

Date: Thursday 1 August 2024
Time: 10.00am
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

Tira Hautū / Governing Body

OPEN ATTACHMENTS

ADDITIONAL ATTACHMENTS
UNDER SEPARATE COVER

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Memorandum

5 July 2024

To: All members: Governing Body, Houkura

Subject: Category 3 Voluntary Buyout Scheme - Financial Hardship

From: Mace Ward, Group Recovery Manager

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Purpose

1. To provide advice to councillors and Houkura members on the scope of the Category 3 Voluntary Buy-out Support Scheme to respond to situations of financial hardship.

Summary

2. Concerns are being raised by a small number of homeowners who expect to make a financial loss after their Category 3 buy-out (beyond the 5% homeowner contribution).
3. While recognising that these situations are extremely stressful for the affected homeowners, we also need to be clear about the council's responsibilities. The council's role is not as a guarantor of private property interests or loss.
4. The Category 3 Voluntary Buy-out Support Scheme is **not** designed to compensate property owners for their financial losses but to ensure that people can remove themselves from situations of physical risk. This is in line with the agreed policy objective, in response to the exceptional circumstances of the 2023 severe weather events: *'to support Aucklanders to voluntarily relocate from residential housing situations on properties that pose an intolerable risk to their lives.'*
5. The council is providing substantial additional funding to Category 3 homeowners, above what they are receiving from insurance and EQC payouts.
6. Revising the scheme to allow for claims for financial hardship would be a significant undertaking which is not currently resourced. It could require the council to establish a threshold for the level of financial hardship eligible for further support and then conduct thorough (and intrusive) evaluations of applicants' financial information. The inclusion of financial hardship claims would increase the total cost of the scheme and Recovery Office operating expenses and is not recommended.
7. Other, limited sources of support are available for people facing financial hardship; however we acknowledge their limitations.
8. Staff will continue to review the efficacy of the scheme in delivering the overarching policy objective, using the special circumstances cases and other informal reports from the community to gauge the level of need, and looking for alternative solutions.



Context

Discussion

The council is not an insurer of first or last resort

12. The council is limited in what it can do respond to situations of financial hardship under the Category 3 Voluntary Buy-out Support Scheme (agreed on 6 October 2023, GB/2023/160).
13. As identified in the council's statement of current role and direction in relation to the water-related impacts of climate change (ECC/2022/55), the council's role is **not**:
 - as a guarantor of private property interests or loss,
 - to be responsible for compensating landowners in case of loss due to any severe weather event or natural disaster, or
 - as an insurer of first or last resort.
14. Nonetheless, in recognition of the exceptional circumstances of the North Island Weather Events in early 2023 and after consultation with Aucklanders, Auckland Council agreed to participate in the government's proposed 'locally-led, centrally-supported' voluntary buy-out process, matching government funding with ratepayer funds in a limited, one-off scheme to support severely impacted Aucklanders, up to \$774 million in total.
15. The council has no statutory obligation to purchase homes, and it is only through the support of ratepayers and taxpayers that Category 3 homeowners have this option.
16. Consultation feedback reported in October (GB/2023/187) highlighted that Aucklanders' strong support for helping those in need was often conditional, emphasising property owners' personal responsibility and the need for property owners, central government and insurance companies to contribute to the buy-outs.

The Voluntary Buy-out Support Scheme is focused on risk to life

17. The overarching policy objective of the Category 3 scheme is:

to support Aucklanders to voluntarily relocate from residential housing situations on properties that pose an intolerable risk to their lives.
18. The Purchase Methodology Assessment prepared to support decision-making on the Scheme identified that: *'it is not the policy intent of the Voluntary Buy-Out Support Scheme to compensate financial loss or hardship. While this may occur in part through the scheme, it is not the intent.'*
19. The scheme terms are not designed to compensate property owners for their financial losses but to ensure that people can remove themselves from situations of risk. Scheme funding tops up homeowners' insurance payouts to enable people to make the decision to relocate.
20. The scheme terms note that the Voluntary Buy-out Support Scheme is the total funding Auckland Council is making available for buy-out of severe weather events affected properties, and that no additional payments will be made.

We are providing substantial support to impacted homeowners

21. The buy-out funding structure was agreed as a combination of insurance, homeowner and Crown/council contributions. Homeowners are expected to provide a five per cent contribution to the property purchase cost (rising to 20 per cent for uninsured properties). This is in recognition of the risks of property ownership and was factored into the negotiations with the Crown to determine the total funding required for the scheme.



22. On average (by 6 June 2024), buy-outs to date comprise:
 - Insurance (incl. EQC): \$271,000
 - Homeowner contribution (5% - 20% depending on insurance status): \$72,000
 - Crown/council 50:50 co-funding: \$1.123 million
23. Based on these numbers, the scheme is currently contributing 77 per cent of funding to support homeowners. This represents an average payment of \$561,500 directly from each of the council and Crown to the property owner (excluding additional costs of the service, deconstruction and future land management).
24. Without the additional funding from the scheme, homeowners would need to make decisions about their future based only on what they receive from their insurance and EQC funding, and potentially what they can achieve on the open market (thus on-selling the risk to others). Given the insurance industry's heightened awareness of natural hazard risks, homeowners' ability to reinsure and remortgage their storm-impacted homes is likely to become increasingly difficult.

Special circumstances allow consideration of exceptional cases

25. A special circumstances process is in place, for cases where exceptional factors mean that, in a particular case, the intent of the policy cannot be delivered within the scheme terms. Any decisions to depart from the scheme terms need to be consistent with the overarching policy objective.
26. As set out in the special circumstances guidance, consistent with the policy approach adopted, departures from the scheme terms on the basis of special circumstances do not extend to departures that are claims for financial hardship assistance or to requests that reset policy decisions already made.
27. Enabling departures to the scheme terms for claims for financial hardship assistance would require a reconsideration of the policy approach.
28. This would raise a range of implementation challenges. For example, the council would likely need to establish a threshold for the level of financial hardship that would be eligible for further support, then conduct thorough (and intrusive) evaluations of applicants' financial information to ensure that they meet that threshold. This would require additional resources to administer this new service, not currently funded, within the Recovery Office to establish criteria and evaluate claims. Changes to the policy would also be challenging to implement retrospectively to completed buyouts.
29. The inclusion of financial hardship claims would increase the total cost of the scheme and Recovery Office operating expenses and is not recommended.

Limited support is available through other means

30. A range of other central and local government support services are available to address hardship needs for homeowners and tenants, including direct disbursement of funds for hardship from the Ministry of Social Development and the Red Cross. We recognise that these supports are extremely limited in nature and do not counterbalance the scale of hardship some families are experiencing. We also note the equity issues that are inherent in recovery efforts. Those with greater financial resources are more likely to be able to secure their own recovery after any emergency event, whereas those already in hardship will be more significantly impacted.



Next steps

31. Officers will continue to review the efficacy of the scheme in delivering the overarching policy objective, using the special circumstances cases and other informal reports from the community to gauge the level of need, and looking for alternative solutions.
32. If you have questions, or wish to discuss the contents of this memo, please get in touch with me directly.



Tira Hautū / Governing Body **Workshop** Pools and Leisure - Service Delivery Model (Contracts)

NOTES

Notes of an open and confidential workshop of the Governing Body Workshop held in the Room 1, Level 26, Te Wharau o Tāmaki - Auckland House, 135 Albert Street, Auckland on Wednesday, 24 July 2024 at 2.08pm.

TE HUNGA KUA TAE MAI | PRESENT

Mayor	Wayne Brown	
Deputy Mayor	Cr Desley Simpson, JP	Via electronic link
Councillors	Cr Josephine Bartley	Via electronic link
	Cr Angela Dalton	
	Cr Chris Darby	
	Cr Alf Filipaina, MNZM	Via electronic link
	Cr Christine Fletcher, QSO	
	Cr Lotu Fuli	Via electronic link
	Cr Shane Henderson	Via electronic link
	Cr Richard Hills	
	Cr Daniel Newman, JP	From 3.24pm
	Cr Greg Sayers	From 2.10pm
	Cr Sharon Stewart, QSM	Via electronic link
	Cr Wayne Walker	Until 4.34pm, Confidential session
	Cr John Watson	
	Cr Maurice Williamson	

TE HUNGA KĀORE I TAE MAI | ABSENT

	Cr Andrew Baker	
	Cr Julie Fairey	
	Cr Mike Lee	
	Cr Kerrin Leoni	
	Scott Milne	Ōrākei Local Board Chair
	Cr Ken Turner	

Governing Body Workshop
24 July 2024

LOCAL BOARD REPRESENTATION

Toni Von Tonder	Devonport-Takapuna Local Board Chair Via electronic link, From 2.18pm
Angela Fulljames	Franklin Local Board Chair Via electronic link
Damian Light	Howick Local Board Chair
Tauanu'u Nanai Nick	Māngere-Ōtāhuhu Local Board Chair
Bakulich	Via electronic link
Maria Meredith	Maungakiekie-Tāmaki Local Board Chair Via electronic link
Apulu Reece Autagavaia	Ōtara-Papatoetoe Local Board Chair Via electronic link
Fiona Lai	Puketāpapa Local Board Deputy Chair Via electronic link
Anna Atkinson	Upper Harbour Local Board Chair Via electronic link, from 3.16pm
Alexis Poplebaum	Hibiscus and Bays Local Board Chair Via electronic link
Genevieve Sage	Waitematā Local Board Chair Via electronic link
Kendyl Smith	Albert-Eden Local Board Chair Via electronic link

HE HUNGA ATU ANŌ I TAE MAI | IN ATTENDANCE

Benedict Ferguson	PSA President and Council PSA Delegate
Sarah Stone	PSA Organiser
Martin Graham	PSA Delegate
Kyran Narayan-Patel	Team Leader Aquatics, Ōtara Pool & Leisure Centre

Workshops enable staff to explore options with elected members before ideas are fully developed, and to receive feedback and guidance on policy development or project design. No resolutions or decisions are made by elected members at workshops and so the requirements of the Local Government Official Information and Meetings Act 1987 relating to local authority meetings do not apply.

