. These increases were mainly due to the filling of vacancies.

Auckland Council performance

14. Auckland Council's quarterly performance report is included in Attachment B.
15. The council delivered capital expenditure of \$300 million year-to-date against a budget of \$384 million – a 78 per cent delivery of budget.
16. Capital highlights included:
 - Wintergardens full facility renewal (including seismic strengthening) and the Hingaia Park in Karaka were completed.
 - Upgrades to Phyllis Street Reserve and the West Wave Aquatics Centre.
 - Tunnelling for the Ports of Auckland outfall upgrade and Clinker Place stormwater upgrade was completed.
17. Direct revenue was \$424 million, in line with budget.

18. Direct expenditure was \$1,107 million, \$44 million below a budget of \$1,151 million. This was due to lower repair and maintenance expenses for parks, community facilities and corporate properties because of delayed projects and efforts to increase savings. Consequential project operating costs were also lower than planned because of delayed projects. Employee benefits were also below budget mainly due to staff vacancies across the organisation, given the difficulty in finding suitably skilled staff. This was partially offset by unbudgeted costs relating to the storm events. As the storm damage is assessed, it is expected that more costs will be incurred later in the year.
19. \$95.7 million in savings was achieved against the council's \$90 million savings target for 2022/2023. Of the \$95.7 million savings achieved, \$34.2 million is one-off expenditure reductions and \$61.5 million is ongoing cost reductions. The current year savings target was exceeded due to a strong focus on cost reduction in the current financial circumstances.
20. A total of 22 measures were updated within the past three months, of which 45 per cent (10) were achieved or substantially achieved and 55 per cent (12) were not achieved. Customer satisfaction targets were met across our regulatory services. However, building and resource consent statutory timeframes have declined slightly from FY22 due to processing the backlog of work-in-progress applications, loss of experienced staff and redeployment of staff to the flood and cyclone event. We expect timeliness to improve as consenting volumes reduce. Our stormwater services achieved all their targets. Although there are improvements, usage of our community services and facilities, such as participant numbers to our art facilities and hire venues and library visits, remain a challenge in a post-pandemic environment, however initiatives to improve this are ongoing.
21. Further detail is contained in Attachment B.

Tauākī whakaaweawe āhuarangi **Climate impact statement**

22. This is an information report providing an update on performance across the Auckland Council Group. No decision is sought in this report that has a direct impact on the group's greenhouse gas emissions nor the group's approach to preparing for climate change. Climate action is a strategic focus area for the group and an update on the progress of climate action projects is provided in Attachment A. Further, details of statutory climate reporting, which reports on the impact of climate risks and opportunities on the group, is also included at the end of Attachment A.

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

23. The group quarterly performance report reflects the results of the group for the nine months ended 31 March 2023. Council-controlled organisations and Ports of Auckland Limited provide input into the preparation of these reports.

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

24. Community investment is one of Auckland Council's strategic focus areas. The Auckland Council quarterly report in Attachment B provides highlights, issues and risks related to local and regional projects.
25. No decisions are being sought in this report that could have an impact on local communities or on local board decision-making.

Tauākī whakaaweawe Māori **Māori impact statement**

26. Māori outcomes are a group and council strategic focus area. Attachment A provides key information and progress on delivery of the agreed programmes for the group and the council respectively.

27. No decisions are being sought in this report that could have an impact on Māori.

Ngā ritenga ā-pūtea Financial implications

28. No financial decisions are sought and accordingly there are no financial implications directly arising from the information contained in the report.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

29. There is a minor risk that the information in this report and the attachments may lack accuracy or completeness due to it not being subject to an audit. Management has performed due diligence by obtaining detailed explanations from all Auckland Council business units as well as group entities supplemented by representation letters provided by CCOs and Ports of Auckland Limited's.





Ngā koringa ā-muri Next steps

30. The quarterly performance report to 30 June 2023 will be provided at the September Governing Body meeting alongside the Auckland Council Group Annual Report 2022/2023, due to NZX disclosure obligations^[1], when the quarterly performance report will be released at the same time the Annual Report is released to the NZX and the public.

31. This is in addition to the monthly financial and service performance updates provided by the Chief Executive and Group Chief Financial Officer updates.

^[1] Auckland Council currently has bonds listed on the NZX. Accordingly the Auckland Council Group (the group) is subject to obligations under the NZX rules and the Financial Markets Conduct Act 2013 regarding the way that the group deals with price sensitive information. The year end results must be released to the NZX no later than 60 days after the end of each financial year and before being made public, and any price sensitive information must be handled confidentially and with care before this release. This ensures that all market participants get the benefit of the information at the same time, avoiding anyone benefiting from "insider information".

Ngā tāpirihanga Attachments

No.	Title	Page
A 	Auckland Council Group Quarterly Performance Report 31 March 2023	
B 	Auckland Council Quarterly Performance Report 31 March 2023	
C 	Auckland Council Group Statutory Financial Report 31 March 2023	
D 	Auckland Council Group reconciliation of management to statutory results 31 March 2023	

Ngā kaihaina Signatories

Authors	Kent Annear - Senior Group Performance Advisor Karuna Dahya - Manager Group Performance Reporting Tracy Gers - Group Accounting & Reporting Manager
Authorisers	Ross Tucker - Acting Group Chief Financial Officer Jim Stabback - Tumu Whakarae / Chief Executive

Chief Executive and Group Chief Financial Officer Update

File No.: CP2023/05498

Te take mō te pūrongo

Purpose of the report

1. To provide a monthly update to the Governing Body on key matters from the Auckland Council Chief Executive and Group Chief Financial Officer.

Whakarāpopototanga matua

Executive summary

Chief Executive and Group Chief Financial Officer's Update

2. Jim Stabback, Chief Executive and Peter Gudsell, Group Chief Financial Officer will provide a summary of highlights and key activities against the following areas:
 - i) Auckland Emergency Management response to 9 May weather event
 - ii) Budget update
 - iii) Accommodation Provider Targeted Rate (APTR) judgement
 - iv) Organisational change
 - v) Financial performance for Auckland Council and the Auckland Council Group
 - vi) Key economic/ market information.
3. The monthly financial dashboard was not available at the time the agenda was due for release and will be made available to members prior to the meeting.
4. A summary memo was released to the Governing Body on 17 May 2023 providing an update on Recovery Office activities. The memo outlined progress against four workstreams and the progress against Key Result Areas as of 31 May 2023.

Budget update

5. On 10 May 2023 the Governing Body were provided with an update on the budget position for next year. The update showed that responding to Auckland's recent severe weather events, along with rising inflation-related costs, has heightened the challenges in balancing council's budget for the coming financial year. While council has taken actions to reduce costs and streamline the way it operates, the forecast ongoing operating gap has widened to a \$325 million shortfall, from \$295 million previously. On top of this there are storm-related costs of \$50 million, some of which are short-term.
6. Balancing the budget will require trade-offs, including operating expenditure reductions, ownership options for Auckland International Airport Limited shares, considering higher general rates increases and prudent use of debt. Different trade-offs have different consequences, and this now needs to be considered as part of the process to set the budget. This process includes workshops on local board input, the storm response fund and trade-off options with final budget decisions to be made following an updated Mayoral Proposal and prior to adoption of the final Annual Budget on 29 June.

Accommodation Provider Targeted Rate (APTR) judgement

7. The Supreme Court has ruled that council's decisions to set the Accommodation Provider Targeted Rate (APTR) which was introduced in 2017 were reasonable and complied with the legislation of the Local Government Act 2002. The decision is helpful to the local government sector in confirming that the funding tools available to local authorities are flexible as long as the necessary process requirements are properly met (as they were here).

8. Council will now carefully review the decision and its potential implications for future funding options. The APTR previously funded 50 per cent of Tātaki Auckland Unlimited's destination expenditure, particularly on visitor attraction and major events. Tātaki Auckland Unlimited's expenditure for visitor attraction and major events for 2023/2024 was consequently substantially reduced in the budget consulted on earlier this year, as the funding from the APTR was no longer available. The APTR cannot be reintroduced in the Annual Budget 2023/2024, which is currently being considered by the council, without further consultation. It could be considered as a funding option in the 2024-2034 Long Term Plan.

Economic/ market update

9. Key economic/ market activity and updates are provided below (unchanged from April):
- Annual inflation rate – Consumer Price Index was 6.7 per cent at end of March 2023 (updated quarterly, next due 19 July 2023).
 - Unemployment rate – 3.4 per cent to the end of March 2023 (updated quarterly, next due 2 August 2023).
 - Gross Domestic Product decreased by 0.6% in the Dec-22 quarter, bringing annual growth to 2.4%
 - Auckland new dwellings consented numbers – 20,312 for the year ended March 2023 (5.4 per cent higher than the year ended March 2022).
 - The Official Cash Rate (OCR) rate increased to 5.25 per cent on 5 April 2023 from 4.75 per cent.

Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) whiwhi / receive the information provided in this report, the monthly financial dashboard circulated prior to the meeting and the verbal updates by the Chief Executive and Group Chief Financial Officer.

Ngā tāpirihanga Attachments

There are no attachments for this report.

Ngā kaihaina Signatories

Authors	Karuna Dahya - Manager Group Performance Reporting Peter Gudsell - Group Chief Financial Officer Jim Stabback - Tumu Whakarae / Chief Executive
Authoriser	Jim Stabback - Tumu Whakarae / Chief Executive

Independent Māori Statutory Board Funding Agreement for 2023/2024

File No.: CP2023/04057

Te take mō te pūrongo

Purpose of the report

1. To approve the 2023/2024 funding agreement between Auckland Council and the Independent Māori Statutory Board (IMSB).

Whakarāpopototanga matua

Executive summary

2. For the IMSB to carry out its purpose, perform its functions and exercise its powers, the Local Government (Auckland Council) Act 2009 (LGACA) requires Auckland Council to meet the reasonable costs of the Independent Māori Statutory Board's operations, secretariat, the establishment of committees, and seeking and obtaining advice (Schedule 2 clause 20, subclause 1, LGACA).
3. The IMSB has drafted a work plan and proposed budget for the 2023/2024 financial year. The proposed funding agreement is provided as Attachment A.
4. The total direct funding for the IMSB is proposed to be \$3,025,090 which is a small reduction from the previous year. Staff consider that this level of funding is appropriate and within the parameters agreed in the 10 Year Budget and therefore recommend that it is approved.
5. An independent review of remuneration for the Independent Māori Statutory Board members has been completed. This review has recommended that remuneration should remain at the current proportion of 70 percent of councillor remuneration.
6. It is also recommended that the Governing Body approves that variations to the funding agreement of no more than \$50,000 in the financial year can be agreed by the chief executives of Auckland Council and the Independent Māori Statutory Board.
7. Auckland Council and the Independent Māori Statutory Board have a Service Level Agreement which records shared services between the council and the Independent Māori Statutory Board and support services provided by third parties through the council to the Independent Māori Statutory Board.

Ngā tūtohunga

Recommendation/s

That the Governing Body:

- a) whakaae / approve the 2023/2024 funding agreement between Auckland Council and Independent Māori Statutory Board, which comprises total direct funding of \$3,025,090 (operational expenditure)
- b) whakaae / approve that variations to the 2023/2024 funding agreement between Auckland Council and the Independent Māori Statutory Board of no more than \$50,000 in the financial year can be agreed between the chief executive of the Auckland Council and the chief executive of the Independent Māori Statutory Board, subject to budget being available to cover the variations
- c) tuhi ā-taipitopito / note that following approval of the proposed funding by the Governing Body, the 2023/2024 funding agreement between Auckland Council and the Independent Māori Statutory Board will be finalised and signed by the mayor and the council's chief executive and, the chair and chief executive of the Independent Māori Statutory Board.

Horopaki Context

8. The Local Government (Auckland Council) Act 2009 (LGACA) requires Auckland Council to meet the reasonable costs of the Independent Māori Statutory Board's operations, secretariat, the establishment of committees, and seeking and obtaining advice (Schedule 2, clause 20, subclause 1, LGACA).
9. Funding agreements between council and the Independent Māori Statutory Board are agreed annually and provide for the direct operational funding of the Independent Māori Statutory Board's business as usual costs. These costs include staff costs and board remuneration.
10. The direct funding to the IMSB through the annual funding agreement has remained around \$3.025 million for each financial year since 2019.

Tātaritanga me ngā tohutohu Analysis and advice

11. The Independent Māori Statutory Board has proposed a funding agreement for its business as usual and work plan activities for the 2023/2024 financial year and this is provided as Attachment A.
12. A breakdown of the operating costs and comparison with the previous year are outlined in Table 1 below.

Table 1: Independent Māori Statutory Board – Business as usual and work plan costs for 2023/2024

	FY24 (\$)	FY23 (\$)
Board remuneration and expenses	852,351.00	837,541.00
Salaries	1,511,538.96	1,558,285.00
Expenses (including audit fees)	70,200.00	59,500.00
Legal, Planning experts for Māori Provisions in plans	100,000.00	100,000.00
Communications includes websites, newsletters, brochures, translations, engagement and reporting to Māori Stakeholders	231,000.00	150,000.00
Housing and Marae Development, Climate Change, Relationship Agreements, Rangatahi, Sites of Significance and Cultural Landscapes, Māori Identity, Data Strategy Implementation Environmental Management and Water quality.	260,000.00	320,000.00
Total direct OPEX funding	3,025,089.96	3,025,326.00

13. The total proposed funding is similar to the previous year with shifts in the budget relating to advisory functions and communication costs. These shifts reflect the increased capacity to deliver advice from within the secretariat and the outsourcing and enhancement of communications activities.

Comparison to previous years

14. The total proposed funding of \$3,025,090 for the Independent Māori Statutory Board is in line with recent years. An annual comparison of funding for the IMSB is detailed in Table 2 below.

Table 2 Independent Māori Statutory Board Funding 2019/2020 to 2021/2022

	2023/2024 (proposed)	2022/2023	2021/2022	2020/2021	2019/2020
Total direct funding (OPEX)	\$3,025,090	\$3,025,326	\$3,025,621	\$3,025,621	\$3,025,621

Board member remuneration

15. An independent review of remuneration for the Independent Māori Statutory Board members has been completed as required by LGACA (Schedule 2, clause 17). This review has recommended that IMSB member remuneration should remain at the current proportion of 70 per-cent of councillor remuneration. The chair and deputy chair's remuneration are set at ratios of 1:1.8 and 1:1.25 of board member remuneration.
16. The Remuneration Authority determines remuneration for elected members and the Local Government Members (2023/24) Determination is expected on 1 July this year. If the determination changes the remuneration level of councillors, Independent Māori Statutory Board member remuneration will be adjusted proportionately. The Board remuneration and expenses noted in Table 1 are therefore provisional and subject to change.

Funding Variations

17. The IMSB or the council may initiate a review of the funding agreement by giving written or electronic notice to the other party stating the terms of the review (Schedule 20, clause 2, LGACA).
18. Staff recommend that the Governing Body delegates to the chief executive the power to agree variations to the funding agreement of up to \$50,000 in the 2023/2024 financial year, contingent on whether budget is available to cover such a variation.
19. This delegation provides a degree of flexibility so that small variations do not trigger the need for formal renegotiation of the funding agreement.
20. In previous years, the IMSB have managed their operational costs carefully and their actual expenditure has been consistently lower than the budget.

Service Level Agreement

21. Auckland Council and the IMSB have a Service Level Agreement 2021-2024 (SLA) which records shared services agreed between Auckland Council as a supplier and the Independent Māori Statutory Board as the customer. This allows the council, where possible, to support the Independent Māori Statutory Board through existing contracts and services which reduces the overall cost to the ratepayer.
22. There are no actual payments from the Independent Māori Statutory Board to the council for the services covered in the SLA. The estimated value of these services in 2021 \$419,575 in in-kind support and value of payments to third parties on behalf of the IMSB was estimated to be an additional \$454,891.

Advice

23. The LGACA notes that the board and the council must negotiate the funding agreement in good faith and in a time frame that enables the board to carry out its purpose without interruption.
24. Staff recommend that the Governing Body approve the funding agreement as appropriate to meet the reasonable costs of the IMSB and it is consistent with budget parameters.

25. If the Governing Body considers that the funding proposal is not reasonable to meet the costs of the Independent Māori Statutory Board's operations, it could delegate to a political working party to further consider and negotiate the funding agreement.

Tauākī whakaaweawe āhuarangi **Climate impact statement**

26. The Independent Māori Statutory Board has a statutory role to promote cultural, economic, environmental and social issues of significance to Māori in Tāmaki Makaurau but does not have responsibility for the delivery of council plans including Te Tāruke-a-Tāwhiri. However, the funding agreement does note that expert advice will be provided by the Independent Māori Statutory Board for the implementation and monitoring of council's Tāruke-ā-Tāwhiri (Climate Change Plan).
27. Climate resilience and mitigation of the effects of climate change with consideration of Māori interests, outcomes and measures is identified as an issue of significance for Māori in the Māori Plan (2017).
28. The decision to fund the operational costs of the Independent Māori Statutory Board does not have an impact on direct greenhouse gas emissions and the effects of climate change over the lifetime of these decisions are considered minimal.

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

29. The Independent Māori Statutory Board has a statutory role in monitoring the implementation of the council's plans and strategies that achieve improved outcomes for Māori. These plans and strategies ensure that the council and CCOs act in accordance with statutory provisions referring to te Tiriti o Waitangi.

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

30. Local board views have not been sought in relation to this matter as the Governing Body is responsible for negotiating the funding agreement with the Independent Māori Statutory Board.
31. However, the Independent Māori Statutory Board work plan supported by the funding may have outcomes that are relevant to local boards.

Tauākī whakaaweawe Māori **Māori impact statement**

32. The annual funding agreement supports the Independent Māori Statutory Board to give effect to its statutory purpose of promoting cultural, economic, environmental, and social issues of significance for Māori in Tamaki Makaurau, and ensuring that the council acts in accordance with statutory provisions referring to te Tiriti o Waitangi.

Ngā ritenga ā-pūtea **Financial implications**

33. The costs of funding the Independent Māori Statutory Board will be met through existing budgets.


Ngā raru tūpono me ngā whakamaurutanga **Risks and mitigations**

34. An annual funding agreement is a requirement of the LGACA. If the operational funding allocated in the proposed agreement is not seen as appropriate, the Governing Body may request staff initiate a review of the funding request from the IMSB.

Ngā koringa ā-muri Next steps

35. Following approval of the funding by the Governing Body, the 2023/2024 funding agreement between Auckland Council and the Independent Māori Statutory Board will be signed by the mayor and the council's chief executive, and the Independent Māori Statutory Board chair and chief executive.

Ngā tāpirihanga Attachments

No.	Title	Page
A 	Proposed Funding Agreement for the Independent Māori Statutory Board 2023/2024	

Ngā kaihaina Signatories

Author	James Stephens - Senior Advisor
Authorisers	Alastair Cameron - Manager - CCO Governance & External Partnerships Phil Wilson - Director, Governance & CCO Partnerships Jim Stabback - Tumu Whakarae / Chief Executive

Budget Update Report May 2023

File No.: CP2023/05845

Te take mō te pūrongo Purpose of the report

1. To approve an increase in capital expenditure for Watercare Services Limited (Watercare) in the current 2022/2023 financial year. This is consistent with internal Watercare planning and the focus on infrastructure delivery which is gathering momentum following disruptions due to COVID-19 and the drought.

Whakarāpopototanga matua Executive summary

2. The Annual Budget 2022/2023 included a capex budget of \$715 million for Watercare. Watercare are now forecasting that by 30 June 2023 total capital expenditure will be around \$812 million. Of this amount, \$36 million relates to Kāinga Ora 'shovel ready' projects which are directly funded by central Government.
3. The Watercare capital programme has been gathering momentum following disruptions due to COVID-19 and the drought. The recent flood events and cyclone Gabrielle have also created additional capital pressures due to necessary repair and replacement of Watercare assets.
4. Funding for the increased investment will come from higher than planned revenue, Shovel Ready funding, and additional debt of up to \$50 million. Auckland Council Treasury has confirmed the debt funding is available to support this increase in capital expenditure and it does not materially impact Auckland Council's overall debt position or treasury risk.
5. Any additional interest and/or consequential operational costs of the increased capital expenditure will be funded by Watercare revenues and has no impact on the Council's operating budget gap for 2023/2024.
6. If the increase in capital expenditure is not approved Watercare would need to slow down the delivery of projects. This would mean deferral of desired growth, resilience or service level projects and the associated outcomes. Additional costs are likely to be incurred also as projects are paused and subsequently restarted.

Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) whakaae / approve Watercare's request to increase the planned capital expenditure for the 2022/2023 financial year from \$715 million to \$812 million
- b) tuhi ā-taipitopito / note that the additional capital expenditure will be funded by additional revenue, Shovel Ready funding, and additional debt funding of up to \$50 million
- c) tuhi ā-taipitopito / note that the additional debt funding can be accommodated by Auckland Council and does not materially impact Auckland Council's overall debt position or treasury risk
- d) tuhi ā-taipitopito / note that any increase in capital expenditure by Watercare has no impact on Auckland Council's operating budget gap for 2023/2024.

Horopaki Context

7. Watercare has a large capital programme with growth, level of service and renewal projects underway across Tāmaki Makaurau.
8. Funding for Watercare's capital expenditure programme comes from a combination of revenue (water/wastewater services revenue, infrastructure growth charges (IGCs) and other Government funding), and debt financing.
9. Auckland Council manages the group borrowing and interest rate exposure for the wider Council Group and provides the debt funding facility used by Watercare.
10. Watercare is expected to exceed the approved capex budget in this financial year by around \$97 million. This paper seeks approval for the increase in overall capital expenditure.
11. Funding for this increase in capital expenditure will be sourced from a combination of additional revenues (as compared to the current annual budget) and higher debt.

Tātaritanga me ngā tohutohu Analysis and advice

12. The Annual Budget 2022/2023 approved Watercare to spend \$715 million on capital projects. Watercare has confirmed that by 30 June 2023, total capital expenditure will exceed this position with a forecast year-end total spend projected to be around \$812 million. This amount includes \$36 million associated with Kāinga Ora 'shovel ready' projects which are funded directly by central Government.
13. This increased investment reflects the large work programme and the stage and progress of key projects. This includes a large number of water and wastewater infrastructure projects and renewals. It is also reflective of the preparatory work associated with the pipeline of projects that are necessary in order to deliver Auckland's future water and wastewater infrastructure and build resilience in the network.
14. Momentum across the Watercare capital programme has increased in recent times as the organisation recovers from the disruption of COVID-19 and a severe drought. Watercare have been planning for increased capital delivery in the current year and this has manifested. At the end of April 2023, Watercare's provisional financial results show year to date capital spend at \$620 million against the budget for the same period of \$600 million (103% delivery against budget). There is also a significant increase in preparatory work that will support a high level of investment in coming years.
15. Also impacting the capital spend is the short and medium-term financial impact of the Anniversary weekend floods, which caused extensive damage to the Watercare network and assets. Although insurance is expected help cover to cover the costs of repair and remediation, this requires additional capital investment beyond planned levels and timing of any insurance payment is yet to be confirmed.
16. In order to mitigate the impact of over delivering on Watercare's capital plan, projects have been assessed to determine whether it is possible to defer spending and/or activity. This is not always possible or desirable as there are contractual commitments in place and a deferral of works will often result in higher longer-term costs associated with necessary projects.
17. There was an expectation that funding for any capital expenditure beyond the annual budget position would be provided from increased revenues, including from infrastructure growth charges.
18. While revenues are expected to exceed the annual budget, they will not be sufficient to cover the anticipated increase in capital delivery and additional borrowing will be required.

19. Watercare's revenue position reflects slowing developer activity and the timing of when development projects connect to the Watercare network. Revenue has also been impacted by relatively wet conditions which has reduced domestic and commercial demand. Deferring growth related projects considering the slow-down in developer activity is not a viable option this late in the financial year with project activity and costs being largely committed.

Tauākī whakaaweawe āhuarangi **Climate impact statement**

20. Given the nature of the request, this does not have any direct impact on climate change. A number of Watercare projects included in the wider Asset Management Plan directly or indirectly address the challenge of climate change. The request does not impact the timeline or prioritisation of these projects.
21. If approval is not given to the additional spend this year, there are potential impacts on significant projects that directly impact climate change (e.g. blower replacement, major solar installations) which are part of Watercare's future capital plans. If future capex is reduced there may need to be consideration around capex prioritisation that could impact these projects.

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

22. The Watercare Board have considered and endorsed the request for increased capital expenditure in this financial year.
23. The views of Auckland Council Group Treasury and Finance teams has been sought and is reflected in this paper.

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

24. Local Board and community views and input are sought during consultation, consenting and project initiation. There is also regular communication and engagement with the community and customers associated with progress of key projects. This request helps ensure the continuity of key projects.

Tauākī whakaaweawe Māori **Māori impact statement**

25. This request does not have a direct impact on Māori. Many of the projects currently underway will result in improved environmental outcomes by reducing overflows therefore reducing the harm to te taiao and therefore, te tangata. This is a culturally very significant outcome for Māori and well-being.
26. If approval is not given to the additional spend this year, there are potential impacts on delivering outcomes for Māori if projects that are included in Watercare's future capital plans need to be deferred.
27. Watercare engages with mana whenua throughout the course of a project life cycle. This is particularly the case with large projects (e.g. Central Interceptor, Huia WTP, Waikato 50). This request does not impact the processes associated mana whenua engagement or the priorities of Watercare's Māori Outcomes Plan which is aligned to Councils, Kia Ora Tāmaki Makaurau – Māori outcomes framework.

Ngā ritenga ā-pūtea Financial implications

28. The financial implications of this request are outlined earlier in the document. Watercare will deliver additional capital expenditure in excess of planned annual budget levels. The additional expenditure will be funded by increased revenues, government funding and debt. The increase in capital expenditure will require up to an additional \$50 million of debt for the 2022/2023 financial year.
29. Auckland Council Treasury has confirmed that the additional debt does not have a material impact on the overall Auckland Council group debt position.
30. Any consequential opex or interest costs associated with the increased capital investment will be funded by Watercare revenue and does not impact on the Council's operating budget gap that was consulted on in the draft Annual Budget for 2023/2024.

Ngā raru tūpono me ngā whakamaurutanga Risks and mitigations

31. There is low risk in confirming the request as any additional use of debt will result in some reduction in the financial headroom to deal with future shocks. However, as noted above, there is sufficient Group borrowing capacity to grant Watercare the additional headroom without materially impacting the Group position. Approval of the request has no impact on Auckland Council's operating budget position for the 2023/2024 financial year.
32. The risk of not confirming the request would mean deferral of desired growth, resilience or service level projects and the associated outcomes. This would also result in greater long-term costs for Watercare as projects are paused and subsequently restarted.

Ngā koringa ā-muri Next steps

33. If the request is approved, Watercare will continue to closely monitor the deliver and spend of our capital programme in the current financial year. Further updates will be provided to Auckland Council through Watercare's quarterly report.
34. Watercare and Auckland Council will also work closely on finalising the capital expenditure plan for the 2023/2024 financial year.

Ngā tāpirihanga Attachments

There are no attachments for this report.

Ngā kaihaina Signatories

Authors	Pramod Nair - Manager Group Financial Planning & Analysis Jamie Sinclair – Chief Corporate Services Officer, Watercare Services Limited
Authorisers	Ross Tucker - General Manager, Financial Strategy and Planning Jim Stabback - Tumu Whakarae / Chief Executive

Making Space for Water (Covering report)

File No.: CP2023/06343

Te take mō te pūrongo Purpose of the report

1. To seek endorsement for the objectives and initiatives identified in the provisional 'Making Space for Water' programme, as part of Auckland Council's flood recovery programme, and to seek approval to develop a public consultation plan for the programme from July 2023.

Whakarāpopototanga matua Executive summary

2. This is a late covering report for the above item. The comprehensive agenda report was not available when the agenda went to print and will be provided prior to the 23 May 2023 Governing Body meeting.

Ngā tūtohunga Recommendation/s

The recommendations will be provided in the comprehensive agenda report.

Referred from the Audit and Risk Committee - Health, Safety and Wellbeing Performance Report

File No.: CP2023/05494

Te take mō te pūrongo Purpose of the report

1. To receive the Health, Safety and Wellbeing Performance Report referred by the Audit and Risk Committee.

Whakarāpopototanga matua Executive summary

2. The Audit and Risk Committee considered Health, Safety and Wellbeing Performance Report at its meeting on 9 May 2023.
3. The Audit and Risk Committee resolved as follows:
*“Resolution number ARCCC/2023/26
That the Audit and Risk Committee:*
 - a) *tuhi ā-taipitopito / note the information in this reporting and associated health, safety, and wellbeing indicators*
 - b) *whakaae / agree to refer this report to the Governing Body and recommend that the Governing Body forwards this report to local boards for their information. “*
4. Clause b) of the resolution of the Audit and Risk Committee refers the report to the Governing Body for noting and recommends that the report be forwarded to local board for their information.
5. The original Health, Safety and Wellbeing Performance Report to the Audit and Risk Committee can be accessed at this link:
https://infocouncil.aucklandcouncil.govt.nz/Open/2023/05/20230509_ARCCC_AGN_11383.htm#PDF2_ReportName_93102

Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) tuhi ā-taipitopito / note the Auckland Council's [Health, Safety and Wellbeing \(HSW\) Performance](#) report (presented to the Audit and Risk Committee on 9 May 2023) and any commentary from the Audit and Risk Committee
- b) tuku ki tangata kē / forward the report to all local boards for their information.

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

Referred from the Audit and Risk Committee - Enterprise Risk Update May 2023

File No.: CP2023/05497

Te take mō te pūrongo

Purpose of the report

1. To receive the Enterprise Risk Update May 2023 referred by the Audit and Risk Committee.

Whakarāpopototanga matua

Executive summary

2. The Audit and Risk Committee considered the Enterprise Risk Update May 2023 at its meeting on 9 May 2023.
3. The Audit and Risk Committee resolved as follows:
*“Resolution number ARCCC/2023/27
That the Audit and Risk Committee:*
 - a) *tuhi ā-taipitopito / note the Enterprise Risk Update – May 2023 report and strategic risks attachment*
 - b) *whakaae / approve the risk management policy and the risk management framework*
 - c) *tuhi ā-taipitopito / note the risk work programme*
 - d) *whakaae / agree to refer the Enterprise Risk Update – May 2023 report to the Governing Body for information.”*
4. Clause d) of the recommendation to the Audit and Risk Committee refers the report to the Governing Body for information.
5. The original Enterprise Risk Update May 2023 to the Audit and Risk Committee can be accessed at this link:
https://infocouncil.aucklandcouncil.govt.nz/Open/2023/05/20230509_ARCCC_AGN_11383.htm#PDF2_ReportName_92859

Ngā tūtohunga

Recommendation/s

That the Governing Body:

- a) tuhi ā-taipitopito / note the [Enterprise Risk Update May 2023](#) (presented to the Audit and Risk Committee on 9 May 2023).

Ngā tāpirihanga

Attachments

There are no attachments for this report.

Ngā kaihaina

Signatories

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

Summary of Governing Body and Committee information memoranda and briefings (including the Forward Work Programme) - 23 May 2023

File No.: CP2023/03939

Item 14

Te take mō te pūrongo Purpose of the report

1. To receive a summary and provide a public record of memoranda or briefing papers that may have been distributed to the Governing Body or its committees.

Whakarāpopototanga matua Executive summary

2. This is a regular information-only report which aims to provide greater visibility of information circulated to Governing Body members via memoranda/briefings or other means, where no decisions are required.
3. The following memos or information were circulated to members of the Governing Body:

Date	Subject
11/5/2023	Memorandum - Governance Framework Review Implementation Update
12/5/2023	Memorandum - Tāmaki Makaurau Recovery: Progress update May 2023

4. The following workshops/briefings have taken place for the Governing Body (click on the link below to access the released information):

Date	Subject
19/4/23	Annual Budget 2023/2024 – rates policy / fees and charges (released 5 May 2023)
26/4/23	Annual Budget 2023/2024 – present regional feedback from public consultation (released 5 May 2023)
26/4/23	CONFIDENTIAL Annual Budget 2023/2024 – Other budget gap levers: Auckland International Airport Ltd (AIAL), rates and debts levers (released 5 May 2023)
1/5/23	CONFIDENTIAL Flood and Land Stability Recovery (No Attachment)
3/5/23	Annual Budget 2023/2024 – Operating budget reductions: Tātaki Auckland Unlimited (TAU) Auckland Transport (AT) and Auckland Council (AC) (released 5 May 2023)
10/5/23	Annual Budget 2023/2024 – budget refresh (scheduled for release on 19 May 2023)
10/5/23	Annual Budget 2023/2024 – capital expenditure prioritisation (scheduled for release on 19 May 2023)
10/5/23	CONFIDENTIAL Joint hui of Tūpuna Maunga Authority and Auckland Council to consider feedback on the draft Operational Plan 2023/2024 (No Attachment)

Date	Subject
17/5/23	Annual Budget 2023/2024 – Local Board Input Session 1 and 2 (scheduled for release on 19 May 2023)
17/5/23	CONFIDENTIAL: Annual Budget 2023/2024 – budget tool (No Attachment)




5. This document can be found on the Auckland Council website, at the following link:
<http://infocouncil.aucklandcouncil.govt.nz/>
- at the top left of the page, select meeting/Te hui “Governing Body” from the drop-down tab and click “View”;
 - under ‘Attachments’, select either the HTML or PDF version of the document entitled ‘Extra Attachments’.
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 Governing Body and other committee information memoranda and briefings – 23 May 2023.

Ngā tāpirihanga Attachments

No.	Title	Page
A 	Forward Work Programme	
B 	Memorandum - Governance Framework Review Implementation Update - 11 May 2023 (<i>Under Separate Cover</i>)	
C 	Memorandum - Tāmaki Makaurau Recovery: Progress update May 2023, 12 May 2023 (<i>Under Separate Cover</i>)	

Ngā kaihaina Signatories

Authors	Sandra O’Toole - Kaiarataki Kapa Tohutohu Mana Whakahaere / Team Leader Governance Advisors
Authorisers	Jim Stabback - Tumu Whakarae / Chief Executive

Exclusion of the Public: Local Government Official Information and Meetings Act 1987

That the Governing Body

- a) exclude the public from the following part(s) of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

C1 CONFIDENTIAL: Referred from the Audit and Risk Committee - Enterprise Risk Update May 2023 Supplement

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
<p>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.</p>	<p>s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied.</p> <p>In particular, the report contains detail information on the mitigation activities of the strategic risks that could be detrimental to risk management objectives if in the public domain.</p>	<p>s48(1)(a)</p> <p>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.</p>