

Auckland Council's Annual Budget 2023/2024

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Online Information Session #1

Q&A

Tuesday 7 March 2023

5.30pm – 7.00pm

Question	Response
How come we are decreasing real rates when we have a budget shortfall?	We are proposing an average increase in general rates across all existing properties of 7.0 per cent in 2023/2024 rather than the 3.5 per cent set out in the 10-year Budget 2021-2031. To mitigate the impact of the general rates increase we are also proposing the following changes to our current rates charges: • reducing the Natural Environment Target Rate (NETR) and Water Quality Targeted Rate (WQTR) by around two thirds and utilising the money we have already collected from these targeted rates to continue to deliver these work programmes in 2023/2024 • pausing the long-term differential strategy (LTDS) for one year to reduce the impact that this strategy has on non-business ratepayers in 2023/2024. This package of rates changes that will result in a total rates increase for the average value residential property of 4.66 per cent or \$154 a year (around \$3 a week).
Why does the budget consider asset sales and service cuts as well as rates increases below the current rate of inflation but does not consider raising rates by enough to over most or all of the suggested deficit?	If no other budget mitigations were proposed (beyond those indicated in the Annual Budget 2022/2023), a 13.5 per cent general rates increase would be required to address the full amount of the operating budget pressure for 2023/2024. This would raise additional revenue of \$204 million. Without the rates mitigation above the average overall residential rates bill would increase by around \$433, or 13.1 per cent. With the application of the mitigations this would be a total increase of \$336, or 10.2 per cent, to current year's rates.
BYW based on my current rates and a rate increase of 10% i would face an increased rate of about \$10 1 week. Why is this a problem?	When council sets it's rates increases it considers the impacts all Auckland ratepayers.
When council sets it's rates increases it considers the impacts all Auckland ratepayers.	Auckland Council is required to undertake a revaluation across all properties once every three years. The councils last revaluation was in 2021 which took affect from 1 July 2022. The next revaluation is scheduled for 2024 which will take affect in 1 July 2025. Most residential ratepayers will have increases around 4.66%. The actual increase will depend on other factors like the number of dwellings and waste services the property receives.

How much \$ do you get from each 1% rate increase?	Around \$20 million
Why aren't you proposing several rate increase options with the impacts of each model being visible to ratepayers	If some of the non-rates options, or levers, are not used then the alternatives include increasing general rates by up to 13.5 per cent, or a total rates increase of \$336 per annum for the average value residential property (around \$6.50 per week). This alternative and other alternatives are detailed on page 36 of the Supporting Information.
Isn't it a fundamental long term truth that your expenditure must be funded by rates?	Auckland Council receives funding from a mixture of revenue sources. These include rates, fees and charges, and subsidies and grants (mainly from central government). The council is required by law to operate a balanced budget. The level of rates charges is one of the considerations when determining that balance.
Why aren't the proposed rates higher? Why haven't they been raised enough to meet inflation? I ask this as a rate payer.	If some of the non-rates options, or levers, are not used then the alternatives include increasing general rates by up to 13.5 per cent, or a total rates increase of \$336 per annum for the average value residential property (around \$6.50 per week). This alternative and other alternatives are detailed on page 36 of the Supporting Information.
Haven't the big value increases of property given the council much higher rates income already?	Property values are a sharing mechanism and don not determine the level of rates collected. The council determines its rates revenue requirement and then uses property values to spread that across all properties.
Ron's point is that your 13% rise is probably acceptable, given council's own economising. Doesn't that mean thats the way to go? Why is that not credible and sustainable?	When council sets it's rates increases it considers the impacts all Auckland ratepayers.
Why arent rates being raised to at least keep pace with inflation? It seems the council budget and the rates burden is decreasing in real terms.	We are proposing an average increase in general rates across all existing properties of 7.0 per cent in 2023/2024 rather than the 3.5 per cent set out in the 10-year Budget 2021-2031. To mitigate the impact of the general rates increase we are also proposing the following changes to our current rates charges: • reducing the Natural Environment Target Rate (NETR) and Water Quality Targeted Rate (WQTR) by around two thirds and utilising the money we have already collected from these targeted rates to continue to deliver these work programmes in 2023/2024 • pausing the long-term differential strategy (LTDS) for one year to reduce the impact that this strategy has on non-business ratepayers in 2023/2024. This package of rates changes that will result in a total rates increase for the average value residential property of 4.66 per cent or \$154 a year (around \$3 a week).

Can you please give an example that compares rates for households and businesses eg the lady on a pension who pays \$5,000 p.a. on rates - what is an equivalent business income that would pay \$5,000 p.a. in rates?	A business property of the same value would pay around \$11,600. It may pay more than this if it is in the city centre or a business improvement district.
Why were you collecting those targeted rates before only to keep them in reserves before?	In 2018 we introduced the NETR to tackle the spread of Kauri dieback disease and the predators that are killing our native birds and trees. At the same time, we also introduced the WQTR to bring forward our 30-year plan to invest in cleaning up Auckland's beaches, harbours, streams, and aquifers. To date, revenue collected from these rates has been more than what we have spent due to different phasing of revenue and expenditure and the impacts that COVID has had on our planned investments. This has resulted in the WQTR and NETR accumulating reserve funds of \$33m and \$20m respectively as at 30 June 2022.
How do you propose to maintain services in the environment and water quality after reducing NETR and water quality rates?	Temporarily reducing these rates and using funding from reserves enables us to continue delivering these programmes as planned while providing temporary support to ratepayers. This will reduce rates for an average residential property by around \$77 (\$46 for the WQTR and \$31 for the NETR) and \$376 for an average value business property. We would need to return these targeted rates to their full level in 2024/2025 to ensure that these programmes continue within the planned timeframes. This will mean higher overall rates increases in 2024/2025 than would otherwise be the case.
If the NETR and water quality rates are reduced, how is it that the this spending won't be affected? And will this be true for the next budget as well?	Temporarily reducing these rates and using funding from reserves enables us to continue delivering these programmes as planned while providing temporary support to ratepayers. This will reduce rates for an average residential property by around \$77 (\$46 for the WQTR and \$31 for the NETR) and \$376 for an average value business property. We would need to return these targeted rates to their full level in 2024/2025 to ensure that these programmes continue within the planned timeframes. This will mean higher overall rates increases in 2024/2025 than would otherwise be the case.
You haven't mentioned the Climate Change Targeted Rate. Please explain what revenue it will be raising compared to last year and what will be the spending priorities?	We propose to partially reprioritise \$10.5 million of additional bus service expenditure that was planned to be funded by the Climate Action Targeted Rate (CATR) for the 2023/2024 year. Operational constraints mean that CATR funded bus services, originally planned for delivery in the first half of 2023/2024, are now planned for delivery in the second half of the year. This creates savings in the CATR bus services budget in 2023/24 that are now proposed to be used to fund the North West bus service improvements and bring forward funding for

	two new frequent bus routes in East Auckland. The proposal does not impact on the level of the CATR charged in 2023/2024 or the plans for CATR funded services beyond 2023/2024. The proposal ensures that we can continue to deliver the climate and service outcomes for which the CATR was established while helping manage the financial challenges that we are now facing.
I understood that the targeted rates were being spent on capital assets; and that the rates were often funding the debt that is used to build these assets; e.g. hygienic tracks, and better pipes. How would cutting the targeted rates affect the total work done with the targeted rates? Will it reduce capital projects or just operational projects?	Temporarily reducing these rates and using funding from reserves enables us to continue delivering these programmes as planned while providing temporary support to ratepayers. This will reduce rates for an average residential property by around \$77 (\$46 for the WQTR and \$31 for the NETR) and \$376 for an average value business property. We would need to return these targeted rates to their full level in 2024/2025 to ensure that these programmes continue within the planned timeframes. This will mean higher overall rates increases in 2024/2025 than would otherwise be the case. If we decide to reduce these targeted rates for 2023/2024 then the impact on the program of works will be addressed in next 10-year Budget. This could involve: • extending each of programmes and the targeted rates for additional years • increasing the targeted rates for the remaining years of the planned programme of work • reducing the planned projects involved in each programme to match the reduction in revenue.
A few years ago Targeted rates were consulted on for Water quality and biodiversity for 10 years. It seems a breach of trust to now say not needed any more. I understand the water quality work is needed to fully implement the Central interceptor works to reduce waste water in our streams and beaches. I also understand that costs have increased, so planned work would need significantly more budget even without. Further the reasons for waste water and stormwater upgrades became apparent to most people earlier this year with 3 flood events. How can the same amount of work be done by pausing the WQTR, in an environment where costs are rising? Are you saying pause this year and double next year? Or what is being stated please?	In 2018 we introduced the NETR to tackle the spread of Kauri dieback disease and the predators that are killing our native birds and trees. At the same time, we also introduced the WQTR to bring forward our 30-year plan to invest in cleaning up Auckland's beaches, harbours, streams, and aquifers. To date, revenue collected from these rates has been more than what we have spent due to different phasing of revenue and expenditure and the impacts that COVID has had on our planned investments. This has resulted in the WQTR and NETR accumulating reserve funds of \$33m and \$20m respectively as at 30 June 2022. Temporarily reducing these rates and using funding from reserves enables us to continue delivering these programmes as planned while providing temporary support to ratepayers. This will reduce rates for an average residential property by around \$77 (\$46 for the WQTR and \$31 for the NETR) and \$376 for an average value business property. We would need to return these targeted rates to their full level in 2024/2025 to ensure that these programmes continue within the planned timeframes. This will mean higher overall rates increases in 2024/2025 than would otherwise be the case.

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Could you create a city user fee? Non student adults who do not already pay rates. \$200 per year per person would save jobs and facilities. If their was one million people paying this fee that is \$200,000,000.00 This goes a long way to saving the short fall and would likely be more.	The council does not have the legislative power to implement a fee of this nature.
Why is the council engaging in gambling with the banks on interest rate movements?	Auckland Council does not engage in gambling on interest rate movements. The council's Treasury Management policy is available here: https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-policies/Documents/treasury-management-policy.pdf
What percentage of the deficit is interest on existing debt?	The Supporting Information notes that \$50 million of the \$205 of additional budget pressures was as a result of higher interest costs.
What is the revenue currently forecasted to end of this year and what % is that of debt level? ie your debt calculation	Our Annual Budget for the current year indicated total revenue of \$6.25 billion and a debt to revenue ratio of 253%. As at 31 December 2022 our debt to revenue ratio was 248%.
What is the forecasted interest rate of debt as highest projection is 4.9% (though one councillor is talking about 7%?????)	The Consultation Document is based on forecasts that the average interest rate on council borrowing will be 4.61% for the 2023/2024 year. We understand the reference to 7% was around the interest rates homeowners might be facing as they reset mortgages.
Hole was \$90 million prior to LB elections, with talk of 7% plus in March 2022, how has the council not cater for worstcase?	We noted as early as the 2022/2023 Annual Budget that the ongoing budget challenge for the council to solve could be \$90 million to \$150 million depending on inflation and interest outcomes. We noted then that a number of mitigation levers are available to address the ongoing funding gap and more may become available as we move into future planning processes with time for full staff advice and public consultation.
Why are we not reducing the high salaries that we pay top level executives at council CCOs?	We are progressing savings in areas like simplifying management portfolios and structures. We do of course need

Community has higher needs than ever before following Covid and now recent emergencies. Most of our long term experienced community leaders barely earn even a sixth of what the CCO execs get. I get that current salaries can't be changed but surely future salary points can be reduced significantly. Certainly the higher salaries have not produced the results that would suggest that such salaries are justified. Just reducing 2 of these salaries to similar levels to community organisation execs would save enough each year to pay off one or even two local boards required savings	to attract and retain the necessary staff to deliver services to Aucklanders
Are you proposing shared services across council and CCO's? If not why not?	Yes
Will there be an FTE reduction at Council and if so, what number if forecasted?	We plan to make \$125 million through spending cuts across the group and with staff being a major component of our costs we can expect major impact there. Staff impacts will be carefully managed with a focus on redeployment and managing staff numbers through attrition where possible.
What contracts are coming up for review in next few months? Eg I see savings can be made in some excessive mowing specifications in some parks. Can volunteers do more by reducing strict regulations ? Do we have to wait for the LTP?	We are already reducing open space maintenance to contribute \$5 million for savings. This will include reducing: – 30 per cent of litter bins across the region – primarily bins that are near each other or in low use – Garden maintenance for 80 per cent of gardens – Grass mowing, with grass reaching a slightly longer length (25mm longer). Where there are legislative requirements our priority will be to meet them. With regard to other contracts we are continually reviewing savings opportunities.
Ms Simpson says it is proposed that 37% comes from rate payers. What was the % in the previous 5 years?	It has been roughly the same level over this period.
If you increase rates, might that slow inflation and lessen the likelihood of interest rates. ie you get the funds not the banks!	Avoid unreasonable costs or shocks for ratepayers and service users, now and in the future is one of the criteria we have used in setting the budget. Substantial rates increases for the next year could create affordability challenges for some ratepayers, but other actions may just delay this impact and may result in larger rates increases within the next couple of years.
spending cuts 174 + rates 154 + asset sales 87 + debt(interest) 0 = 366 # 295. How come?	The budget proposal and its components are detailed in the Consultation Document. The proposed options are on pages 14-15 and the proposed budget begins on page 19.
Is the 1% increase already a commitment? or is that up for consultation?	This is up for consultation and we welcome your feedback via a submission on this

What cost-benefit analysis was done on the proposed budget?	The Budget is supported by a wide range of cost-benefit analysis across all of the activities of council. These are available on the council's website or at https://infocouncil.aucklandcouncil.govt.nz/ . For specific proposals, service level and community implications are also noted in the Supporting Information document (pages 10-23) . We value further feedback on this.
Why is the public being asked to propose alternatives to balance Council's budget and what is the process around considering the proposed alternatives?	Consultation and feedback consultation document supports the decision-making processes of Auckland Council,
There seems to be no cost reduction to capital works which would seem to be a prime target to reduce outgoings. Why has this not been considered?	Capital spending was reviewed and is included in the budget. The staff report to support the Mayoral Proposal and is available on the council's website https://infocouncil.aucklandcouncil.govt.nz/Open/2022/12/20221215_GB_ATT_11217.PDF
Why is golf courses not an option since would take two - three course to cover the gap where according to 2018 was a 161 million opportunity cost (more than shares) as a number are off lease or about too	The Auckland Council balance sheet includes over \$70 billion of assets, including golf courses. The council has an existing programme of reviewing surplus assets to identify those that can be sold, and has been actively selling surplus property assets in recent years. The existing asset sale targets that are already built into budgets are challenging and staff advise that increases to these would likely not be achieved for 2023/2024 given the short timeframe for implementation. Some golf courses are subject to long-term leases and the council is currently working through it Future of Golf strategy which will help inform what the council' long-term role in owning golf courses should be. Nevertheless, council staff will complete detailed analysis of other asset opportunities and provide advice to the Governing Body to support the long-term plan discussion later in 2023. It is anticipated this will include development of principles-based approach to when council should own and when it should not own assets; detailed analysis of current and potential future asset ownership; and a multi-year implementation approach.
How do you expect to build and have a climate adapted and resilience city without climate education?	Council services and activities include continued spend on climate education although it is acknowledged the proposals include some reductions. We welcome further feedback on this.
Has the Governing Body considered approaching Central Gov't or Minister for Local Gov't for flexibility on the balanced budget requirement?	No. Not balancing the budget would not be credible.
An \$8 p/w increase for the average household isn't unreasonable cost for the services Council	The Consultation Document and Supporting Information contains detailed assessments on rates options, including

provides, how well did the Governing Body/Council investigate this option?	impacts of different general rates increase options on page 36 of the supporting information. These were workshopped as part of the budget process.
Along with stewardship of a city's accounts, utilities and infrastructure, a Mayor and Council holds stewardship over community, social, local and economic outcomes. Given that a significant proportion of the proposed cuts will have long-term consequences on Auckland from a societal and community perspective, as well on the Auckland economy, could you please outline what detailed analysis was carried out on the specific activities, programmes and organisations that will have cuts to inform these decisions? For example: Analysis of activity, outcomes and impact to date? Future impact analysis from the removal of these programmes and organisations, and the Aucklanders they serve? Future impact analysis on the Auckland Economy? And so on... (I have read the consultation document and summary information.)	For specific proposals, service level and community implications are noted in the Supporting Information document (pages 10-23) . We value further feedback on this.
Any thoughts about the perception that this in an attack on Council's kaimahi who heroically carried our city during the Covid years?	We recognise that this proposal comes after recent years of tremendous upheaval for everyone, personally and in the work environment. Our people have responded magnificently to successive challenges over this time, and we have, as much as possible, tried to support kaimahi through these challenges. We realise that the months ahead will be challenging and hard decisions will need to be made. Those decisions are not a reflection on the important work kaimahi have done, but rather an assessment made about what work we need to continue doing with far less budget to work with than we have had previously. Knowing that we face these challenges, we have already started to take steps to minimise the impact on employees through mechanisms such as closely managed recruitment and, where practicable, redeployment.
Will you actually listen to our submissions? Because it sounds like the budget is more important than the people, businesses and communities of Auckland.	Once the consultation period ends on 28 March, all submissions are themed and analysed to provide data to the Governing body to help inform their final decision-making in June 2023.
What strategic objectives do golf courses help council meet?	The council is currently working through it Future of Golf strategy which will help inform what the council' long-term role in owning golf courses should be. A draft plan, not council policy, is here

How many councillors have to agree to the budget to let it pass?	There are 20 councillors and the mayor (who holds the casting vote if it is split) who are able to vote on the proposed budget. For it to pass it would need at least 11 votes in favour.
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