

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

**Date:** Tuesday, 23 April 2024  
**Time:** 10.00am  
**Meeting Room:** Reception Lounge  
**Venue:** Auckland Town Hall  
301-305 Queen Street  
Auckland

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## Tira Hautū / Governing Body OPEN ADDENDUM AGENDA

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### MEMBERSHIP

**Mayor**  
**Deputy Mayor**  
**Councillors**

Wayne Brown	
Cr Desley Simpson, JP	
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**

**22 April 2024**

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# Consideration of the Auckland Regional Amenities Funding Act Levy 2024/25

File No.: CP2024/04450

Item 6

## Te take mō te pūrongo Purpose of the report

1. To consider the 2024/2025 levy request from the Auckland Regional Amenities Funding Board (Funding Board).

## Whakarāpopototanga matua Executive summary

2. Each year the Funding Board collects a levy from Auckland Council and distributes it as grants to Specified Amenities named in the Auckland Regional Amenities Funding Act 2008 (the Act). See Table 2 below for list of Specified Amenities.
3. The Funding Board is seeking \$17,905,750. This represents an overall increase of \$558,571 (or 3.2 per cent) compared to 2023/2024.
4. The Governing Body resolved at its 28 March 2024 meeting to ask the Funding Board to remove a \$17,500 increase to the Funding Board's member remuneration and to remove the \$500,000 increase for the Auckland Theatre Company (ATC). Staff recommended the removal of the \$500,000 increase for ATC to allow the council and ATC the opportunity to find a complete solution for not only the ATC's operational shortfall for running the ASB Waterfront Theatre but also an outstanding \$4.9 million ground lease payment due to Eke Panuku from the wider group associated with the theatre.
5. The Funding Board has removed the \$17,500 increase for member remuneration and reduced the increase for ATC by \$347,000 to \$153,000 on the understanding that the council will work with the Funding Board and ATC to find a solution by 31 October 2024 for the ATC funding issues. If no solution can be found, the Funding Board may use some of its reserves to assist ATC.
6. Governing Body at its 28 March 2024 meeting directed staff to work with ATC to find a solution for their funding issues. Staff will continue with this work and bring options to the Governing body as soon as possible and before 31 October 2024.
7. Council must now consider the levy request in accordance with the Act. This report recommends approving the levy because staff consider that the funding for the specified amenities is reasonable and in accordance with the funding principles set out and provided for in section 21 of the Act. Analysis for this recommendation is set out at paragraphs 14 - 28.
8. The Funding Plan is provided at Attachment A. The Funding Board have not had the opportunity to resubmit the Funding Plan with the amended funding increase for ATC, instead they have provided written confirmation of the intention to adopt the Funding Plan with an ATC grant allocation of \$2,375,000 and a total levy of \$17,905,750.
9. Under the Act, not approving the levy will require the council and Funding Board to enter arbitration.

## Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) whakaae / approve the Auckland Regional Amenities Funding Board levy request for 2024/2025 of \$17,905,750;
- b) tuhi ā-taipitopito / note that the Funding Board has reduced the grant allocation for the Auckland Theatre Company from the amount submitted in their Funding Plan on the understanding that the council will work with the Funding Board and the Auckland Theatre Company to find a solution by 31 October 2024 for the ATC funding issues. If no solution can be found, the Funding Board may use some of its reserves to assist ATC; and
- c) tono / request staff to engage with the Funding Board and the Auckland Theatre Company to work on a solution to address Auckland Theatre Company's funding issues and report back by the committee by 31 October 2024.
- d) whakamihi / thank the Funding Board for their cooperation in dealing with the Auckland Theatre Company's funding issues.

## Horopaki Context

10. Under the Act the Funding Board collects a levy from Council and distributes it as grants to eight Specified Amenities named in the Act and set out in Table 2 below.

### Funding History

11. Table 1 illustrates the previous two years levy payments, the proposed 2024/2025 levy requests and indicative amounts for the following two financial years, based on the 2024/2025 Funding Plan for the Funding Board.

**Table 1: Agreed, proposed and indicative levies 2022/2023 to 2026/2027**

Entity	2022/2023	2023/2023	Proposed 2024/2025	Indicative draft annual plan 2025/2026	Indicative draft annual plan 2026/2027
<b>ARAFB</b>	\$16,910,479	\$17,347,179	\$17,905,750	\$19,714,452*	\$20,720,766*

12. The indicative amounts are the sum of the amenities' requests, as required by section 25 of the Act, and not a projection by the Funding Board itself. The final amount is usually lower after the Funding Board reviews each application.
13. The funding process for the entities has been complicated by the impacts of rising interest and inflation costs on both the entities and the council. Notably, the Consumer Price Index (CPI) inflation rate stood at 4.7 per cent for the 12 months leading up to the December 2023 quarter. Throughout the process, the financial position of the council and the challenges it is facing have been well communicated to each entity.

## Tātaritanga me ngā tohutohu Analysis and advice

### Levy Request

14. The Funding Board is seeking approval of the Board's recommendation on the levy of \$17,905,750. This represents an overall increase of \$558,571 (or 3.2 per cent) compared to 2023/2024.
15. The Funding Board's Funding Plan is provided at Attachment A. The Funding Board have not had the opportunity to resubmit the Funding Plan with the amended funding increase for ATC, instead they have provided written confirmation of the intention to adopt the Funding Plan with an ATC grant allocation of \$2,375,000 and a total levy of \$17,905,750.
16. Table 2 below sets out the proposed grant allocations to each of the eight Specified Amenities for 2024/2025.

**Table 2: Proposed grant allocations to each Specified Amenities for 2024/2025**

Specified Amenity	Grant Allocation 2023/2024	Amenity Funding Application 2024/2025	Grant Allocation 2024/2025	Year on Year Change 2023/2024 to 2024/2025
Auckland Festival Trust	\$4,187,000	\$4,942,000	\$4,187,000	0
Auckland Philharmonia Trust	\$4,741,729	\$5,087,967	\$4,900,000	+\$158,271
Auckland Rescue Helicopter Trust	\$450,000	\$0	\$0	0
Auckland Theatre Company Ltd	\$2,222,000	\$2,444,299	\$2,375,000	+\$153,000
Drowning Prevention Auckland -WaterSafe Auckland Incorporated	\$1,178,750	\$1,351,980	\$1,260,000	+\$81,250
New Zealand Opera Limited	\$1,260,000	\$1,351,980	\$1,260,000	0
Stardome - Auckland Observatory and Planetarium Trust Board	\$1,488,000	\$1,592,160	\$1,570,000	+\$82,000
Surf Life Saving Northern Region Inc	\$1,897,450	\$2,105,000	\$1,975,000	+\$77,550
<b>Total Grants Payable</b>	<b>\$16,974,929</b>	<b>\$18,875,386</b>	<b>\$17,527,000</b>	<b>+\$552,071</b>
Funding Board Administration Budget	\$372,250	\$396,000	\$378,750	+\$6,500
<b>Total Grants and Administration Costs</b>	<b>\$17,347,179</b>		<b>\$17,905,750</b>	<b>+\$575,821</b>
<b>Less Paid from Funding Board Retained Earnings</b>				
<b>Total Levy Payable by Auckland Council</b>	<b>\$17,347,179</b>		<b>\$17,905,750</b>	<b>+\$575,821</b>

17. The biggest increases are directed to the Auckland Philharmonia Orchestra (\$158,271) and ATC (\$153,000). The reasons for these increases are explained below.

### Auckland Philharmonia Orchestra (APO)

18. 2023-2024 represented the final stage of a three-year staged introduction of the new salary model for APO musicians that commenced in 2021-2022 and was previously agreed with the council. The introduction of this new salary model and the associated additional funding was delayed one year due to the impacts of COVID-19, which saw all grants for 2020-2021 frozen at the same levels as 2019-2020. The increase for the 2024-2025 year of \$158,271 is in recognition of additional non salary costs incurred by the APO since 2020.

**Auckland Theatre Company**

19. Last year ATC indicated that previous grant allocations have been insufficient to ensure the sustainability of the organisation. In response, ATC and the Funding Board commissioned Grant Thornton to undertake a review of the operations of ATC, which was conducted August- November 2023.
20. The Grant Thornton review found that the original business case for the development of the ASB Waterfront Theatre was overly optimistic by suggesting that the theatre would generate sufficient income to cover its costs. Whilst ATC’s productions are modestly profitable, the cost of operating the theatre has resulted in a funding gap of a minimum of \$500,000 each year for ATC.
21. The Funding Board considered the submission by ATC and the information provided by Grant Thornton and decided to include a \$500,000 increase in the Funding Plan.
22. Because there is also the issue of the outstanding \$4.9 million ground lease, the council asked the Funding Board to remove the \$500,000 increase for ATC to allow the council and ATC the opportunity to find a complete solution for not only the ATC’s operational shortfall for running the ASB Waterfront Theatre but also an outstanding \$4.9 million ground lease payment due to Eke Panuku from the wider group associated with the theatre.
23. The Funding Board has reduced the increase for ATC by \$347,000 to \$153,000, which is the amount that was initially consulted on in their draft Funding Plan. The reduction of \$347,000 is made on the understanding that the council will work with the Funding Board and ATC to find a solution for their funding issues by 31 October 2024. If the council and ATC cannot find a solution, the Funding Board may provide ATC with additional funding from their reserves.
24. Staff consider that this response from the Funding Board is appropriate and will allow the council the opportunity to work with ATC to explore all options to find a complete solution for their funding issues.
25. Governing Body at its 28 March 2024 meeting directed staff to work with ATC to find a solution for their funding issues. Staff will continue with this work and bring options to the Governing Body as soon as possible and before 31 October 2024.

**Options**

26. The Committee has two options available:
  - accept the levy recommendation of the Funding Board; or
  - not accept the levy recommendation and the matter will be referred to an arbitrator to make a decision on the levy.
27. The below table sets out the advantages and disadvantages of the decision:

Option	Advantages	Disadvantages
<p><b>Accept levy recommendation of the Funding Board</b></p>	<ul style="list-style-type: none"> <li>• Staff consider that the funding for the specified amenities is reasonable and in accordance with the funding principles set out and provided for in section 21 of the Act.</li> </ul>	<p>Staff have not identified any significant disadvantages with approving the recommended levy given the limited options under the current legislative regime. The council is exploring options to amend the legislation, but that matter will be dealt with separate to this decision.</p>



Option	Advantages	Disadvantages
	<ul style="list-style-type: none"> <li>The reduction in the ATC grant allocation allows the council the opportunity to work with ATC to explore all options to find a complete solution for their funding issues.</li> </ul>	
<p><b>Not accept the levy recommendation of Funding Board</b></p>	<p>Staff have not identified any significant advantages with not approving the recommended levy given the limited options under the current legislative regime. The council is exploring options to amend the legislation, but that matter will be dealt with separate to this decision.</p>	<ul style="list-style-type: none"> <li>The matter will be referred to an arbitrator to make a decision on the levy.</li> <li>Arbitration would need to be conducted under urgency and would impose a significant cost on the council and Funding Board.</li> <li>As staff consider the levy to be reasonable and in accordance with the funding principles set out and provided for in section 21 of the Act the likelihood of success at arbitration is limited.</li> </ul>

28. Staff consider that the funding for the specified amenities is reasonable and in accordance with the funding principles set out and provided for in section 21 of the Act and therefore recommend approving the levy.

#### Climate impact statement

29. The Funding Board is a statutorily independent organisation and the council is unable to direct it on climate change issues. However, the Funding Board is required to ensure that amenities align their activities with Auckland Plan objectives, which include Auckland's response to climate change.

#### Council group impacts and views

30. Consideration of the levy does not require any assessment of views or impacts on the council group. Staff will include Eke Panuku and Tātaki Auckland Unlimited in the ongoing work to explore options to address the funding issues of ATC.

#### Financial implications

31. During the recent group budget refresh process, entities across the group reviewed and refined the draft LTP projections. The requested levy of \$17,923,000 (the amount including the since removed \$17,500 board remuneration increase) from ARAFB in February has been incorporated for the final draft LTP.

#### Risks and mitigations

32. There are three main risks associated with considering the levy request.
33. The first risk is that the levies will materially exceed the council budget allocations. This has been mitigated by council representatives working with Funding Board to communicate the council's financial challenges.

34. The second risk is the possibility that the activities of the amenities will not meet the stated goals of the funding plan and do not align with council goals. For the eight Specified Amenities, this risk is minimised because a requirement of funding is to demonstrate alignment with the Auckland Plan.
35. The final risk is of arbitration if the levies are not agreed by 30 April. This risk is mitigated by communicating with the entities and having a mutual understanding of the financial pressures and objectives of all parties.

## Tauākī whakaaweawe Māori

### Māori impact statement

36. The Specified Amenities are required to align their activities with the Auckland Plan 2050 developed by the council. The current Auckland Plan 2050 details six outcomes which, among other outcomes, include Māori Identity and Wellbeing. The Specified Amenities continue to identify specific outcomes relating to the interests of Māori that are being incorporated into the day-to-day operations of each organisation where appropriate.

## Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe

### Local impacts and local board views

37. The relationship with the Funding Board is of Auckland-wide relevance, and as such decisions about funding contributions are made by the Governing Body or its committees.

## Ngā koringa ā-muri

### Next steps

38. If the recommended levy is agreed, the Funding Board will adopt their final 2024/2025 Funding Plan and the agreed levy will be paid within the appropriate statutory timeframe.

## Ngā tāpirihanga

### Attachments

No.	Title	Page
<a href="#">A</a>	Draft Funding Plan	11

## Ngā kaihaina

### Signatories

Author	Chris Levet - Principal Advisor
Authorisers	Alastair Cameron - Manager - CCO Governance & External Partnerships Phil Wilson - Chief Executive

## 2024-2025 Funding Plan

# AUCKLAND REGIONAL AMENITIES FUNDING BOARD

February 2024

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## Chair's Report

*Kua arrange tahi tātou he whāriki, hei hāpai ake ngā whānau o Tāmaki Makaurau.*  
Collectively, we weave a mat that elevates the people of Auckland.

Applications for 2024-2025 are received nearly 10 months ahead of the commencement of the funding year and during the intervening period changes can occur as we have seen with the events of the last few years.

Inflation has been a significant issue for many New Zealanders recently eroding their ability to buy goods and services. It increased steadily through the second half of 2021 and peaked just above 7% in the middle of 2022. However, a positive shift occurred throughout 2023 as inflation began to decline. Forecasts indicate a continued reduction in inflation for the years 2024 and 2025. While inflation in New Zealand is higher than that of our key trading partners, the encouraging aspect is that we are following the same downward trend.

The financial standing of Auckland Council remains a persistent concern. The Council is struggling for the second consecutive year to balance its budget as it prepares the 2024-2034 Long Term Plan. As in previous years, the council has indicated that it is keen to avoid significant rate rises for ratepayers and is looking to other sources of funding as well as cost savings. The Funding Board is always alert to the burden on ratepayers and has exercised prudence in considering grant increases. This year there is a modest increase in funding compared to the previous year, a reflection of the current financial pressures.

In 2020, the Auckland Rescue Helicopter Trust transferred part of its operations into a new entity to secure the National Ambulance Sector Office (NASO) contract for the northern region. NASO is the commissioner of emergency ambulance services on behalf of the funders Te Whatu Ora - Health New Zealand, and the Accident Compensation Corporation (ACC). At the time of preparing this report, ARHT continue to remain eligible for funding in accordance with the terms of the legislation. There is however the potential for further operational activity to transfer out of ARHT and if this were to happen, ARHT may no longer be eligible for funding.

This year, ARHT was unable to meet the accountability requirements of the legislation to provide their 2022, (and subsequently also 2023) annual reports and audited financial statements to the Funding Board. For this reason, the board was unable to distribute the grant to ARHT set out in the 2023-2024 Funding Plan. This grant will be returned to Auckland Council. ARHT have not applied for funding for the 2024-2025 year.

During the year, Surf Life Saving Northern Region (SLSNR) underwent a restructuring process to attain closer links with Surf Life Saving New Zealand. This initiative was supported by the Northern Region clubs following a period of consultation within the wider surf club community. The agreed change to the governance and management structure occurred on 1 October 2023. Following these changes, SLSNR retains its status as an independent entity and remains eligible for funding through this board.

In June 2023, Auckland Council approved an additional \$450,000 grant request from SLSNR for an extension of life saving services in the Auckland region, commencing in the summer of 2023-2024. This decision occurred after the Funding Board's 2023-2024 Funding Plan was signed off in April 2023 and the additional funds were provided by Council to the Funding Board for on-payment to SLSNR. This process aligns with previous extension of service decisions made by Council, such as the Auckland Arts Festival moving to an annual basis, and the player



















































































































































