Mayor's Proposal Long-term Plan 2015-25

BC3947

Auckland Council
Te Kaunihera o Tāmaki Makaurau

Mayor’s foreword

This is my proposal for delivering the long-term investments Auckland needs, while keeping rates low and debt affordable.

It is the first opportunity since the creation of Auckland Council in 2010 to fully align our budgets with the priorities and vision of the Auckland Plan.

My proposal for the next Long-Term Plan is based on four key areas:

1. Keeping rates low and affordable for Aucklanders, both households and businesses
2. Focussing more than $11 billion of new investments over the next decade on areas with the greatest potential to transform our region - transport, the environment, urban development and improved social outcomes
3. Building on our record of prudent and responsible financial management - including reducing the growth of council debt by $2.7 billion, and increasing the savings we will make through greater efficiency, and smarter delivery of services.
4. Challenging central government to address policies that are constraining our ability as a council to invest in and grow the Auckland region.

Transport is the single biggest challenge facing our region. It is the thing people tell me most often that they want the council and government to fix. However that will not be enough to deliver what Auckland needs.

Through this process we have a once in a generation opportunity to set our transport programme on a transformational path. One that will deliver the fully integrated public transport system we so badly need.

The transport investment included in this baseline proposal represents what we can afford without a new approach to funding. It is not the package I want and it is not the package that Aucklanders tell me they want.

This is why later this year we will be producing an alternative transport programme and asking Aucklanders to consider the options of alternative charges such as a network or congestion charge, or increases to rates to fund this vital investment.

Auckland is New Zealand’s fastest growing region, our largest employer and crucial to securing our place in the global economy. To realise our potential as New Zealand’s truly international city our region needs smart investment, prudent financial management and clear leadership. This is a proposal that aims to deliver that.

Len Brown

Mayor of Auckland

The story so far

The formation of Auckland Council

In 2008 the government set up a Royal Commission to look at options for improving the governance of Auckland.

This reflected the importance of Auckland to New Zealand's success in the global economy and the need to ensure a consistent and coherent approach to the region's leadership.

It was widely recognised that Auckland offered a high quality of life, a skilled labour force, and a concentration of education and research facilities.

But the region also suffered from messy and inefficient urban growth, infrastructure constraints, social disparity, and poor urban design in need of urgent attention.

In our immediate vicinity, cities such as Melbourne, Sydney, Brisbane, Singapore, and others were all investing more aggressively and more effectively to secure their position as leading cities. Auckland risked being left behind.

The Royal Commission concluded that the fragmented structure of eight councils was standing in the way of Auckland overcoming its shortfalls and achieving its potential, and that it needed to be replaced by a unified governance structure. The Commission recommended a single council to deliver the major infrastructure and programmes needed for an internationally competitive city, and local boards to focus on the needs of local communities.

In 2010 the eight councils became one and, much to the credit of all those concerned, the many services that local government provides continued to keep Auckland running with no significant hiccups.

But this was just the start.

As a newly formed council our priority was to develop a single vision and plan for Auckland. This involved the biggest planning and consultation exercise in the history of the region, producing our guiding charter - the Auckland Plan.

It is a plan focussed on clear priorities such as investing in transport, strong economic growth, improving outcomes for Māori and protecting and enhancing our natural environment and heritage.

It is also about a new approach to regional leadership: smart investment, more innovative delivery of services and a single vision for Auckland – to become the world's most liveable city.

We also began development of the Unitary Plan, the framework document that would guide our future growth and development while protecting those things we hold dear - the natural environment and our built and cultural heritage.

Alongside these major planning exercises we worked to improve the delivery of everyday services:

- We streamlined consenting processes, improved collaboration with central government, amalgamated rates so they were fairer overall and aligned our core services to achieve significant cost and efficiency savings – up to $170 million a year by 2014-15.
- We began to transform the investment in Auckland's transport infrastructure, including securing central government agreement to fund their part of the City Rail Link which, along with the electrification of the network, will be the most transformational public transport project in Auckland's history.
- We invested $4.8 billion into new and replacement assets, addressing past underinvestment in many of our region's facilities.
- We boosted the region's visitor numbers, delivered the Rugby World Cup, and a successful major events strategy.

And alongside this busy programme of work, we prepared our first 10-year budget for the region, the Long-term Plan (LTP) 2012-22.

This plan – a legislative requirement for all New Zealand Councils – was developed less than two years into amalgamation.

At this point, our ability to remould the council's budgets was limited by the lack of good information, no history of the new structure and the absence of a fully developed plan for the future.

Our first LTP was therefore based in large part on the legacy budgets of previous councils with some reshaping to reflect our emerging transport and economic development priorities.

Four years in we are ready for the next step in the amalgamation process. Having settled into the rhythm and structure of the new unified Council, and with a clear vision and plan in place and much a better understanding of our budgets – we are well placed to reshape our LTP to align our investments with the priorities of the Auckland Plan, and the affordability of those investments for Aucklanders.

A plan to match our region's priorities

This LTP is the opportunity to take stock and reset our financial parameters to ensure that we are:

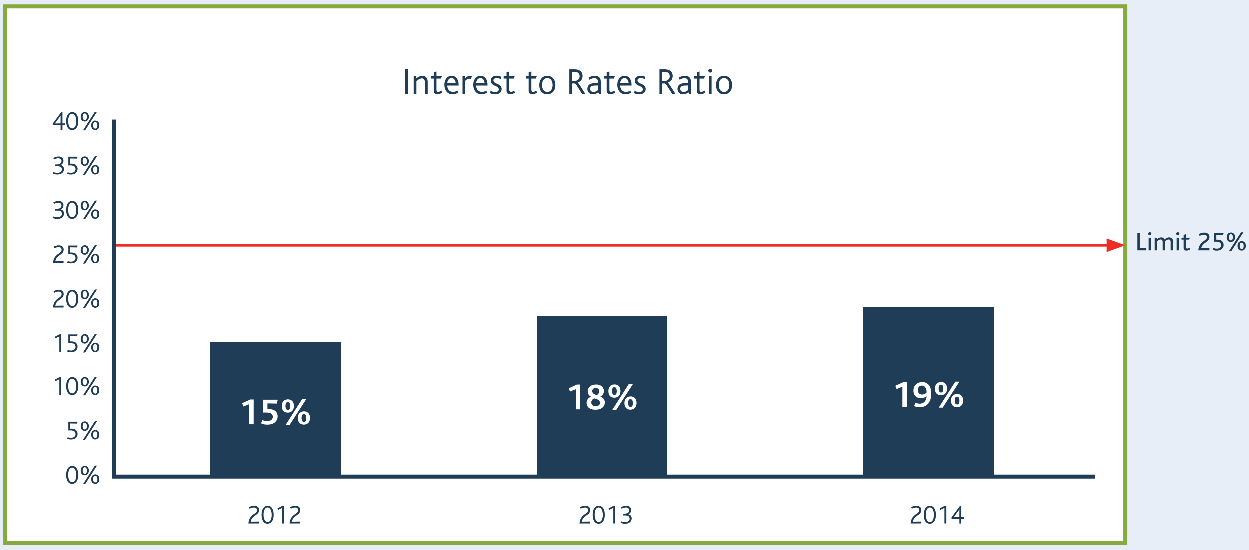
a. Focusing on the right projects and programmes to deliver our objectives

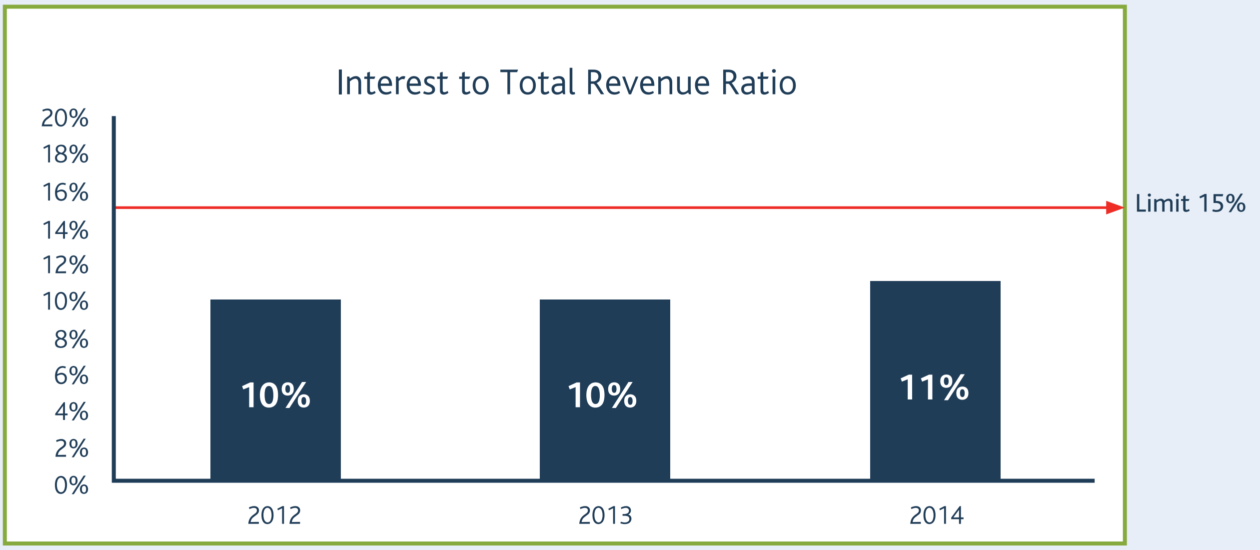
b. Keeping our expenditure within ranges that Aucklanders will find acceptable and affordable.

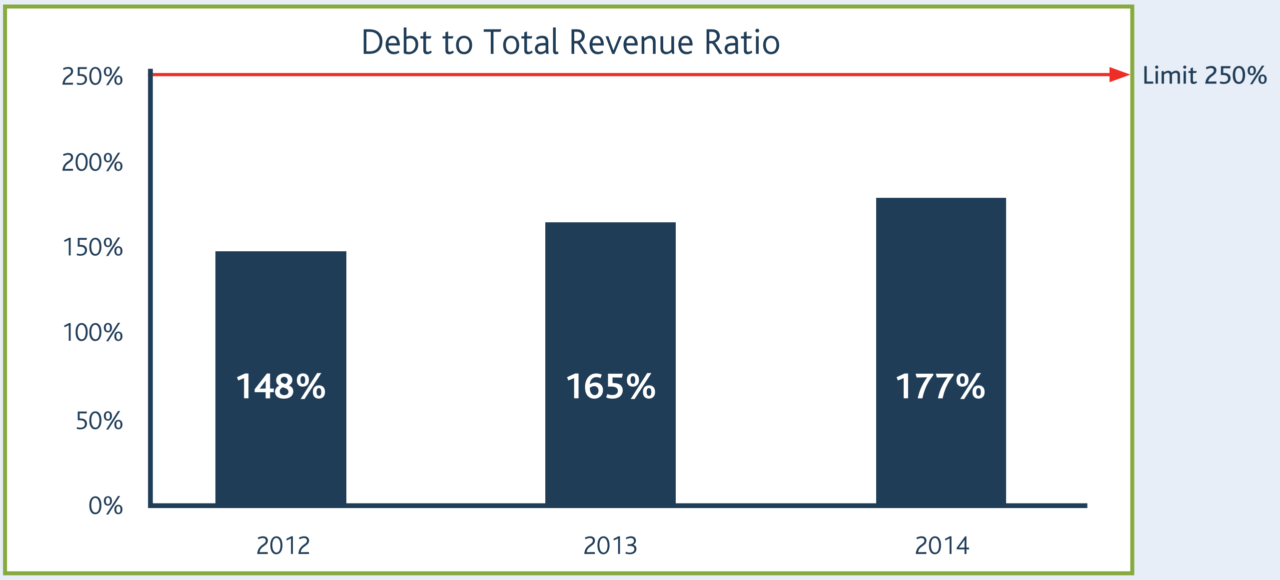
Stocktake

Auckland Council is a very large business. We currently have $40 billion of assets and just over $6 billion of debt. We are in very good financial shape. Our AA credit rating is better than virtually every other institution in the country and second only to the government. We balance our budget every year and fund our operating costs from operating revenues.

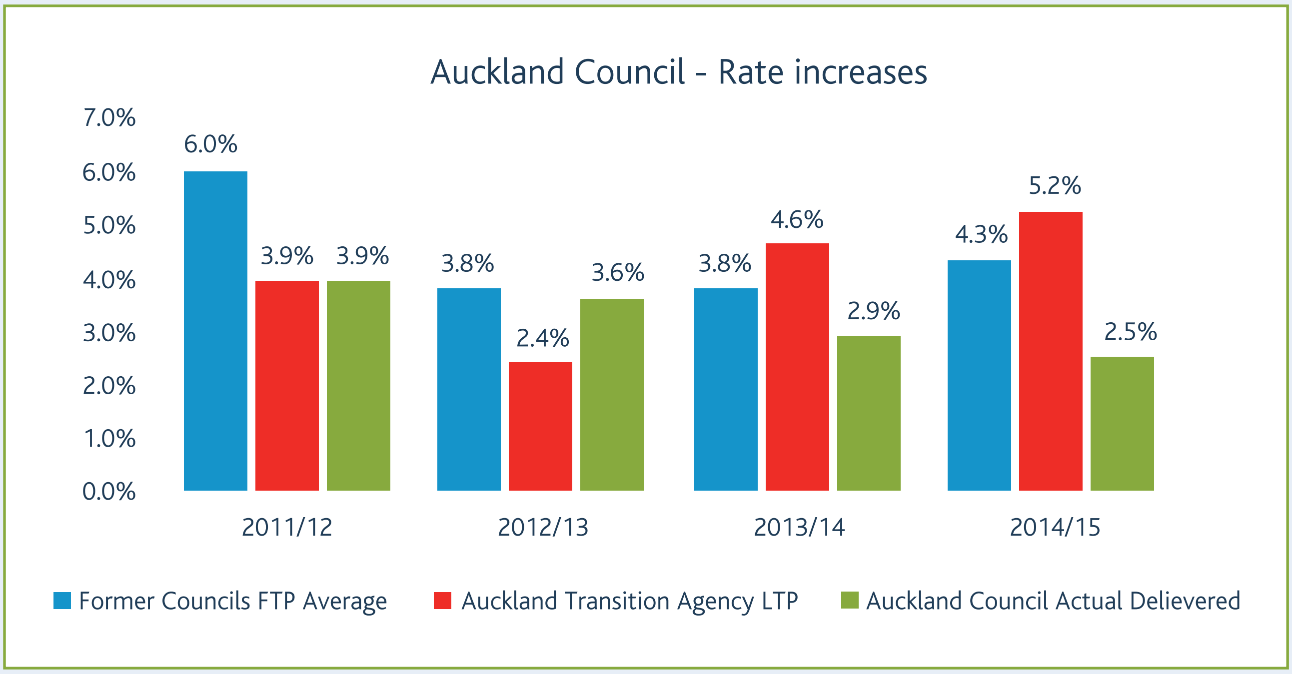
Debt is used to fund assets as a method of spreading the cost of those assets over the generations that will use them. Our financial ratios are set to ensure that we maintain debt within prudent levels. Over the past four years we have maintained our financial performance well inside those ratios:

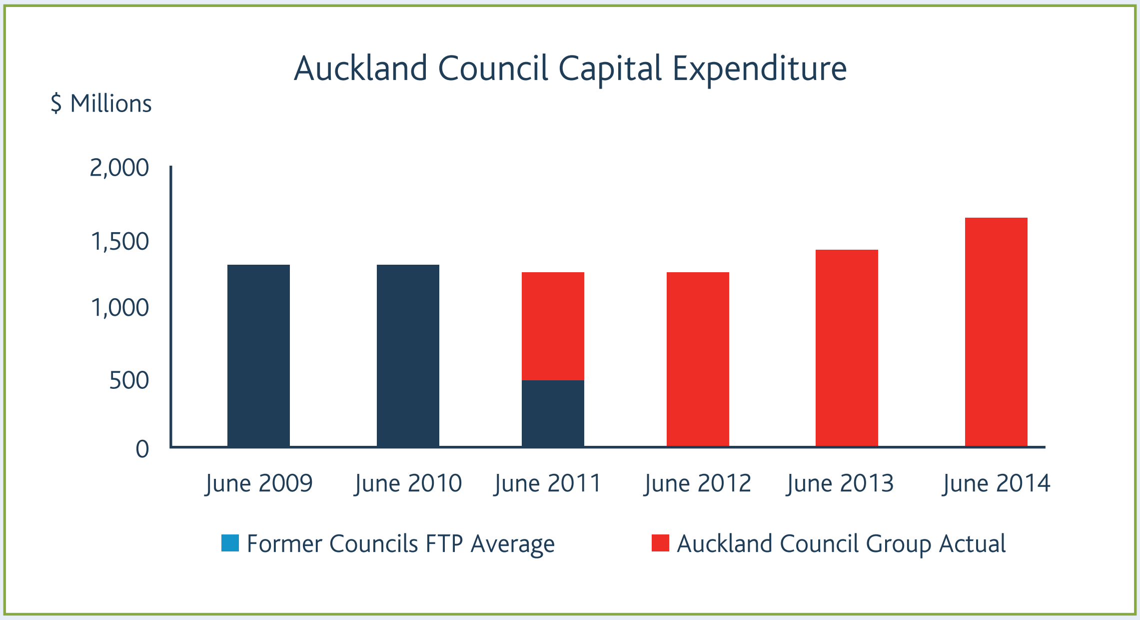


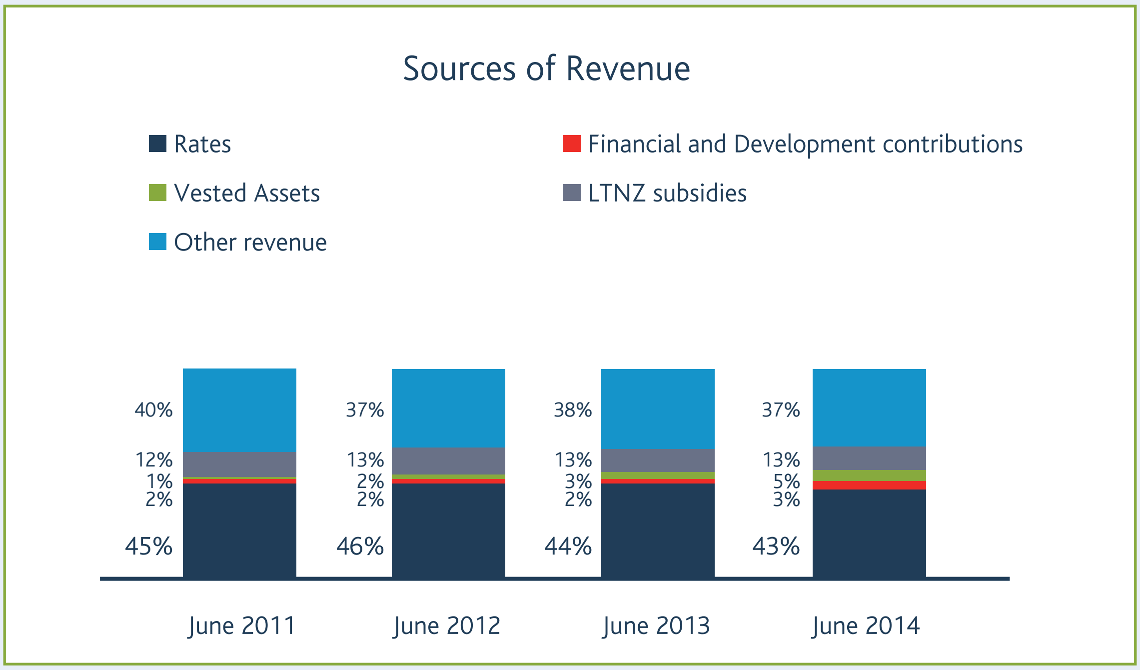




Over the last three years we have managed our costs and driven down rates increases well below that projected by the legacy councils, despite the capital programme delivering more than ever before. Rates, as a proportion of our total revenue, are also falling. Reducing our reliance on rates is a trend that I want to see continue.







The previous LTP 2012-22 was built on the foundations of the legacy councils' commitments. We know those commitments were primarily focused on the business carried out under those old governance structures. The legacy budgets did not allow for the regional investment required to build a city that can compete on the international stage, and did not allow for Auckland to become the city that New Zealand needs. We began to introduce some of that investment in the LTP 2012-22, particularly for public transport and economic development areas. However, adding new commitments to fairly ambitious work programmes from the legacy councils was sending us down the path of larger rate increases in the later years of the current LTP. It was also increasing debt over the 10 years to a level that has been causing concern to our community and had the potential to breach our prudential ratios.

This proposal is built on a number of strategies to address these issues:

1. Setting high level limits of both operational and capital expenditure for the council group and challenging the council group of organisations to deliver maximum value within these funding envelopes. This approach is covered in more detail below.
2. Maximising non-rate revenue streams. Rates currently make up 43% (down from 46%) of our total revenue and I would like to see that balance continue to change with us becoming less reliant on rates as a source of funding. In particular we will be engaging the community in a significant debate about paying for transport infrastructure and alternative funding mechanisms. We also need to look at services and activities where there are opportunities to generate better or new revenue streams as well as maximising returns from our commercial assets.
3. Leveraging private sector investment through a range of mechanisms such as sponsorship, public-private partnerships and targeted rates, as used in the city centre. Examples include the development of Federal Street, the Skypath project, the work with Precinct Properties on the rail tunnel, and the ANZ naming rights of the Viaduct Events Centre. Work done in the early part of this term of council on commercial partnerships and sponsorship show there is a real appetite in the private sector to work constructively with us in this area.
4. Challenging the government to play its part. Auckland is key to the future success of New Zealand but the ratepayers of Auckland cannot be expected to foot the entire bill. Apart from their traditional role in major transport infrastructure we want the government's support in implementing new funding mechanisms. We also want the government to reconsider its positioning on the non-payment of rates on crown properties – estimated to be between $200-$300 million over the 10 years of the plan. Recent legislative change has also removed the ability for us to fund some community infrastructure, such as libraries, from development contributions. This change (estimated at $295 million over the 10 years) and the ongoing issue of charging GST on rates imposes further costs on our ratepayers.
5. Sale of our non-strategic assets. While we have had a programme of selling off surplus land, most of the readily saleable property is now actioned. We need to continue to review our remaining holdings including serious consideration of assets such as parking buildings.

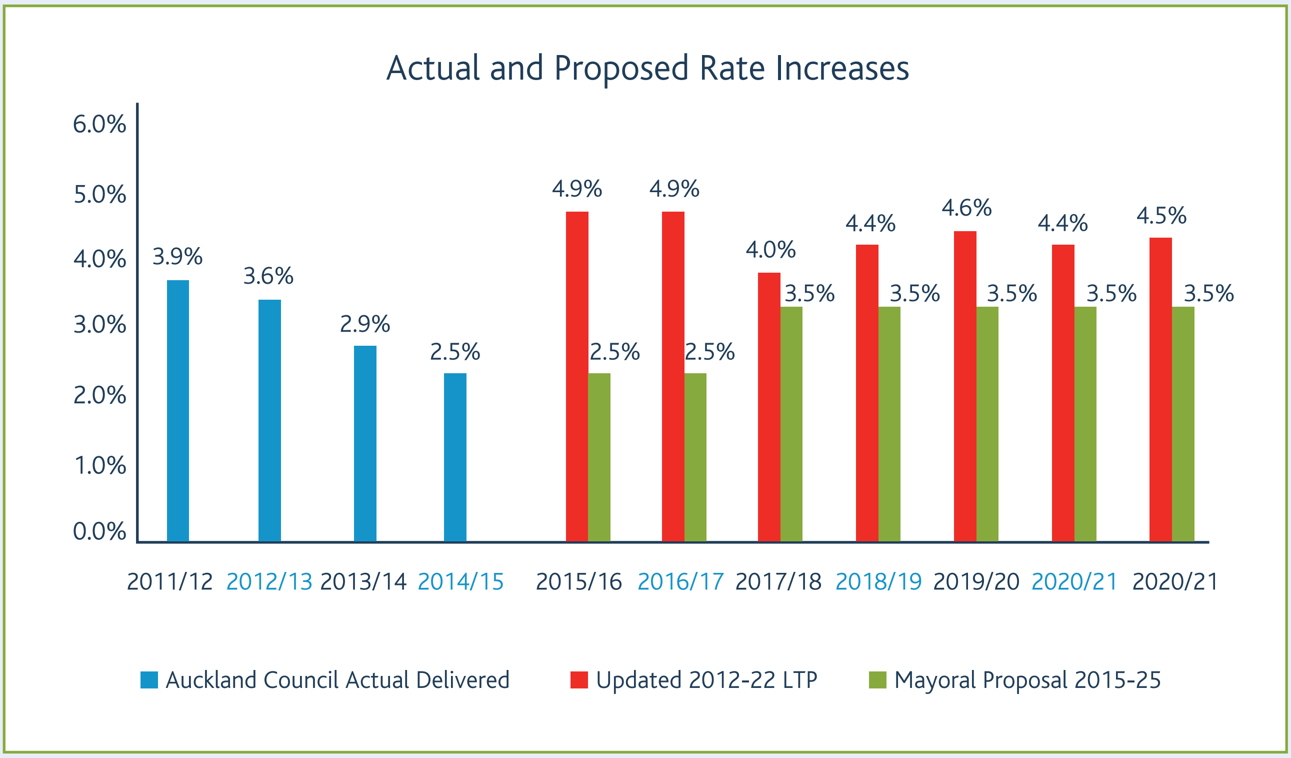
Alongside this we need to have an open and informed conversation with our community about what is affordable and what sustainable debt looks like.

The Proposal

Rates

My baseline proposal is built on my commitment to deliver an average 2.5% rate increase for the remainder of this term of council. It then reflects an average 3.5% increase for the remaining eight years. This compares to the previous LTP where rates were capped at 4.9% for the remaining seven years.

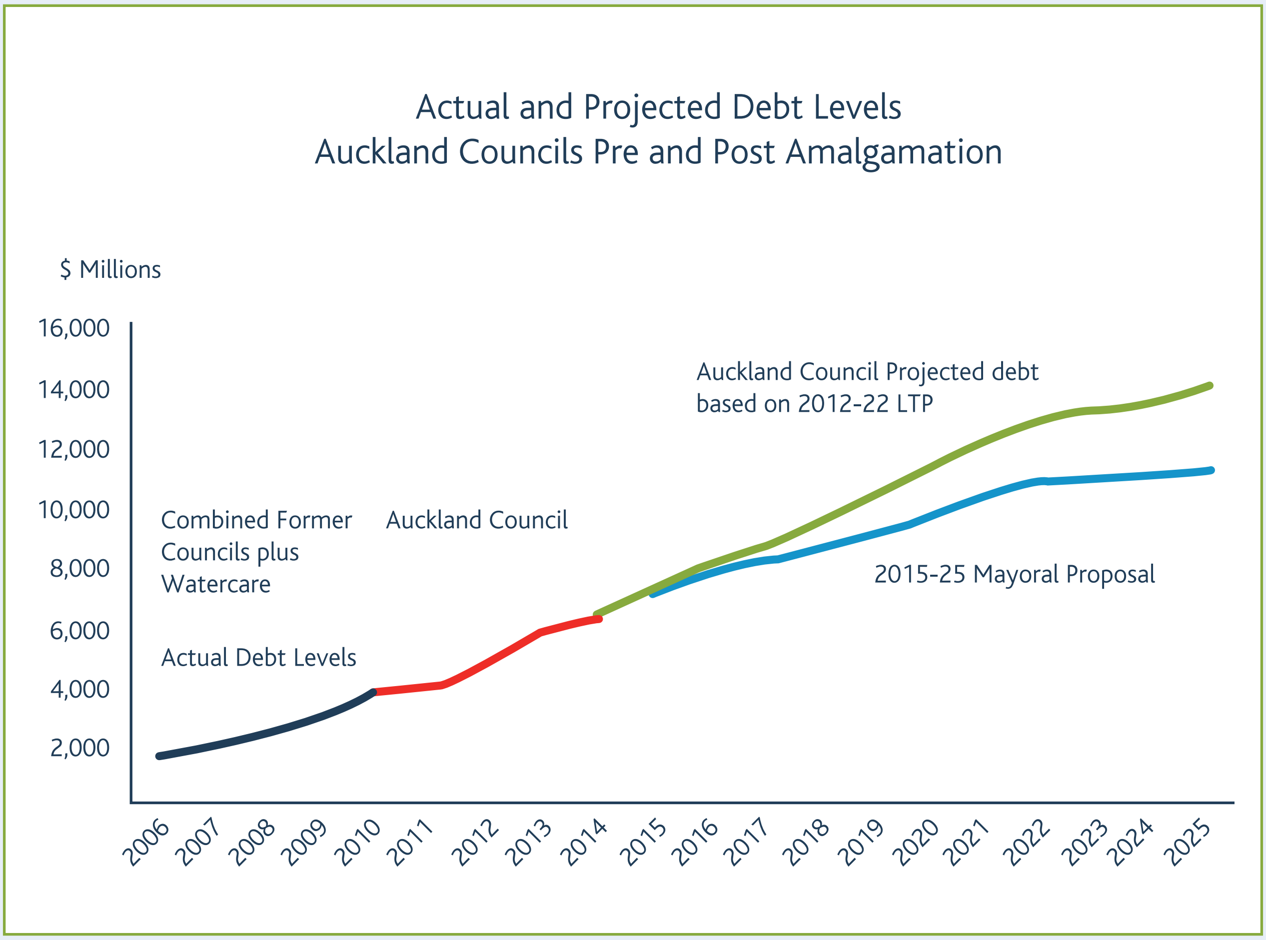
However, this is not my preferred proposal, and at the time we go out to consultation with the public I intend that we deliver a second, supplementary proposal based on a much enhanced programme of transport delivery – addressed later in this report. This is our opportunity to talk to the community about the level of investment they are prepared to pay for in the transport area and, if a higher level of investment is supported, also to have a conversation about how they would be prepared to pay for it – through rates or some form of road pricing.

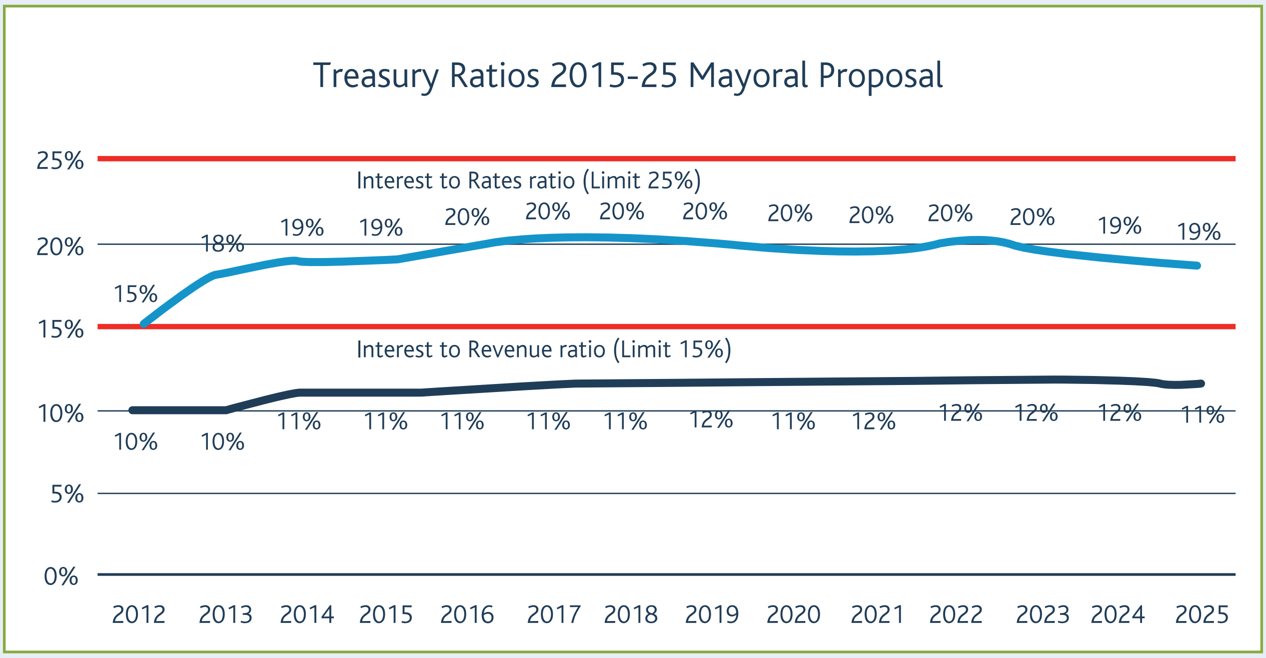


Debt management

In addition to capping the rates at much lower levels than in the current LTP, I am also proposing significantly lower debt levels. Under this proposal debt will move from the forecast $7.2 billion at the end of 2014/15 to $11.0 billion by June 2025. This represents a reduction from the current LTP (extrapolated) of $2.7 billion.

One of the main drivers that I have been conscious of in determining a sustainable debt level, is the ratio of our interest cost to revenue. The current limit is 15%. While we have the current mix of revenue, and at this level of transport investment, I am targeting a ratio of 12% or less, and this proposal is constructed on that basis.


Actual and Projected Debt Levels
Auckland Councils Pre and Post Amalgamation
$ Millions
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
Auckland Council Projected debt
based on 2012-22 LTP
Combined Former
Councils plus
Watercare
Auckland Council
2015-25 Mayoral Proposal
Actual Debt Levels
2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025


Treasury Ratios 2015-25 Mayoral Proposal
25%
20%
15%
10%
5%
0%
Interest to Rates ratio (Limit 25%)
15% 18% 19% 19% 20% 20% 20% 20% 20% 20% 20% 20% 19% 19%
Interest to Revenue ratio (Limit 15%)
10% 10% 11% 11% 11% 11% 11% 12% 11% 12% 12% 12% 12% 11%
2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

There are three elements to managing our debt:

1. **Capital expenditure**

The LTP 2012-22 has a significant investment programme which drives both the debt and a major portion of the rates increases. Through our workshops over the past couple of months we have become aware of the need to focus our investment and manage the capital work programme in a more constrained environment. This proposal reflects a reduced capital programme as one element of managing the debt levels.

While there has been a reduction in the programme, this still represents new investment of $11.2 billion over the next ten years. Alongside this we continue to spend $5.4 billion on renewing our existing assets.

Many parts of our region have already had substantial investment from the legacy councils. It is important that we take a strategic approach to future capital spend across Auckland. Under the leadership of the Deputy Mayor, councillors and council staff have developed an initial set of spatial priorities, which along with Special Housing Areas and a few other criteria (such as safety), will enable a reduced capital programme to be targeted to those areas where the investment will have maximum impact in achieving our strategic objectives. Council and CCO investment has been aligned to achieve this. These projects have been selected as those that will unlock the potential for business and community development in those priority areas.

Some examples of these projects are:

- Watercare's central interceptor project
- Grade separation at Avondale
- Tamaki Drive shared walking and cycling path
- Work with mana whenua on redevelopment of Ruapotaka marae
- Otahuhu aquatic centre and library
- Improved public transport between Mangere/Otahuhu/Sylvia park
- New Takanini library
- Grade separation at Walters Road, Takanini
- Te Atatu bus interchange
- Westgate stormwater ponds
- Lake Road, Takapuna streetscape
- Train stations at Drury and Paerata
- Manukau transport interchange
- Ormiston library and community centre.

2. Move to full funding of depreciation

The current level of funding of depreciation expense (63%) is approximately equal to the amount we spend on renewals. We have previously committed to move towards 100% funding over a ten year period starting in 2015/16. This proposal fulfils that commitment. The level of asset renewal will not move up at the same rate so the excess amount will be used to offset debt.

3. Non-strategic asset sales

As already covered earlier in this report we need to review our asset holdings on a continuous basis and divest those assets where it makes sense to do so.

Funding envelopes

In most budgeting processes we spend our time debating a very small proportion of our total budget. Our operating costs are around $3.4 billion per annum and our capital budget between $1.4 and $2 billion per annum. Most of our debate centres on including or excluding projects that represent a few hundred thousand dollars of operating costs and a few million dollars of capital cost. These discussions are around the margins and do not focus on the budget as a whole.

In this proposal I am trying to turn this focus to a more strategic and high level discussion before we get mired in the detail. In order to achieve the rates caps that I am setting we need to reduce some of our existing spend. In order to do that I have the distribution of those costs across our different activities and indicated where I would like to see the reductions at a high level i.e. a change in the distribution of the spend. I am then asking the organisations to respond to that funding envelope and tell us what they can deliver for that level of funding and why that is the most valuable use of their resources. In doing that I am indicating some priority areas and some “bottom lines” – those areas that, in my view, are not up for debate. Attached to this report are schedules showing, at a high level, the funding allocated to each of our key activity areas and the level of change that this represents from the 2012-22 LTP (extrapolated).

Auckland Development

Auckland Development $million	Year 1 2015/2016	Year 2 2016/2017	Year 3 2017/2018	Years 4-10 2018/2019-2024/2025	Total	% of total budget
Operating expenditure	182	177	183	1,589	2,131	5%
Capital expenditure	75	72	130	457	734	4%

The operating cost funding envelope for this set of activities, which includes the council’s central planning and policy functions, Waterfront Auckland and Auckland Council Properties Ltd. is proposed at $2.1 billion over the 10 years. The funding envelope has been decreased by 7% from the previous level of funding and I am proposing that primarily, the reduction is from our policy and planning activity. This would require a reduction of $10 million in year 1 and $14 million from year 2 onwards.

We have spent the first three or four years of the Auckland Council putting in place our major strategic and policy platforms. In a period of limited resources I am focused on delivery, and believe we should manage our remaining policy and planning programme over a longer period. The clear exception to this is the Unitary Plan which continues to be our highest priority. The priorities for this area are:

- Resourcing the Unitary Plan work
- Statutory monitoring (to meet minimum standards)
- By-law integration
- Response to legislative change
- Remaining resources to be allocated according to priorities agreed with the Governing Body - with a focus on spatial priorities and the next set of planning priorities.

Waterfront Auckland is now starting to deliver commercial outcomes through its development phase and I have proposed that their funding be reduced by $2 million pa to reflect a combination of a regular dividend and a reduced cost structure.

Auckland Council Properties Limited, as a relatively small Council Controlled Organisation does not have much room to reduce costs, and have been left unchanged.

The capital programme of $734 million over 10 years is in line with the previous funding level as these projects are critical to Auckland's development. The allocation of this funding will be very much guided by the spatial priority areas (including the city centre) and between now and the signing off of the draft LTP we will need to agree the detail of this. As part of that discussion, and in line with our focus on both housing and Māori wellbeing, we need to evaluate the proposal for increased support of papakainga housing.

Water Supply and Wastewater

Water Supply and Wastewater $million	Year 1 2015/2016	Year 2 2016/2017	Year 3 2017/2018	Years 4-10 2018/2019-2024/2025	Total	% of total budget
Operating expenditure	550	581	619	5,447	7,198	18%
Capital expenditure	396	453	502	3,475	4,826	29%

These budget envelopes represent Watecare's initial draft of their ten-year programme. While this area of activity does not directly impact on rates as it is funded by water and wastewater charges, it does impact on our group debt levels and the charges imposed on Auckland residents and ratepayers. We will need to further scrutinise these costs and in particular the current estimate of price increases in the 3.5% rising to 4% range, which in my view, seem to be high relative to the level of rates set within this proposal.

Parks, Community and Lifestyle

Parks, Community and Lifestyle $million	Year 1 2015/2016	Year 2 2016/2017	Year 3 2017/2018	Years 4-10 2018/2019-2024/2025	Total	% of total budget
Operating expenditure	437	445	456	3,488	4,825	12%
Capital expenditure	147	106	99	950	1302	8%

This set of activities includes:

- Parks, sport and recreation
- Community development, arts and culture and community safety
- Libraries.

It is also the area that is very much local in nature and therefore is of high interest to local boards and their communities.

The funding envelope for operating costs proposed for this area is $4.8 billion over 10 years and represents 12% of our overall operating costs. This funding is a 9% reduction on previous funding – with a large proportion of this resulting from reductions in consequential opex from a reduced capital programme. The non-capital related operational costs have been reduced by approximately $8 million in year 1 and increase slightly each year. This includes both cost reductions and some additional revenue generation. One of the strategies to achieve this cost saving/revenue generation is the proposal to take a more commercial approach to the operations of our pools and recreation centres.

The community development function is an area where I would like to see us change our delivery to a much more empowered community approach. This would see us move away from direct delivery (and therefore save overheads) and fund community groups to deliver more. I also would like to see local boards play a much more active role in this area by allocating more of the funding through them.

My other priorities for the operating areas are:

- Maintaining overall levels of maintenance and cleaning of parks and associated facilities.
- No closures of pools, recreation centres or libraries.

The capital programme proposal is $1.3 billion for ten years. This is a reduction of 39% on previous funding levels and new capital expenditure will be very much guided by our spatial priorities in the first instance. I am also keen to see additional allocation of funds to marae development as another part of the infrastructure that supports local communities. This will be part of our consideration as we map out the more detailed capital budgets over the next couple of months.

Economic and Cultural Development

Economic and Cultural Development $million	Year 1 2015/2016	Year 2 2016/2017	Year 3 2017/2018	Years 4-10 2018/2019-2024/2025	Total	% of total budget
Operating expenditure	177	190	181	1,480	2,028	5%
Capital expenditure	28	22	12	348	410	2%

The activities delivered by Auckland Tourism, Events and Economic Development (ATEED) and Regional Facilities Auckland (RFA) are the components of this group. Auckland as a thriving and growing economy is still one of my highest priorities. Much of council's investment supports this objective but these particular activities are particularly focused on creating an environment that attracts both new residents and visitors and, in the case of ATEED, business investment. Programmes that target youth employment are particularly important in my view. On that basis I am proposing only minor reductions in funding to this area ($1 million opex per annum) but I am seeking:

a. ATEED to refocus its current resources to incorporate new proposals for economic development, particularly in the youth employment area. I also want to see part of the events funding utilised for a significant and regular Māori event. In order to deliver on these higher expectations, ATEED have indicated that they will need greater flexibility in the use of their total funding allocation and are also seeking the mandate to explore new revenue opportunities. I am supportive of both of these initiatives.

b. RFA to continue to seek improved outcomes from the various facilities it manages and to maximise its revenue opportunities with no change to the current funding envelope and to absorb cost pressures and revenue fluctuations.

The capital programme of $410 million is slightly increased from the previous funding level and is based on RFA's proposals for refocusing their capital programme on essential renewals.

Transport

Transport $million	Year 1 2015/2016	Year 2 2016/2017	Year 3 2017/2018	Years 4-10 2018/2019-2024/2025	Total	% of total budget
Operating expenditure	1,053	1,081	1,116	9,057	12,307	31%
Capital expenditure	469	599	645	5,121	6,832	41%

Transport represents the most significant proportion of our total budget – almost a third of our operating costs and over 40% of our capital budgets. The funding envelope in the baseline budget is a significant reduction in the capital programme in the current LTP and has an even more significant shortfall on the aspirations reflected in the Auckland Plan.

This baseline proposal includes major projects such as:

- The City Rail Link
- North Western Growth Area projects
- Warkworth SH1 intersection improvements
- The East – West connections
- Lincoln, Te Atatu and Dominion Rd upgrades.

The full detail of the list will be the subject of discussion between Auckland Transport and ourselves over the next couple of months as part of fleshing out the draft LTP for consultation. The basis of that discussion will be the criteria by which we rank projects and getting a shared level of comfort with that process. Naturally I would want to see our strategic shifts towards public transport active modes strongly reflected in those criteria.

However, the basic transport option is not what I believe Auckland wants or needs. It is an investment programme that will not solve our existing transport problems and in fact will see them get worse.

Under current funding arrangements what we can afford involves foregoing a significant amount of transport investment that Aucklanders have told us they wanted through the Auckland Plan. We wouldn’t be able to deliver a range of projects including:

- A majority of local and arterial roading projects across the region
- Almost all of the park and ride projects currently programmed
- The North-Western busway
- Strategic projects such as Penlink and rail electrification to Pukekohe.

I beleive Aucklanders want all of these projects and have an expectation that the entire transport programme contained in the Auckland Plan be delivered in the 30 year timeframe.

If that is the case, we have two options that were presented to us last year by the Consensus Building Group (CBG):

- Significant increases, above those proposed, in rates, accompanied by materially higher fuel taxes; or
- The introduction of some form of new and alternative funding stream for transport infrastructure – such as, for example, a network charge.

We have re-formed the CBG as the Independent Advisory Group (IAG) and on 29 October they will present the Governing Body with a fully costed policy and business cases for each of these options. At the same time, we will receive a definitive list of the projects that make up the basic investment programme, and those that require additional funding to deliver.

From that point on, the LTP debate, as it relates to transport, will become a discussion over two clearly defined questions:

- Is Auckland prepared to live with the basic transport programme, or does it want us to deliver the full investment package contained in the Auckland Plan?
- If we are to deliver the Auckland Plan programme will Aucklanders be prepared to pay for it through significantly higher rates or a new form of alternative funding?

I believe that this is the most important funding debate that Auckland has ever had and will ever have, and we owe it to the generations to come to get it right.

Governance and Support

Governance and Support $million	Year 1 2015/2016	Year 2 2016/2017	Year 3 2017/2018	Years 4-10 2018/2019-2024/2025	Total	% of total budget
Operating expenditure	619	637	656	4,927	6,838	17%
Capital expenditure	149	125	125	942	1,340	8%

This area incorporates both the cost and support of the elected members and our associated decision making structures and processes, as well as the costs of running the council organisation – areas such as communications, legal services, human resources and information systems. It is a significant cost area and while some costs are not discretionary and others are driven by the size of the work programme and the fact that we are still bringing together a multitude of systems and processes – I am challenging the Chief Executive to find further cost savings over and above the efficiency targets we have set in previous years. The funding envelope for operating costs has been reduced by $21 million in year 1 and $30 million from year 2 onwards. The CEO has indicated he will be looking for a combination of efficiency initiatives, revenue opportunities and non-strategic asset sales to achieve this.

Also included in this area are our investment holdings through ACIL. Assumptions of ongoing improvements in the dividend stream have been incorporated into the baseline proposal.

Additional funding for our obligations in the co-governance arrangements for the Maunga have been included in both operating and capital programmes.

Environmental Management and Regulation

Environmental Management and Regulation $million	Year 1 2015/2016	Year 2 2016/2017	Year 3 2017/2018	Years 4-10 2018/2019-2024/2025	Total	% of total budget
Operating expenditure	416	425	433	3,431	4,706	12%
Capital expenditure	120	103	92	800	1,115	7%

A funding envelope for operating costs of $4.7 billion for 10 years has been provided for the activities delivered under this heading include:

- All of our regulatory functions i.e. resource and building consents, environmental health, animal control etc.
- Stormwater
- Solid waste
- Environmental services.

This funding envelope represents a small reduction of 1% in total. In year 1 this requires a reduction of approximately $7.5 million in non-capital related expenditure. The largest part of this will be an adjustment to our regulatory fees to recover our costs, and the remainder from cost reductions.

Delivery of the Waste Minimisation Plan is one of our major transformational initiatives and I do not wish to see this compromised. There are elements of cost saving that I think are worth debating such as the inorganic collection – is this standardised across the region or dropped as a service altogether? But the key elements of the roll out of the waste minimisation plan, in my view need to be maintained in line with earlier consultation on the WMMP.

Our activity in environmental protection is another area where I think there are opportunities to empower communities to deliver more. I would like to see an evaluation of our environmental programmes from the perspectives of both:

a. Which deliver the best value; and

b. Which can better delivered by local communities.

This is also an area where I believe local boards can play a more active role through their knowledge and relationships with local communities.

Finally stormwater is a major priority area. The proposed capital programme of $1 billion reflects the latest projections from asset management plans. In the later years when we have the ability to add a little more to the capital programme I would like to see increased investment in environmentally sensitive stormwater management as outlined in the Healthy Waterways proposal.

What this Proposal will deliver

While there are some reductions in the levels of expenditure from the last LTP this proposal will allow Auckland Council to deliver huge value to Aucklanders and to do it within a financially prudent framework.

It is tempting to focus only on the changes around the margins and lose sight of the overall package of services, activities and projects that this ten-year programme will deliver. Many projects we deliver will support a wide range of our outcomes that we identified through the Auckland Plan. It is worth reflecting on what that delivery looks like when viewed through a number of different "lenses".

In the Auckland Plan we identified six transformational shifts which we agreed would be the prioritisation tool for this LTP – in particular relative to any new investment. So looking at the programme of work we will deliver in the coming years through those lenses:

Dramatically accelerate the prospects of Auckland's children and young people

Young people make up 37% of our population. Much of our community infrastructure is heavily used by our young people. We have a wonderful network of sports parks and local parks, most of the latter with a great range of children's play equipment. 56% of the 9 million visits to our swimming pools and leisure centres are by children and young people. Free swimming pool entry for children under 16 has encouraged more young people to utilise these facilities. Parks, pools and recreation centres cost $122 million per annum to operate.

Libraries are popular with young people and we have 32,000 children each year participating in our literacy skills programme. Each week 2,700 children and their caregivers participate in the Wriggle and Rhyme programmes.

We also provide land and, in many cases, buildings for a variety of early childhood facilities and programmes.

The Auckland Art Gallery, War Memorial Museum and Stardome, which are funded by council to the tune of $55 million per annum, cater to low decile school students in their thousands, with the Auckland Arts Festival attracting 10,000 students. The Auckland Philharmonic Orchestra entertains 30,000 young people nationwide with music, ranging from hip-hop and rock to contemporary and classical, with a focus on at-risk young people in south and west Auckland.

We run environmental programmes with over 50 percent of secondary schools participating, and support programmes such as Watersafe and the Find Your Field of Dreams.

Much of our infrastructure provision is also a great enabler for our young people. The multi-million dollar investments into public transport are heavily used by students and those without access to vehicles. Our expanding network of wi-fi hotspots cater for the digital generation.

Strongly commit to environmental action and green growth

One of the most significant programmes of work in this area is the strategy to move as many commuters as possible off the roads and onto public transport. The significant investment in PT infrastructure development over the 10 years will have major environmental benefits, particularly the shift to electric trains.

The Unitary Plan, with its focus on intensification, protects the surrounding environment from sprawl and supports the moves to public transport through that intensification approach. It also specifically protects our most outstanding natural features and the regulatory functions monitor and enforce these protections.

This LTP will see the introduction of a transformed approach to the management of waste. We will be focused on reducing the amount of waste to landfill through providing a much enhanced level of recycling services and an "across region" approach to user pays for waste to landfill.

Our stormwater investment of $1 billion over ten years, as well as managing flood risk, also plays an important part in ensuring run-off entering our streams and harbours is cleaned of harmful elements. Increasingly we will look to introduce more natural approaches to stormwater management through the Healthy Waterways project and projects such as the daylighting of La Rosa stream.

Watercare has a major part to play in managing impacts on the environment with just under $3 billion expected to be spent on wastewater projects over the next 10 years, and their approach to volumetric pricing is a significant contributor to demand management.

Our regional parks network includes areas of ecological significance as well as allowing Aucklanders to enjoy the natural environment.

In addition to these major investment areas we have a variety of environmental programmes covering a spectrum of education, incentivising landowners, working with community groups, and a major role in monitoring environmental indicators.

Move to outstanding public transport within one network

Earlier in this report there is a discussion on the two levels of the transport programme and the need to have a conversation with our community on what level of investment they support and how they wish to pay for it.

Whichever transport programme we eventually include in this LTP, there is no doubt that it will reflect the ongoing shift to public transport that this council has been committed to since its inception, with $700 million spent on public transport in the four years of Auckland Council.

The City Rail Link is fundamental in both scenarios. The baseline programme in addition, incorporates significant investment in bus lanes and bus infrastructure to support the new public transport network. Projects such as AMETI include walking and cycling provision. The city centre transport budgets include funding for Wellesley Street bus infrastructure and the Wynyard bus interchange.

There is no doubt that many of the aspirations for public transport, walking and cycling will not be met by the baseline programme. This, however, is the debate that we need to have as Aucklanders.

Radically improve the quality of urban living

Aucklanders are very clear about what makes Auckland special – things like unique natural environment, lifestyle, multi-ethnic, the sense that we are a collection of small villages that are still alive through the retention of buildings, heritage and community.

More people want to live in Auckland. There is nothing to suggest that Auckland will stop growing.

The Auckland Plan is clear – we will manage the growth through a quality, compact city.

A quality, compact city will benefit Auckland because:

- Denser cities have greater productivity and economic growth
- It makes better use of existing infrastructure
- Improved public transport is more viable
- Rural character and productivity can be maintained
- Negative environmental effects can be reduced
- It creates greater social and cultural vitality.

Encompassed in this is the importance of quality – quality of buildings, places and spaces which make us proud to be Aucklanders.

We have a number of roles in ensuring a high quality urban environment. We create the policy setting which enables quality growth. The Unitary Plan, which will cost approximately $44 million by the time it is completed, is a major exercise, with significant input from the community, in determining the form and nature of future Auckland. Complemented by area, centre and local plans, which are heavily influenced by local boards, this is the basis of our planning framework for the next 10 to 15 years.

Alongside the planning framework we provide technical and urban design advice and spend close to $2million a year on heritage advice and assistance.

Provision of housing choice, quality housing and housing affordability have also become major focus areas for us in recent times. The Housing Project Office is an initiative costing approximately $1 million per year, which facilitates the provision of housing through a streamlined process that is aligned with the Special Housing Areas legislation but provides incentives for quality, planned development. We also partner with the private and not-for-profit sectors to leverage off our existing land holdings to achieve better housing outcomes e.g. Wilsher Village, Wynyard Quarter, Hobsonville, Papatoetoe town centre, Ormiston and the Tamaki regeneration project.

While our primary role in housing is not as a direct delivery agency we do own over 1400 units of housing for older people unable to afford their own homes. We also need to continue to work with central government on addressing the shortage of emergency housing for the homeless.

Substantially raise living standards for all Aucklanders and focus on those most in need

The amalgamation of Auckland local government was driven by the view that Auckland needed to lift its economic performance for the sake of all New Zealand. Economic development is an underlying driver of much of our activity. The living standards of Aucklanders are closely tied to our economic success.

Much of the over $12 billion of core infrastructure spend (transport and the three waters) included in this proposal is essential to the functioning of the economy. Our planning activity which enables new land to be zoned for commercial and industrial purposes is also a key enabler for economic growth.

Over and above this core activity we spend close to another $70 million per annum focused on:

a. attracting visitors, future residents and business through:

- Building a world class major events portfolio for Auckland and delivering the World Masters Games 2017
- Growing the visitor economy
- Promoting the Auckland identity and brand story
- Building Auckland's international profile including developing a council-wide Global Engagement Framework,
- Delivering global business profile/business proposition for Auckland and targeted marketing campaigns
- Development of the cruise ship terminal.

b. supporting Auckland business to innovate and grow through partnering in:

- Developing GRID AKL as a showcase of innovation
- Regional Business Awards Programme
- Delivery of and enabling New Zealand Food Innovation Auckland (The Foodbowl)
- Development of the Wynyard innovation precinct
- Development of super yacht re-fit facility.

c. Skills development with support of projects such as the Youth Traction plan, the work of COMET and many programmes focused on children and young people – including literacy programmes and access to digital technology in libraries.

The other very important component of living standards in Auckland is the work we do targeted at creating a safe and cohesive society. Auckland Council has a huge role in creating a sense of community. We do this through the provision of our network of 118 community halls, 24 swimming pools, 17 recreation centres, 55 libraries and 2,838 local and 26 regional parks. These are all places which act as centres for community activity.

As well as providing and maintaining places, we also fund a wide range of activity in this area. For example we fund various community groups through regional and local grants ($17m per annum). Citizens Advice Bureau at $1.8 million per annum, provide 1,186 community leases, many at peppercorn rentals.

In the safety area apart from our regulatory roles in building, environmental health, pool fencing inspections and animal management services, we also deliver or support other organisations to deliver a number of services:

- Emergency services such as rural fire services ($1.4m) and Auckland Regional Rescue Helicopter ($1.4m)
- Water safety initiatives such as Coastguard Northern Region ($670,000), Surf Life Saving Northern Region ($1.2m) and Watersafe Auckland ($970,000). Council also directly delivers approximately 877,000 children's swimming lessons each year
- Civil defence and emergency management for the region
- Funding community safety initiatives such as community patrols and wardens
- Supporting crime prevention initiatives, such as facilitating providers working with youth offenders
- Designing and planning safer public realms through incorporating Crime Prevention Through Environmental Design, planning and managing CCTV
- Dealing with more than 80,000 graffiti incidents per year
- Developing and implementing policies and by-laws to minimise social harm (e.g. drug, gambling, alcohol, commercial sex industry).

Significantly lift Māori social and economic well-being

Māori comprise 10.7% of our population of Auckland. They are over represented in our most disadvantaged communities and in the Auckland Plan we identified the need to address some of these issues. In 2012 the Independent Māori Statutory Board produced the Māori Plan setting out a strategy for lifting Māori economic and social wellbeing. This is not a role for the council alone. The plan itself acknowledges that central government and Māori organisations have a role to play alongside local government.

Much of our activity provides the same benefits to Māori as it does to the rest of the community. The projects and programmes that target young people and those focused on socially disadvantaged parts of our community often have a reach into the Māori community.

We have a number of programmes that are targeted specifically to assist in our partnership with the Māori community. We financially support the 19 iwi of Tamaki Makaurau to engage with us and have set aside some funding from previous budgets to assist in the development of marae. Many of the programmes in our environmental area work closely with mana whenua to ensure cultural values are at the forefront of those projects. In recent annual plans we have allocated specific funding for the sites of cultural significance work in the Unitary Plan and for marae development.

For this LTP the IMSB, mana whenua and our own staff advisors, Te Waka Angamua, have put forward a number of recommendations for projects that will make a difference to Māori moving forward.

Included in the baseline budget is funding for our obligations for co-governance of the Maunga.

I have also identified within the relevant activity areas where I believe we should be looking to prioritise funding for we flesh out the detail of the funding envelopes. These are:

- A signature Māori event to be delivered by ATEED
- Further funding for marae development
- Funding support for the development of Papakainga housing.

Regional and local delivery

This report started by talking about the drivers for the amalgamation of Auckland local government - addressing regional infrastructure needs to build a city that can both cope with expected population growth and allow us to compete on the international stage. It is this gap in regional infrastructure that we have to focus on and continue to deliver on. The legacy councils, in most cases, delivered well for their local communities and we do have a strong base on which to build at the local level.

Over the first four years of the Auckland Council we have continued to deliver (and in many cases add to) those legacy commitments. Parks and community infrastructure have had investment of $600 million since the inception of Auckland Council.

Some examples from around the region over the last four years include:

North: Wellsford library $3.8 million, Warkworth showgrounds $2.6 million, Land acquisition for parks in the Hibiscus-Bays area over $13 million, QBE stadium fields $3.2 million, Victoria Wharf upgrade $6.7 million, Devonport-Takapuna library over $2 million

Central: Tepid Baths upgrade $15.8 million, Seddon fields $2.8 million, Point Resolution bridge $4.6 million, Mt Roskill library refit $1.5 million, Puketapapa open space $1.8 million, Onehunga foreshore project $11.5 million

Islands: Waiheke library $5million, Great Barrier runway $1.5 million

East: Orakei Basin walkway $3.6 million, Colin Maiden Park $60.7 million, land acquisition in Flatbush $10.5 million, William Green domain developments $3.1 million

South: Papatoetoe sports centre $8.6 million, Otahuhu recreation centre precinct forecast to be $18 million, Mangere Bridge boat ramp $2.6 million, Bruce Pulman Park indoor courts $3.8 million, Massey Park pool $4.6 million, Massey park stadium $4.3 million, Mountford park $3.5 million, Manurewa sports centre $5.2 million

West: Te Atatu library $4.2 million, Ranui library almost $3.7 million, Te Atatu Peninsula community centre $2.1 million, Lopdell House redevelopment $11.8 million.

Moving forward there is a recalibration of that investment. We have identified our growth areas and those most in need of investment to realise the potential for delivery of that growth. This will help us prioritise our capital investment for the next 10 years as well as focusing some of our planning and development programmes.

During recent months we have also addressed the equitable funding of local boards. Expenditure that is fully within the control of local boards has been identified and a formula for the allocation of the funding associated with that expenditure agreed. It is my view, as indicated earlier in the report, that there are opportunities to allocate more of our community development activity and funding and, potentially some of our environmental programmes and related funding to local boards, giving them more discretion and ability to meet their local community needs.

Feedback from local boards leading into the preparation of this proposal has been constructive. There is a theme coming through from many local boards highlighting a view that the amount of funding allocated to local activities is unbalanced at 10-11%, and that we should seek to put a greater proportion of our total funding into local activities and less into regional.

This view would suggest that everything that is labelled “regional” within our budgets is therefore not a local benefit. Nothing could be further from the truth. Very large chunks of our spend are actually of immediate local benefit but because they are delivered as part of a network approach, by either a CCO or a centralised council department, they are considered regional decisions rather than local decisions. For example it would be hard to argue that the new Pukekohe watermain, the Helensville sewerage treatment plant, the Kawakawa Bay wastewater system, the Drury pump station, the Glenfield Road improvements, the Otara bus interchange are not of an immediate benefit to those local residents rather than the wider region.

Attached to this report are schedules supplied by council and CCO staff showing a very wide range of projects that have been delivered over the last four years in local areas – many of these from “regional” activities. It needs to be recognised that local communities often benefit from projects and activities that are delivered through the Governing Body decision making.

Next steps

This proposal has adopted a different approach to past budgeting exercises. Instead of making minor changes to existing budgets I have taken a top down approach. Starting from a set of financial parameters, I have indicated the levels of rates and debt that I would be comfortable with.

Using all of the information we have been provided with over recent months I have then looked at how I think we should divide that funding between the various elements of the business to achieve our strategic objectives.

Producing a draft LTP 2015-25

The next steps for developing the draft LTP budget will now require us to:

a. Agree the overall parameters; and

b. Work with the council and CCO senior staff to develop a programme within those funding envelopes that we believe delivers best value for Aucklanders in the short and long term.

This process will start in a matter of days.

The other significant part of developing this draft LTP is to address our financial polices, in particular the rating policy and development contributions. During October we will be workshopping options for rating (including the Uniform Annual General Charge) and other financial policies and I will present an initial proposal for debate at the end of October.

Also at the end of October we will receive the report on alternate funding from the IAG and in November we will be making our decisions on the LTP baseline budget, the financial policies and the alternative transport budget and funding mechanisms. This will form the basis of the draft LTP for public consultation.

Engaging with the community

The first few months of next year will be the opportunity for a major engagement with our community. Unlike central government who produce their budget and then get on with the business, we have a transparent and consultative process which will ensure we hear from, and understand, the views of Aucklanders before we finally sign off on this LTP.

I am expecting an unprecedented level of interest in this ten-year plan. It will lay out for Aucklanders some clear and stark choices about what they want for their city – and how they are prepared to pay for that, with a particular focus on transport. There will be a variety of views and we will need to make some tough calls – but that is what leadership is about and I am sure we will all be up for the challenge.