



Auckland City Council's 10-year Plan 2009-2019

Volume 3: Policies and statements

Find out more: phone 09 379 2020 or visit www.aucklandcity.govt.nz



About this plan

This 10-year plan prioritises projects that will help achieve future goals for the city.

Under the Local Government Act 2002, Auckland City Council, like all other councils, must produce a 10-year plan every three years showing what the council does and how it will work towards achieving what the community wants for the future. These are called community outcomes (see the appendices in volume 1 for more information).

Auckland City Council's 10-year Plan 2009-2019 is our third 10-year plan and it is published in three volumes.

What's in each volume

There are three volumes:

- Volume 1: Our vision and strategic direction
- Volume 2: Our strategies and activities
- Volume 3: Policies and statements.

The 10-year plan is available at www.aucklandcity.govt.nz/tenyearplan or see page 83 of volume 1 for how to obtain a printed copy.

As a requirement of the Local Government Act 2002, this document has been audited. Audit New Zealand's audit report can be found in the appendices to volume 1. The financial figures found in the text of volumes 1, 2 and 3 and any projections included in the document have been inflated using the inflation indicators as detailed under the Significant assumptions section in volume 3.

Volume 1: Our vision and strategic direction

This volume outlines our vision and strategic direction for the city. It explains where we are heading and the key initiatives we could undertake in the next 10 years to help us achieve our vision. It describes how we are keeping our promise on balancing the importance of affordable rates with delivering the essential progress needed for the city to grow and prosper. This plan has been put together in very uncertain economic times with a deepening global recession and a change in Auckland's governance structure. It will be revised over time as economic conditions alter and regional governance is implemented.

Volume 2: Our strategies and activities

In volume 2 you'll find detailed information on what Auckland City Council does and how it plans to contribute to achieving community outcomes. These details are given under each of the council's seven strategies. Here you can read about our plans for the next 10 years, how much we expect them to cost and how we'll measure our progress. This volume includes information on how we'll finance planned capital and operating expenditure.

Volume 3: Policies and statements

Volume 3 includes assumptions, financial statements and financial and funding policies. These policies are required for us to run an efficient organisation that is prudent in its financial management and transparent in what it does. The Local Government Act 2002 also requires us to have them. We have amended some of these policies, such as revenue and finance, treasury management, development contributions, and our policy on significance to bring them up-to-date.

Contents

Part 1: Policies and statements	3
Significant assumptions	4
Prospective financial statements and notes	12
Prudent financial management	33
Treasury management policy	37
Revenue and financing policy	43
Development contributions policy	62
Partnerships with the private sector	91
Policy on significance	96
Policy on Auckland Airport shares	103
Establishing a new council-controlled organisation and holding company	106
Funding impact statement	110
Rates assistance policies	127
Part 2: Appendices	141
Water and sanitary services plan	142
Waste management plan 2005	162
Fees and charges – licensing and consent	164
Maori contribution to decision-making processes	184
Glossary	185

Part 1

Policies and statements

Significant assumptions	4
Prospective financial statements and notes	12
Prudent financial management	33
Treasury management policy	37
Revenue and financing policy	43
Development contributions policy	62
Partnerships with the private sector	91
Policy on significance	96
Policy on Auckland Airport shares	103
Establishing a new council-controlled organisation and holding company	106
Funding impact statement	110
Rates assistance policies	127

Significant assumptions

Overview

This section explains the assumptions made by Auckland City Council in its financial forecasting for 2009 to 2019.

Demographics

Demographic changes, such as population increase, affect Auckland City Council capital and operating expenditure because they increase the demand for council services and pressure is placed on the city's social and physical infrastructure.

It is assumed that Auckland city's population will grow over the next 10 years. The population is expected to continue to be ethnically diverse and have a significant proportion of people aged between 15 and 64 (known as the working age population).

Actual population figures, following, are sourced from Statistics New Zealand Census 2006 data, which is the latest available. Population projections are based on data released by Statistics New Zealand in December 2007 and assume a medium level of growth.

Population growth

Auckland city's population has grown from 345,870 in 1996 to 404,658 in 2006. The city's average annual population growth rate of 1.58 per cent over this period was almost one and a half times that of the nation's average of 1.08 per cent. Auckland city's population in 2006 made up 31 per cent of the region's population and 10 per cent of the national population.

Population growth in all Auckland City Council wards except Hauraki Gulf Islands was higher between 2001 and 2006 than between 1996 and 2001. The strongest population growth between 1996 and 2006 was in the Hobson ward followed by the Avondale-Roskill ward. Population growth in the Hobson Ward was driven by the popularity of inner-city living. The number of residents in the

Auckland CBD grew from 3804 in 1996 to 17,937 in 2006. Western Bays ward experienced the lowest growth rates.

Population projections indicate that the population in 2011 will be 458,500 and that the population will continue to grow, reaching 509,615 by 2019.

Period	Population
June 2009	446,173
June 2010	452,294
June 2011	458,500
June 2012	464,747
June 2013	471,080
June 2014	477,499
June 2015	484,005
June 2016	490,600
June 2017	496,858
June 2018	503,196
June 2019	509,615

This projected increase will be driven by two factors – net migration, and natural population increase due to a greater number of births than deaths.

Net migration

The 2003 year was a high point for net migration, but the peak has passed and net migration is starting to slow. The net population gain from people moving to

Auckland city is expected to decline from 21,100 in the five-year period between 2001 and 2006, to 9,000 people in the five-year period from 2006 to 2011 and 10,000 people in the five-year periods between 2011 to 2016 and 2016 to 2021. Long-term net migration is particularly difficult to predict, as any changes to immigration policy by central government or national and international changes in economic, social or political conditions could affect migration flows.

Natural increase

The net gain from the natural increase in population is expected to grow from 18,400 in the five years between 2001 and 2006, to 21,200 in the five years between 2006 and 2011, and 22,100 in the five years between 2011 to 2016 and between 2016 to 2021.

Age composition

Auckland city's population is relatively young, with a median age of 33.3 years, compared with 35.8 years for New Zealand as a whole. By 2019, the city's median age is expected to increase to 35.8 years.

The Hobson ward has a large share of its population aged between 15-29 years. Tamaki and the Avondale-Roskill wards have a significant share of their population aged under 15 years. The Western Bays ward has a large share of its population in the 30 to 44 year age group. The Hauraki Gulf Islands and Eastern Bays wards have a large proportion of their populations in both the 45-59 years and 60 and over years age brackets.

Unlike the rest of the country, the proportion of people in Auckland city aged over 65 is decreasing. This group made up 11.4 per cent of the population in 1996, compared with 9.6 per cent in 2006.

The number of people in Auckland city aged under 15 years decreased slightly from 20.1 per cent of the population in 1996 to 18.8 per cent in 2006. Based on projections, it is estimated that the percentage of under 15-year-olds will continue to decline gradually out to 2019.

Auckland's working age population (the number of people aged between 15 and 64 years) is expected to remain at approximately 72 per cent out to 2019.

Ethnicity

Auckland's ethnic composition has been changing over the years to become increasingly diverse. Auckland city has the most ethnically diverse population in New Zealand with 187 different ethnic groups.

The proportion of New Zealand Europeans in Auckland city has decreased from 70.8 per cent of the population in 1996 to 54.4 per cent in 2006. The proportion of Maori and Pacific Islands people have also decreased, but to a lesser extent, over the same period, making up 7.8 per cent and 13.1 per cent of the population respectively in 2006. The greatest increase has occurred in the number of Asian residents, which grew from 45,400 (14.0 per cent) in 1996 to 93,500 (24.4 per cent) in 2006.

Thirty-eight per cent of Auckland city's population were not born in New Zealand. It is assumed Auckland's population will continue to be diverse.

Urban growth

Urban growth puts pressure on the community's social and physical infrastructure and the environment. It is in the community's best interests that this growth is managed effectively. The council therefore developed a long-term growth management strategy in 2003 as part of Auckland City Council's involvement in the regional growth forum. A key focus will be to update this strategy and make further provision for growth through the Future Planning Framework (FPF) process (2009) and the review of the District Plan. The council will focus its efforts on ensuring sustainable urban development in the key centres and business areas identified in the FPF.

Economic growth

New Zealand's economic outlook will affect Auckland City Council's investments as well as operational and capital expenditure. The global financial crisis has implications from which New Zealand and Auckland city are unable to escape. The economy has been through a time of significant uncertainty. Revisions of economic growth forecasts have been commonplace over 2008/2009 and this is likely to continue into the short-term future.

The growth forecasts below are for New Zealand. The OECD has forecast negative growth in 2009, before a gradual recovery in 2010. The long-term average for economic growth in New Zealand between 1998 and 2008 was 3.3 per cent. We expect growth in New Zealand to return to this general level after 2011.

Auckland city can expect to grow slightly faster than New Zealand in the long-term.

Year	Growth range (%)	Growth long-term average (%)
2009	(0.4)	(0.4)
2010	1.9	1.9
2011	2 to 2.5	2.5
2012-2019	3 to 3.5	3.3

Queens Wharf

The development of Auckland's Waitemata waterfront includes opening up Queens Wharf for public access. The 2006-2016 and draft 2009-2019 long-term plans budgeted \$35 million towards this project.

In June 2009, the opportunity arose for Auckland City Council to partner with the government and the Auckland Regional Council (ARC) to acquire the wharf from Ports of Auckland Limited for developing into an open space and constructing a passenger terminal for cruise-ships.

While at the time of preparing this plan the council has no formal agreement with government and ARC, we have assumed:

- government and ARC will acquire Queens Wharf and make it available to the council at no cost
- the council is currently budgeting around \$84 million to strengthen the wharf, convert an existing historic shed for use as a terminal and develop the remaining space for public use. Around \$30 million of this cost will be contributed by external sources

- \$84 million is the best estimate of the cost of the development currently envisaged by the council. The final cost may vary and will depend on, among other things, the final design, which will need to have public input
- the council's investment will be capitalised as an asset in the Statement of Financial Position and depreciated at rates appropriate to the underlying assets
- the accounting treatment of the council's investment may vary when the terms of the agreements with government and ARC are finalised.

The council's rate of inflation

In calculating the "council's rate of inflation", we have assessed the anticipated changes to the 2008/2009 annual plan costs. We have looked at four components: staff costs; depreciation; interest; and other costs. The total cost increase is expressed as a percentage of the 2008/2009 rate income to determine the council's rate of inflation for 2009/2010.

	2008/2009 \$000	Inflation (%) assumption	Change \$000	Note
Staff	169,459	2.0	6,261	1
Depreciation	137,384	3.7	5,083	
Interest	23,869	(25.7)	(6,134)	
Other	283,416	2.0	5,100	2
Cost of inflation to be recovered	614,128		10,310	
Total rates revenue			419,099	
Council rate of inflation			2.5%	

Notes to table

- 1 Assumes an Auckland labour market movement of 2 per cent and also includes an allowance for increased KiwiSaver contributions.
- 2 Only \$255 million is subject to the council's rate of inflation. The balance is for items like levies imposed on Auckland City Council by external organisations.

In these difficult financial times, the council believes the burden of restraint should be shared and has not budgeted for the labour market movement in 2009/2010. By excluding any budget for staff wage or salary increases, the rest of the council's costs are estimated to increase at an average rate of 2 per cent in 2009/2010.

For future years the "council's rate of inflation" was derived by taking a linear projection between the 2009/2010 rate of 2.5 per cent, calculated above, and a mid-point Auckland adjusted BERL estimate for 2018/2019 of 2.8 per cent.

Year	Projection (%)
2009/2010	2.5
2010/2011	2.5
2011/2012	2.5
2012/2013	2.6
2013/2014	2.6
2014/2015	2.6
2015/2016	2.7
2016/2017	2.7
2017/2018	2.7
2018/2019	2.8

Interest rates

Auckland City Council funds some of its capital expenditure through borrowings. The organisation's cash flow also requires borrowings for working capital purposes during the year. The council actively manages the cost of borrowing within the constraints of the Treasury management policies.

In preparing the 10-year plan we have assumed interest rates of 6.5 per cent for borrowings and 5.5 per cent for investments.

Rates increases

By deciding not to budget for any staff wage or salary increases in 2009/2010 the average rates increase has been limited to 2 per cent, being less than the "council's rate of inflation" calculated at 2.5 per cent.

In 2010/2011 and beyond, rate increases have been projected at the council's rate of inflation except in 2011/2012 where average rate increases are 1.6 per cent higher, and 2012/2013 where the average rate increase is 1.6 per cent lower. This is due to the Rugby World Cup 2011 targeted rate. See the revenue and finance policy in this volume for more detail.

It should be noted that the council's rate revenue will increase at a greater percentage. This is due to growth in the underlying rate base and any increase to the CBD and Mainstreet targeted rates. These are not classified as rate increases as they do not affect residential and most non-residential ratepayers, and are set in consultation with the specific ratepayer groups.

Revaluation impact on ratepayer groups

In presenting the impact of the rating policy between ratepayer groups (residential, non-residential, rural etc) over the 10 years of this plan, it is assumed that there are no changes to relativities in values between ratepayer groups for the 2011, 2014 and 2017 revaluations.

Efficiency savings

Each year the council officers responsible for expenditure budgets are required to identify and achieve efficiency savings. These may result from improved processes or better purchasing and may be a one off gain or an ongoing benefit. The results are reported quarterly to the council's finance and strategy committee.

The council has a successful history of achieving savings each year. In this 10-year plan we have assumed total savings targets of over \$202 million. We are making good progress in identifying specific savings needed to achieve these targets.

The efficiency savings targets for each year of the 10-year plan are:

Year	Annual savings \$ millions	Increase year on year \$ millions
2009/2010	4.6	4.6
2010/2011	9.8	5.2
2011/2012	15.3	5.5
2012/2013	18.4	3.1
2013/2014	21.7	3.3
2014/2015	25.1	3.4
2015/2016	25.8	0.7
2016/2017	26.4	0.6
2017/2018	27.2	0.8
2018/2019	27.9	0.7

Emissions trading scheme

In preparing the 10-year plan, it has been assumed that Auckland City Council will not directly participate in the emissions trading scheme (ETS). The only area where there may have been an option for the council to generate New Zealand Units (currency of the ETS) was through the forestry sector, however the council's land holdings are not of sufficient size to qualify.

The council will be indirectly impacted through anticipated price increases particularly for fuel, electricity and gas. Government research has indicated electricity prices could increase by between 2 and 4 cents per kWh from 2010. Fuel prices have been estimated to increase by up to 6 cents a litre from 2011. However, these increases are dependent on the international price for carbon at that time.

The council's direct expenditure on fuel, electricity and gas accounts for approximately 1.7 per cent of operating expenditure. As such, the council believes its assumption around inflation and around cost efficiencies will

adequately cover any potential energy price increase over the 10-year planning period.

Auckland City Council does not own or operate any solid waste disposal facility so will not incur direct charges. The council will be indirectly impacted by increased disposal charges on refuse collected and sent to landfill. The ETS applies to solid waste from 1 January 2013.

The level of increased charges incurred by the council will depend on a number of factors including:

- methane gas emitted at the landfill
- gas collection system put in place by the landfill operator
- quantity of solid waste sent to landfill
- levy per tonne of gas emission.

Assuming a worst case scenario of 85,000 tonnes of solid waste to landfill each year at \$50 per tonne of emissions Auckland City Council would incur a cost of \$4 million per annum commencing 1 January 2013. As this cost would be phased in over two years, the impact would increase rates in 2012/2013 and 2013/2014 by \$2 million or 0.4 per cent in each year. Once introduced there would be minimal change to the rate increases forecast elsewhere in this plan.

The introduction of the ETS levy to solid waste sent to landfill has many uncertainties making the calculation of the levy difficult. On a worst case scenario, the impact on the councils operating costs and rates is not significant. Given the uncertainty and significance the 10-year plan has not made any provision for an ETS levy on solid waste sent to landfill.

Weather-tightness building claims

The council has considered the impact of weather-tightness claims, including those already lodged and potential claims. Damages payable by the council will be funded from borrowings.

Claris landfill

Environmental regulations may require the upgrade or closure of the small landfill that council operates at Claris on Great Barrier Island. No specific allowance has been made in the 10-year plan for any costs associated with the upgrade or closure to satisfy the increased environmental standards.

Auckland International Airport Ltd shares and dividends

Auckland City Council has not factored changes to dividend income in the forecasts contained in this long-term plan. It is assumed that the directors of Auckland International Airport Ltd will continue to recommend a dividend and the dividend income will remain constant. No account has been made for any change to the value of the council's shareholding.

Petrol tax

Auckland City Council assumes that petrol prices will remain at their current levels or will increase. The council expects petrol consumption to reduce slightly over the next 10 years due to the continuing high price of petrol. The council has taken a conservative approach and assumed that the Auckland City Council's share of the petrol tax, based on its rates, will reduce as petrol consumption reduces and council's rates do not increase as fast as other councils in the Auckland region.

Auckland Regional Transport Network Ltd (ARTNL)

Negotiations with Auckland Regional Council to transfer the ARTNL Britomart train station assets to Auckland Regional Transport Authority, have been deferred pending the outcome of the Royal Commission on Auckland Governance. It is intended that ARTNL's assets will move to the relevant regional transport entity post any local government amalgamation. If there is little or no impact on regional transport delivery following the Royal Commission's findings the assets will be transferred to Auckland Regional Transport Authority as originally intended. It is envisaged that ARTNL will then be placed into voluntary liquidation and the company will be removed from the Companies Register.

Useful life of significant assets

Refer to the depreciation under note 2 – statement of accounting policies in this volume.

Sources of funds for future replacement of significant assets

Refer to the revenue and financing policy in this volume.

Capital expenditure programme deferrals

It has been assumed that for each year, including 2008/2009, the capital expenditure programme will be spent, with no carry-over to subsequent years.

Depreciation rates on planned asset acquisitions

Depreciation of planned asset acquisitions will be consistent with the useful lives disclosed in note 2 – statement of accounting policies in this document.

Asset revaluations

In preparing the 10-year plan, it has been assumed asset values will increase annually at the council's rate of inflation.

External funding

It is assumed that Auckland City Council will continue to receive the following NZ Transport Agency subsidies at the current rates:

- maintenance and renewals 43 per cent
- new works, overhead and underground upgrades, streetlight infill's, pavement reconstruction 53 per cent.

Assessment of risk and level of uncertainty for significant forecasting assumptions

The following table identifies the level of uncertainty about the key assumptions and which assumptions will have a high financial impact if they are inaccurate.

Key assumption	Level of uncertainty	Financial impact
Population growth will occur according to a medium growth scenario.	Low	Medium
Urban growth will be concentrated in the CBD, Tamaki, Newmarket and western areas.	Low	Medium
Economic growth will track as per estimates.	High	Low
Inflation will track as per estimates.	Medium	High
Interest rates will track as per estimates.	Medium	Low
Development contributions	Medium	Low

The following table demonstrates the potential financial impact where there is a high risk of material uncertainty.

Key assumption	Long-term plan estimate	Impact does not track as per inflation adjustors used
Inflation will track as per estimates.	<p>Total operating expenditure: \$7.1 billion (\$710 million a year on average)</p> <p>Total capital expenditure: \$3.4 billion (\$340 million a year on average)</p> <p>Rates: \$5.3 billion (\$530 million a year on average)</p>	Total expenditure will be higher or lower, depending on whether inflation adjustors are over or under estimates. The rates required to fund planned activities and projects will increase or decrease accordingly.

Legislation

Following the adoption and publication of the draft 10-year plan, the government has passed the Local Government (Tamaki Makaurau Reorganisation) Act 2009. The act establishes the new Auckland Council and dissolves Auckland City Council on 1 November 2010.

Auckland City Council is required under the Local Government Act 2002 to have in place a long-term council community plan covering a 10-year period. For the purposes of meeting the requirements of the Local Government Act, it has been assumed Auckland City Council will continue for the 10 years. The Auckland Transition Agency is yet to indicate the process to prepare and adopt an annual plan for 2010/2011, four months of which will be for Auckland City Council.

A further two bills are before parliament to give effect to the new governance for the Auckland region.

It is assumed there are no other significant changes in legislation to alter the nature and scope of services currently being provided.

Transition from Auckland City Council to Auckland Council

The Local Government (Tamaki Makaurau Reorganisation) Act 2009 passed in May 2009 provides for the transition from Auckland City Council to the new Auckland Council. The act established the Auckland Transition Agency to oversee the transition and to approve certain decisions of the existing councils during the transition. Under section 31 of the act, this long-term council community plan is void and of no effect until it is confirmed by the agency.

This plan does not make any provision for additional costs incurred in meeting the requirements of the act.

Policies and strategies

That there will be no significant changes to policies and strategies.

Resource consents

That there will be no significant changes to resource consents or discharge conditions.

Natural disasters

That there will be no natural disasters requiring significant emergency works that cannot be funded from project budgetary provisions.

Levels of service

That community expectations and demands will not significantly change the current levels of service.

Renewal and maintenance of assets

That maintenance and renewal (replacement) of an asset will maintain existing levels of service.

Right to acquire assets

The right to acquire assets represents both the Auckland City Council's contribution to the Vector Arena and the deposits paid to acquire public space for the Wynyard Point development. The Vector Arena was completed in March 2007. QPAM Limited will own and operate the Vector Arena for 40 years from this completion date, at which point ownership will revert to Auckland City Council. The council will only recognise ownership of each component of the public space at Wynyard Point on future transfer dates identified in the framework agreement, which the development is based upon.

New assets

New assets will be acquired to meet the needs of a growing city or to improve service levels where current levels are below council's target. Some acquisitions may contribute to growth and service level improvement.

Development contributions

Development and financial contribution income is based on historical trends and the knowledge of staff at the time of forecasting.

Asset lives

Useful lives of assets are based on professional advice as per the guidelines of the International Infrastructure Management Manual.

Asset information: change in demand – how we assess and manage the impact of growth

Auckland city's population is predicted to increase by 63,000 between 2009 and 2019. This anticipated growth will affect the services the council provides and the physical infrastructure required to support those services.

A key role of the council is to assess and manage urban growth so that our services and supporting infrastructure meet the needs of the city's residents. This assessment and management of urban growth is complex and full of uncertainties. The council has to understand the changes in population composition, the potential change in population behaviours, the impact of those behaviours on businesses and residential requirements, and the effect of these changes on the council's services and physical infrastructure.

The council starts this assessment with strategic growth planning, which involves evaluating predicted population growth and identifying priority areas of growth in the city. This is followed by an assessment of what services (and supporting infrastructure) can be provided to cater for that anticipated growth. Finally, the council does an appraisal to identify the projects required to deliver those services.

Prospective financial statements and notes

Prospective financial position

As at 30 June

\$000	Budget 2009	Budget 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015	Projection 2016	Projection 2017	Projection 2018	Projection 2019
Assets											
Non-current assets											
Property, plant and equipment	8,565,822	9,470,079	10,046,779	10,362,691	10,655,670	10,931,504	11,173,452	11,449,054	11,679,122	11,914,037	12,152,851
Investment property	1,236	1,185	1,220	1,257	1,294	1,333	1,373	1,414	1,457	1,500	1,546
Right to acquire assets	135,500	100,714	80,714	72,500	72,500	72,500	72,500	72,500	72,500	72,500	72,500
Intangible assets	66,327	71,912	81,418	99,900	112,575	116,452	120,647	124,817	129,095	135,151	139,371
Investments in subsidiaries	176,977	176,977	176,977	176,977	176,977	176,977	176,977	176,977	176,977	176,977	176,977
Investments in associates	317,285	317,285	317,285	317,285	317,285	317,285	317,285	317,285	317,285	317,285	317,285
Other financial assets	521,302	519,576	543,926	588,428	622,964	667,467	701,979	741,468	775,954	810,426	840,095
	9,784,449	10,657,728	11,248,319	11,619,038	11,959,265	12,283,518	12,564,213	12,883,515	13,152,390	13,427,876	13,700,625
Current assets											
Trade and other receivables	43,621	55,230	59,327	61,033	62,790	64,602	66,466	68,387	70,366	72,404	74,503
Inventories	1,496	3,683	3,795	3,908	4,025	4,147	4,270	4,398	4,530	4,666	4,807
Other financial assets	1,045	1,041	1,090	1,179	1,248	1,338	1,407	1,486	1,555	1,624	1,684
Cash and cash equivalents	13,850	10,147	10,778	8,819	7,333	7,184	6,977	6,245	6,323	7,054	7,030
Non-current assets held for sale	2,440	0	0	0	0	0	0	0	0	0	0
	62,452	70,101	74,990	74,939	75,396	77,271	79,120	80,516	82,774	85,748	88,024
Total assets	9,846,901	10,727,829	11,323,309	11,693,977	12,034,661	12,360,789	12,643,333	12,964,031	13,235,164	13,513,624	13,788,649

\$000	Budget 2009	Budget 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015	Projection 2016	Projection 2017	Projection 2018	Projection 2019
Ratepayers' equity											
General equity	7,055,025	7,109,550	7,196,733	7,284,929	7,388,930	7,519,244	7,665,444	7,812,058	7,933,418	8,067,171	8,219,474
Revaluation reserve	1,806,542	2,372,847	2,579,699	2,775,604	2,959,493	3,130,343	3,278,470	3,429,115	3,585,537	3,747,379	3,914,866
Total ratepayers' equity	8,861,567	9,482,397	9,776,432	10,060,533	10,348,423	10,649,587	10,943,914	11,241,173	11,518,955	11,814,550	12,134,340
Liabilities											
Non-current liabilities											
Borrowings	494,111	718,153	1,030,982	1,153,208	1,227,534	1,281,865	1,314,190	1,338,019	1,334,349	1,315,676	1,314,418
Employee benefit liabilities	1,086	1,129	1,101	1,123	1,134	1,100	1,078	1,110	1,150	1,179	1,226
Provisions	169,606	218,960	202,810	186,660	170,510	154,360	138,210	122,060	105,910	89,760	73,610
Deferred tax liability	5,591	7,997	8,128	8,261	8,395	8,530	8,667	8,805	8,944	9,085	9,227
	670,394	946,239	1,243,021	1,349,252	1,407,573	1,445,855	1,462,145	1,469,994	1,450,353	1,415,700	1,398,481
Current liabilities											
Borrowings	5,757	8,472	14,172	15,772	16,672	16,672	16,672	36,672	51,672	58,672	39,260
Trade and other payables	264,829	237,080	239,268	220,561	216,835	206,819	181,888	179,899	180,210	193,195	187,285
Employee benefit liabilities	14,424	15,001	14,626	14,919	15,068	14,616	14,324	14,753	15,284	15,667	16,293
Provisions	29,930	38,640	35,790	32,940	30,090	27,240	24,390	21,540	18,690	15,840	12,990
	314,940	299,193	303,856	284,192	278,665	265,347	237,274	252,864	265,856	283,374	255,828
Total liabilities	985,334	1,245,432	1,546,877	1,633,444	1,686,238	1,711,202	1,699,419	1,722,858	1,716,209	1,699,074	1,654,309
Total ratepayers' equity and liabilities	9,846,901	10,727,829	11,323,309	11,693,977	12,034,661	12,360,789	12,643,333	12,964,031	13,235,164	13,513,624	13,788,649

Prospective statement of comprehensive income

For year ended 30 June

\$000	Budget 2009	Budget 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015	Projection 2016	Projection 2017	Projection 2018	Projection 2019
Continuing Operations											
Rates revenue ¹	419,098	434,520	454,072	489,686	503,743	523,639	544,345	566,731	576,788	599,368	624,050
Other operating revenue ¹	185,365	179,498	191,516	209,013	213,334	231,548	238,380	246,506	256,182	264,893	276,343
Total operating revenue	604,463	614,018	645,588	698,699	717,077	755,187	782,725	813,237	832,970	864,261	900,393
Depreciation	137,384	141,134	145,707	168,259	179,447	189,079	198,818	207,980	216,253	224,490	231,298
Employee benefits	157,506	160,454	165,137	168,739	170,154	173,554	175,388	179,062	182,817	186,784	190,888
Other operating expenses	295,369	288,637	298,071	310,377	309,236	325,717	340,373	361,074	393,891	405,275	432,086
Total operating expenses	590,259	590,225	608,915	647,375	658,837	688,350	714,579	748,116	792,961	816,549	854,272
Finance income	14,875	18,900	20,430	22,486	25,361	28,662	32,233	36,006	38,332	41,585	45,426
Finance costs	(23,869)	(28,924)	(47,579)	(63,645)	(68,540)	(70,221)	(72,766)	(72,894)	(74,104)	(76,212)	(77,084)
Finance costs - net	(8,994)	(10,024)	(27,149)	(41,159)	(43,179)	(41,559)	(40,533)	(36,888)	(35,772)	(34,627)	(31,658)
Operating surplus	5,210	13,769	9,524	10,165	15,061	25,278	27,613	28,233	4,237	13,085	14,463
Non operating revenue ²	132,205	138,082	77,560	77,929	88,829	104,898	118,423	118,209	116,946	120,489	137,662
Other gains/(losses) - net	192	188	188	189	191	190	193	195	192	196	197
Surplus before taxation ³	137,607	152,039	87,272	88,283	104,081	130,366	146,229	146,637	121,375	133,770	152,322
Income tax credit	111	136	141	137	124	141	147	161	174	185	197
Surplus for the year	137,718	152,175	87,413	88,420	104,205	130,507	146,376	146,798	121,549	133,955	152,519

\$000	Budget 2009	Budget 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015	Projection 2016	Projection 2017	Projection 2018	Projection 2019
Other Comprehensive Income											
Gains/losses recognised directly in equity											
Gains on revaluation of land and buildings	254,479	566,305	206,852	195,905	183,889	170,850	148,127	150,645	156,422	161,842	167,487
Loss on revaluation of financial assets	0	(51,403)	0	0	0	0	0	0	0	0	0
Other movements	0	(46,000)	0	0	0	0	0	0	0	0	0
Less deferred tax on equity items	(230)	(247)	(230)	(224)	(204)	(193)	(176)	(184)	(189)	(202)	(216)
Other comprehensive income for the year, net of tax	254,249	468,655	206,622	195,681	183,685	170,657	147,951	150,461	156,233	161,640	167,271
Total comprehensive income for the year	391,967	620,830	294,035	284,101	287,890	301,164	294,327	297,259	277,782	295,595	319,790

Notes to table

1 Refer to Note 3 – operating revenue disclosures.

2 Refer to Note 4 – non operating revenue disclosures.

3 Refer to Note 5 – operating surplus.

Prospective statement of cash flows

For year ended 30 June

\$000	Budget 2009	Budget 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015	Projection 2016	Projection 2017	Projection 2018	Projection 2019
Cash flows from operating activities											
Receipts from rates revenue	419,098	425,912	445,077	479,983	493,766	513,267	533,563	555,505	565,366	587,496	611,689
Receipts from activities	172,365	165,478	176,701	194,198	198,519	216,733	223,565	231,691	241,367	250,078	261,528
Subsidies, financial and development contributions and other	132,211	138,082	77,560	77,929	88,829	104,898	118,423	118,209	116,946	120,489	137,662
Payments to suppliers, employees and grants	(447,358)	(470,604)	(478,061)	(485,753)	(494,280)	(519,319)	(550,165)	(555,386)	(580,079)	(588,918)	(637,107)
Interest paid	(23,869)	(28,924)	(47,579)	(63,645)	(68,540)	(70,221)	(72,766)	(72,894)	(74,104)	(76,212)	(77,084)
Net cash used in operating activities	252,447	229,944	173,698	202,712	218,294	245,358	252,620	277,125	269,496	292,933	296,688
Cash flows from investing activities											
Purchase of property, plant and equipment	(427,930)	(444,477)	(486,307)	(298,239)	(286,013)	(293,028)	(291,993)	(327,310)	(293,710)	(294,961)	(300,923)
Purchase of intangible assets	(14,125)	(19,225)	(16,135)	(22,970)	(14,565)	(5,691)	(5,628)	(5,628)	(5,628)	(7,428)	(5,628)
Sale of investments	5,398	22,319	332	155	154	155	155	155	155	155	155
Loans to other parties	0	(9,525)	269	255	241	252	264	277	290	304	116
Loans to related parties	(40,000)	(40,000)	(25,000)	(45,000)	(35,000)	(45,000)	(35,000)	(40,000)	(35,000)	(35,000)	(30,000)
Interest received	14,875	18,900	20,430	22,486	25,361	28,662	32,233	36,006	38,332	41,585	45,426
Dividends received	13,000	14,020	14,816	14,814	14,814	14,815	14,814	14,815	14,815	14,815	14,814
Net cash used in investing activities	(448,782)	(457,988)	(491,595)	(328,499)	(295,008)	(299,835)	(285,155)	(321,685)	(280,746)	(280,530)	(276,040)

\$000	Budget 2009	Budget 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015	Projection 2016	Projection 2017	Projection 2018	Projection 2019
Cash flows from financing activities											
Proceeds from borrowings	195,000	229,000	327,000	138,000	91,000	71,000	49,000	60,500	48,000	40,000	38,000
Repayment of borrowings	(3,467)	(5,652)	(8,472)	(14,172)	(15,772)	(16,672)	(16,672)	(16,672)	(36,672)	(51,672)	(58,672)
Net cash used in financing activities	191,533	223,348	318,528	123,828	75,228	54,328	32,328	43,828	11,328	(11,672)	(20,672)
Net increase/(decrease) in cash and cash equivalents	(4,802)	(4,696)	631	(1,959)	(1,486)	(149)	(207)	(732)	78	731	(24)
Cash and cash equivalents at beginning of the year	18,652	14,843	10,147	10,778	8,819	7,333	7,184	6,977	6,245	6,323	7,054
Cash and cash equivalents at the end of the year	13,850	10,147	10,778	8,819	7,333	7,184	6,977	6,245	6,323	7,054	7,030

Note to table

The balance of cash and cash equivalents at the beginning of the year has been restated for 2010 for the reforecast position.

Statement of income and expense recognised in equity

For year ended 30 June

\$'000	Budget 2009	Budget 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015	Projection 2016	Projection 2017	Projection 2018	Projection 2019
Balance 1 July	8,469,600	8,861,567	9,482,397	9,776,432	10,060,533	10,348,423	10,649,587	10,943,914	11,241,173	11,518,955	11,814,550
Amount recognised in equity											
Gain on property valuation	254,479	566,305	206,852	195,905	183,889	170,850	148,127	150,645	156,422	161,842	167,487
Loss on financial assets valuation	0	(51,403)	0	0	0	0	0	0	0	0	0
Other movements	0	(46,000)	0	0	0	0	0	0	0	0	0
Deferred tax on revaluation movement	(230)	(247)	(230)	(224)	(204)	(193)	(176)	(184)	(189)	(202)	(216)
Net income recognised directly in equity	254,249	468,655	206,622	195,681	183,685	170,657	147,951	150,461	156,233	161,640	167,271
Surplus for the year	137,718	152,175	87,413	88,420	104,205	130,507	146,376	146,798	121,549	133,955	152,519
Income for the year ended 30 June	391,967	620,830	294,035	284,101	287,890	301,164	294,327	297,259	277,782	295,595	319,790
Balance 30 June	8,861,567	9,482,397	9,776,432	10,060,533	10,348,423	10,649,587	10,943,914	11,241,173	11,518,955	11,814,550	12,134,340

Note 1 – general information

The prospective financial statements are for Auckland City Council, the parent, only.

This prospective financial information has been prepared to meet the requirements of the Local Government Act 2002. This information may not be suitable for use in any other context.

The actual results achieved for the period covered by this plan are likely to vary from the information presented in this document, and these variations may be material.

The forecast statement of financial position at 30 June 2009 has been used to give an opening position for the prospective statement of financial position.

The elected council is responsible for the prospective financial information presented in this document, including the appropriateness of the assumptions underlying the prospective financial information. The council approved these underlying assumptions on 25 June 2009.

The prospective financial statements comply with Financial Reporting Standard 42 Prospective Financial Statements.

Note 2 – statement of accounting policies

Reporting entity

Auckland City Council is a local authority in New Zealand.

The council is a public benefit entity as defined under New Zealand International Financial Reporting Standards (NZ IFRS). The council's primary objective is to provide services and facilities for the community as a social benefit rather than to make a financial return.

Basis of preparation

Statement of compliance

The council's financial statements have been prepared in accordance with the requirements of the Local Government Act 2002. This includes the requirement to comply with New Zealand Generally Accepting Accounting Practice (NZGAAP) and New Zealand International Financial Reporting Standards (NZ IFRS).

Measurement base

The financial statements are prepared based on historical cost modified by the revaluation of the following:

- financial assets and liabilities at fair value
- derivative financial instruments at fair value
- certain classes of property, plant and equipment at methods appropriate to the class of asset
- investment property at fair value.

The methods used to measure fair value are discussed in the specific accounting policies.

Currency

The financial statements are presented in New Zealand dollars (\$), the council's functional currency, rounded to the nearest thousand unless otherwise stated.

Presentation

Please note that some of the tables and financial statements in volumes 1,2 and 3 may not add up due to rounding of numbers. Due to the roundings an item may also have a slightly different value in different tables.

In some cases the depreciation and consequential operating costs arising from a capital project will appear under a different activity from the capital expenditure. This occurs when the capital project is carried out to achieve a specific strategic objective, and the resulting asset resides in a different strategy. An example is AMETI. This project is undertaken to achieve economic development in the city, but the assets will form part of the transport network.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant assumptions are listed under part 3 of this volume.

Costs allocation

Cost of service for each significant activity is determined as follows. Specifically attributable costs are charged directly. Indirect costs are apportioned using appropriate cost drivers such as actual usage, staff numbers and floor area.

Specific accounting policies

The council has applied these policies to all the years presented in these financial statements, unless otherwise stated.

Investments

Subsidiaries

Subsidiaries are those entities in which the council has control.

The financial statements show investment in subsidiaries at cost.

Associates and joint ventures

Associates are entities in which the council has significant influence, but not control, over operating and financial policies. A joint venture is a contractual arrangement where two or more parties undertake an activity that is subject to joint control.

The financial statements show investment in associates and joint ventures at cost.

Acquisitions

The purchase method of accounting is used to account for all acquisitions (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities incurred or assumed on the date of exchange, plus direct costs of the acquisition.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date. This is irrespective of the extent of any minority interest. Auckland City Council records the excess of the cost of acquisition over the fair value of the identifiable net assets acquired as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recorded

in the statement of financial performance, but only after reassessing the identification and measurement of the net assets acquired.

Where settlement by cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of exchange. The discount rate used is Auckland City Council's incremental borrowing rate, being the rate at which a similar amount could be borrowed in an open market under comparable terms and conditions.

Goods and services tax (GST)

Items in the financial statements are exclusive of GST, with the exception of receivables and payables. The net amount of GST receivable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

Property, plant and equipment

Valuation of assets

Land and buildings are valued by registered valuers. Other assets are valued by independent assessors specialising in those areas.

Values calculated at depreciated replacement cost are not market related. This applies to certain specialist assets, such as infrastructure assets and specialised buildings, which do not trade readily in the market.

Unless otherwise noted, valuation is on a rolling basis over a three-year cycle, with a portion of the portfolio valued at 30 June each year. Each year, Auckland City Council considers the adequacy of the valuation of its assets to ensure their carrying value reflects fair value.

Increases in asset carrying amounts, due to revaluation, increase revaluation reserves in equity. Decreases in asset carrying amounts decrease revaluation reserves in equity only to the extent that the class of assets has sufficient

revaluation reserves to absorb the reduction. All other decreases are charged to the statement of comprehensive income.

If a revaluation increase reverses a decrease previously recognised in the statement of comprehensive income, the increase is recognised first in the statement of comprehensive income to reverse previous decreases. Any remaining increase is applied to revaluation reserves in equity.

Infrastructure assets

Infrastructure assets are networks for roads, drainage, sewerage and water supply, and include all associated assets and equipment. Infrastructure assets have been valued using depreciated replacement cost. This is the cost in today's dollars of replacing an asset, less allowance for physical deterioration and adjustment for obsolescence and surplus capacity. The new asset may not be identical, but will offer the same service outcomes.

Infrastructure assets are depreciated. However, assets are not depreciated while under construction. Depreciation starts when the asset is completed and transferred to an asset class.

Land and buildings

- Land under roads

The council completed a one-off valuation of land under roads based on 50 per cent of average adjacent land value, effective 30 June 2002. Subsequent acquisitions are valued at cost. It is not intended to revalue land under roads in the future.

- Parks and open space land

Restricted parks are valued recognising open space zoning and the limitations of The Reserves Act 1977. Unrestricted parks are valued recognising open space zoning without the limitations of The Reserves Act 1977.

- Land and buildings - other

Land and buildings (except for investment properties) are shown at fair value based on rolling valuations by independent external valuers, less depreciation for buildings. Certain specialist buildings that do not trade readily in the market are valued using depreciated replacement cost. Land is not depreciated.

Plant

Plant comprises structures and fittings located on parks. These assets are depreciated over their useful lives.

Works of art

Art is valued at estimated current market value. Art is not depreciated as the collections tend to have an indefinite life and are generally not of a nature that depreciates.

Rare books

Rare books and heritage stock are valued at estimated current market value. These assets are not depreciated.

Library books

Library books are valued at market value every three years. Where the market value is not apparent, market value is estimated using other methods such as depreciated replacement cost. These assets are depreciated over their useful lives.

Computer equipment, office equipment, furniture and fittings, motor vehicles and machinery

Computer equipment, office equipment, furniture and fittings, and motor vehicles and machinery are recorded at cost. These assets are depreciated over their useful lives.

Zoo animals

Zoo animals are valued at \$1, in line with international practice.

Depreciation

Assets are depreciated on a straight-line basis. Depreciation writes off the cost of the assets to residual value over their useful life.

	Expected useful life (years)
Roads	6 – 120
Drainage – stormwater and combined	15 – 200
Water	15 – 200
Wastewater	15 – 200
Buildings	10 – 100
Library books	3 – 12
Plant	5 – 50
Computer equipment	3 – 8
Office equipment, furniture and fittings	5 – 15
Motor vehicles and machinery	5 – 10

Note to table

The council reviews and, if necessary, adjusts the assets' residual values and useful lives at each year-end.

Subsequent costs

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, when it is likely that future economic benefits associated with the item will flow to the council, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income for the financial period they relate to.

Additions

In most instances, an item of property, plant and equipment is recognised at its cost.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition.

Sale or disposal of assets

Gains and losses on sale or disposal of assets are determined by comparing the proceeds of sale with the asset carrying amount. Gains and losses are included in the statement of comprehensive income.

When revalued assets are sold or disposed of, any amount in the revaluation reserves in equity relating to that asset is transferred to general equity.

Investment property

Investment property is held for long-term rental yields and is not occupied by the council. Properties leased to third parties under operating leases are generally not classified as investment property because:

- the occupants provide services that are integral to the operation of the council's business or these services could not be provided efficiently and effectively by the lessee in another location
- the council is a public benefit entity and the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation
- the property is being held for future delivery of services
- the lessor uses the council's services and those services are integral to the reasons for their occupancy of the property.

Investment property is carried at fair value, representing open-market value determined annually by independent external valuers. Changes in fair values are recorded in the statement of comprehensive income.

Right to acquire assets

This asset is the right to acquire physical assets owned, managed and operated by a third party. The asset is recorded in the financial statements as intangible assets as follows:

- the component relating to the residual value of the asset is recorded at cost. This will be subject to impairment testing taking into account the third party requirement to maintain the asset's service potential and return the asset in identical condition
- the component relating to the service potential to be received over the concession period (up to the time the asset reverts to the council) is recorded at cost, less amortisation and impairment losses. This component is amortised over its useful life (ie the concession period) and is subject to impairment testing.

Intangible assets

Intangible assets are initially recorded at cost. Where acquired in a business combination, the cost is their fair value at the date of acquisition. The cost of an internally generated intangible asset represents expenditure incurred in the development phase only.

Subsequent to initial recognition, intangible assets with finite useful lives are recorded at cost, less any amortisation and impairment losses, and are reviewed annually for impairment losses. Assets with indefinite useful lives are not amortised, but are tested at least annually for impairment, and are carried at cost less accumulated impairment losses.

Realised gains and losses arising from disposal of intangible assets are recognised in the statement of comprehensive income in the period in which the disposal occurs.

Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the statement of comprehensive income.

Computer software

Computer software licences are capitalised based on the costs incurred to acquire and install the specific software. These costs are amortised using the straight-line method over their estimated useful lives (three to eight years).

Costs associated with maintaining computer software programmes are recognised as an expense.

Costs directly associated with the development of identifiable and unique software products controlled by the council, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets (eg, software development employee costs). Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives (not exceeding three years).

Water rights

Water rights have an indefinite life. Rather than being written off over time, these assets are recorded at cost and tested annually to assess whether there has been an impairment of value. This is done by comparing the carrying amount of the asset with the recoverable amount.

Integrated catchment plans

Integrated catchment plans provide local information on the performance of the stormwater network, identifying problems such as capacity of the system and interaction with the environment. The plans are used for the long-term management of the network. These assets are recorded at cost and amortised over their useful life (10 years).

Integrated catchment management plans are intellectual property. These plans are required to obtain the 35-year discharge consents required from the Auckland Regional Council. Without the consents, no developments can proceed. Additions relate to the continued programmes of management plan production, which identify the steps needed to facilitate growth.

Community rights

Community rights are contracted rights of access to facilities not owned by the council. These assets are recorded at cost and amortised over the term of the contracted right.

Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised if the estimated recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential. The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the debit balance is recognised in the statement of comprehensive income. For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of comprehensive income.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the statement of financial performance, a reversal of the impairment loss is also recognised in the statement of comprehensive income. For assets not carried at a revalued

amount (other than goodwill), the reversal of an impairment loss is recognised in the statement of comprehensive income.

Investments and other financial assets

The council classifies its investments in the following categories:

- financial assets at fair value
- loans and receivables
- held-to-maturity investments.

The classification depends on the reason behind acquiring the investment. The council decides how to classify its investments when they are acquired.

Purchases and sales of investments are recorded on the value date. Financial assets are no longer recognised when the right to receive cash flows from the financial assets has expired or has been transferred.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value through valuation techniques.

The group assesses at each year-end whether there is evidence that a financial asset or group of financial assets is impaired. Any impairment loss is recognised in the statement of comprehensive income.

Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit and loss. A financial asset falls in this category if acquired principally to sell in the short-term or if designated this way by Auckland City Council. After initial recognition, they are measured at fair value. These financial assets are classified as current assets if they are held for trading or expected to be realised within 12 months of the year-end date.

Financial assets at fair value through equity are non-derivative assets designated in this category or not classified in the other categories. After initial

recognition, they are measured at fair value. They are included in non-current assets, unless Auckland City Council intends to dispose of the asset within 12 months of year-end.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted in an active market. They arise when the council provides money, goods or services directly to a debtor, with no intention of selling the receivable asset. After initial recognition, they are measured at amortised cost using the effective interest method. They are included in current assets, except for those with maturities greater than 12 months after the year-end date, which are classified as non-current assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the intention and ability to hold to maturity. After initial recognition, they are measured at amortised cost using the effective interest method.

Derivatives

Derivatives, such as interest rate swaps, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value.

When a derivative is entered into hedging activity, the group documents a hedge relationship either as a cash flow hedge (hedge of a forecast transaction) or a fair value hedge (hedge of the fair value of a recognised asset or liability). Also documented are the nature of the risk being hedged, its risk management objective, strategy for hedge transactions, identification of the hedging instrument and hedged item, and how the hedging instrument's effectiveness is to be assessed.

The fair value of financial instruments traded in active markets is based on quoted market prices at the year-end date. The quoted market price used for

financial assets held by the group is the current bid price. The quoted market price for financial liabilities is the current ask price.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recorded in the statement of comprehensive income.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets accounting criteria, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is recorded in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity transfers to the statement of comprehensive income.

Fair value hedge

The council only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of the interest rate swaps that hedge fixed rate borrowings is recognised in the statement of comprehensive income within "finance costs". The gain or loss relating to the ineffective portion is recognised in the statement of comprehensive income within "other gains/losses". Changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk are recognised in the statement of comprehensive income within "finance costs".

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is recorded in the statement of comprehensive income.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income within "other gains/ (losses)".

Trade and other receivables

Trade and other receivables are recognised initially at fair value, and subsequently measured at amortised cost less any provision for impairment. They are due for settlement no more than 30 days from the date of recognition.

The council reviews the collection of trade receivables on an ongoing basis and writes off debts known to be uncollectable. A provision is made for doubtful receivables when there is objective evidence that the council will not be able to collect all amounts due according to the original terms of the receivables. The amount provided is the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. This amount provided is recorded in the statement of comprehensive income.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost and current replacement cost.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions. They also include other short-term, highly liquid investments (with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value), and bank overdrafts.

Non-current assets held for sale

Non-current assets held for sale are classified this way if their carrying amount will be recovered principally through a sale transaction, not through continuing use. They are measured at the lower of their carrying amount and fair value, less selling costs.

Any reduction in asset value is recognised as an impairment loss.

A gain is recognised for any subsequent increases in fair value, less costs of sale, but not in excess of any cumulative impairment loss previously recognised.

A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of sale.

Non-current assets held for sale are not depreciated or amortised. Interest and other expenses continue to be recognised if they relate to the liabilities of a disposal group classified as held for sale.

Non-current assets held for sale and assets of a disposal group classified as held for sale are disclosed separately from other assets in the statement of financial position. Also, the liabilities of a disposal group classified as held for sale are disclosed separately from other liabilities in the statement of financial position.

Ratepayers' equity

Equity is the ratepayers' interest in the council and is measured as the difference between total assets and total liabilities.

Reserves are a component of equity that generally represent a particular use to which various parts of equity have been assigned.

Restricted reserves are those reserves subject to specific conditions accepted as binding by Auckland City Council and which Auckland City Council may not revise without reference to the courts or a third party.

Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Auckland City Council may establish designated funds and reserves. The council may alter these without reference to any third party or the courts. Transfers to and from these reserves are at the discretion of Auckland City Council.

Borrowings

Borrowings are initially recognised at fair value (net of transaction costs), and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and amortised cost is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the council has an unconditional right to defer settlement of the liability for at least 12 months after the year-end date.

Provisions

Provisions are recognised when:

- the council has a present legal or constructive obligation due to past events
- it is more likely than not that an outflow of resources will be required to settle the obligation
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Environmental

The council has a duty under The Resource Management Act 1991 to avoid, remedy or reduce any adverse effects on the environment.

To meet this obligation, the council has identified and prioritised a number of closed landfill sites that require remedial work until 30 June 2027.

The estimated cost of remedial work has been actuarially calculated and discounted to current cost and is provided for in the financial statements. Ongoing costs of monitoring and drainage, following remedial work, have not been included as they are considered an expense of the period in which they occur.

Organisational

An organisational provision is recognised where there is a legal or constructive obligation to meet redundancy expenses. The amount recorded in the financial statements is the estimated cost of this expense.

Contractual

A contractual provision is recognised when legal claims have been issued against the council for past transactions and it is probable that the council will be liable for these claims. The amount recorded in the financial statements is the estimated cost of these claims.

Income tax

The income tax expense is the tax payable on the current period's taxable income based on the New Zealand tax rate, and adjusted for changes in deferred tax assets and liabilities.

Trade and other payables

These amounts represent unpaid liabilities for goods and services provided to the council before the end of the financial year. The amounts are unsecured and usually paid within 30 days of recognition.

Employee benefit liabilities

Wages and salaries, annual leave and sick leave

These liabilities are expected to be settled within 12 months of the reporting date. They include employees' services up to the year-end date and are measured at the amounts the council expects to pay when the liabilities are settled. A liability is recognised for bonuses where they are contractually obliged or where there is a past practice that has created a constructive obligation.

Long service leave

This is actuarially measured as the present value of expected future payments for services provided by employees up to the year-end date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Retirement benefit

A number of current and former employees of the council are entitled to benefits, on retirement, disability or death, from the council's multi-employer benefit scheme. The council has insufficient information and cannot follow defined benefit accounting, so the scheme is accounted for as a defined contribution plan. Contributions are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset if a cash refund or a reduction in the future payments is available.

Revenue

The council measures revenue at the fair value of the amounts received or receivable, net of discounts, duties and taxes paid. It accounts for revenue for the major activities as follows:

- rates – when levied. Penalties and discounts relating to rates are included where applicable
- traffic and parking infringements – when tickets are issued. Infringements not recovered after 60 days are transferred to the courts and written back against revenue. Subsequent collections from the courts are recognised when received
- licences and permits revenue – on application
- rental revenue – for the period it relates to
- sale of goods – when the risks and rewards of the ownership of the goods passes to the purchaser
- interest income – on a time-proportion basis using the effective interest method
- dividend income – when the right to receive payment is established
- royalty income – on an accruals basis in accordance with the royalty agreements
- development and financial contributions – are invoiced when the building consent is uplifted, which will pre-date the start of the development
- vested assets and charitable receipts – when received
- grants and subsidies – received in relation to the provision of services are recognised on a percentage of completion basis. Other grants and subsidies are recognised when receivable
- contra transactions – are measured at the fair value of the assets received or the fair value of goods given up.

Operating leases

With operating leases, the lessor retains the risks and benefits of ownership. Lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the period of the lease.

Finance leases

Finance leases effectively transfer to the lessee the risks and benefits incidental to ownership. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding liabilities are recognised in the statement of financial position.

Leased assets are depreciated over the period the council is expected to benefit from their use.

Finance costs

Borrowing costs incurred for the construction of any qualifying asset will be capitalised during the period of time that is required to complete and prepare the asset for its intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Where total debt funding for a capital project is greater than \$2 million and spans more than one financial year, the interest costs are treated as capital expenditure.

All other borrowing costs are expensed as incurred.

Changes in accounting policies

The accounting policies have been applied consistently to all periods presented.

Note 3 – operating revenue disclosures

For year ended 30 June

\$000	Budget 2009	Budget 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015	Projection 2016	Projection 2017	Projection 2018	Projection 2019
General rates											
Value based	341,555	341,278	347,944	361,502	367,837	378,400	389,113	400,581	412,107	422,915	435,016
Uniform charge	27,660	43,355	53,037	59,843	69,383	77,382	85,746	95,087	104,841	115,016	126,230
	369,215	384,633	400,981	421,345	437,220	455,782	474,859	495,668	516,948	537,931	561,246
Targeted rates											
CBD	11,458	14,218	16,689	18,880	20,986	21,165	21,380	21,896	9,381	9,601	9,835
Mainstreets	6,849	7,568	7,568	7,568	7,568	7,568	7,568	7,568	7,568	7,568	7,568
Refuse collection	32,890	29,364	30,337	36,760	40,082	41,603	43,433	44,965	46,677	48,618	50,383
Rugby World Cup 2011	0	0	0	6,900	0	0	0	0	0	0	0
	51,197	51,150	54,594	70,108	68,636	70,336	72,381	74,429	63,626	65,787	67,786
Penalties, discounts and remissions	(1,314)	(1,263)	(1,503)	(1,767)	(2,113)	(2,479)	(2,895)	(3,366)	(3,786)	(4,350)	(4,982)
Total rates revenue	419,098	434,520	454,072	489,686	503,743	523,639	544,345	566,731	576,788	599,368	624,050
Other operating revenue											
Revenue from activities	169,140	161,909	173,232	190,829	195,250	213,564	220,396	228,622	238,298	247,109	258,659
	169,140	161,909	173,232	190,829	195,250	213,564	220,396	228,622	238,298	247,109	258,659
Dividends	13,000	14,020	14,815	14,815	14,815	14,815	14,815	14,815	14,815	14,815	14,815
Petrol tax and royalties	3,225	3,569	3,469	3,369	3,269	3,169	3,169	3,069	3,069	2,969	2,869
	16,225	17,589	18,284	18,184	18,084	17,984	17,984	17,884	17,884	17,784	17,684
Total other operating revenue	185,365	179,498	191,516	209,013	213,334	231,548	238,380	246,506	256,182	264,893	276,343
Total revenue from operating activities	604,463	614,018	645,588	698,699	717,077	755,187	782,725	813,237	832,970	864,261	900,393

Note 4 – non operating revenue disclosures

For year ended 30 June

\$000	Budget 2009	Budget 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015	Projection 2016	Projection 2017	Projection 2018	Projection 2019
Non operating revenue											
Charitable receipts	23,496	10,500	0	0	0	0	0	0	0	0	0
Development contributions	39,295	16,803	19,997	22,980	27,098	33,936	46,108	56,175	64,041	73,022	83,290
Grants and subsidies	69,414	110,779	57,563	54,949	61,731	70,962	72,315	62,034	52,905	47,467	54,372
Total non operating revenue	132,205	138,082	77,560	77,929	88,829	104,898	118,423	118,209	116,946	120,489	137,662

Note 5 – operating surplus for the year ended 30 June

For year ended 30 June

\$000	Budget 2009	Budget 2010	Projection 2011	Projection 2012	Projection 2013	Projection 2014	Projection 2015	Projection 2016	Projection 2017	Projection 2018	Projection 2019
Adjustment for biennial inorganic collection	(1,684)	1,768	(1,768)	2,075	(2,075)	2,185	(2,185)	2,304	(2,304)	2,431	(2,431)
Capital and other net revenue to fund capital expenditure	132,305	138,082	77,560	77,929	88,829	104,898	118,423	118,209	116,946	120,489	137,662
Rates to fund capital expenditure	3,519	6,537	3,008	(5,893)	1,555	6,611	13,319	9,452	(9,939)	(5,822)	419
Repayments of borrowing	3,467	5,652	8,472	14,172	15,772	16,672	16,672	16,672	16,672	16,672	16,672
Surplus before taxation	137,607	152,039	87,272	88,283	104,081	130,366	146,229	146,637	121,375	133,770	152,322

Prudent financial management

Introduction

The Local Government Act 2002 sets out specific financial management requirements for local authorities.

Section 100, the balanced budget, requires each year's operating revenue to meet that year's expenses. The act provides local authorities with some flexibility to run an annual deficit or surplus if it is prudent to do so.

Section 101, prudent financial management, means the local authority must take into account the current and future needs of the community and apply funding tools appropriate to each activity.

Philosophy

Operating costs

Auckland City has a range of activities from commercial, through to pure public good services. The funding tools applied to each activity depend on the mix of private and public benefit. In some cases, these tools are restricted by practical limitations on user charges.

Wherever possible, user charges are applied to cover the cost of specific activities. If the council activity benefits selected ratepayers, a targeted rate may be the appropriate funding mechanism. In other cases, a general rate is applicable.

Capital expenditure

Funding for capital expenditure (replacing existing assets and acquiring new ones) reflects the current and intended use of the assets and any drivers for the need to acquire the asset. Subsidies and contributions from government and third parties are used whenever available. The principal supporting capital

expenditure funding is intergenerational equity. This means current ratepayers should finance the replacement and renewal of existing assets. New assets required for growth should be funded from the development giving rise to that growth. The cost of new assets to improve service levels or for new activities should be shared by the current and future ratepayers through appropriate use of debt.

Rates

The majority of the burden of the council's operating and capital expenditure falls on ratepayers. In Auckland City Council's case, approximately 70 per cent of revenue required for operating purposes and servicing borrowings is generated from rates. To ease the burden on ratepayers, rates should be affordable and predictable, avoiding volatility that may arise from normal business cycles.

Application

Operating costs

Where the council is involved in a commercial activity, charges are set at the appropriate market rate. Revenues from the activity are required to cover costs.

Some of the activities the council engages in are subsidised by government or other organisations. The council arranges its activities to maximise the opportunity to gain third party contributions. The net cost after these contributions is then funded from user charges or rates.

For activities where there is a high degree of private benefit – such as on-street parking – user charges are applied. In some cases, these recover all costs. In other cases, such as building consents, the fees are set to recover the council's costs to avoid ratepayer subsidy.

Where an activity is funded from rates, the council has a choice between a targeted or general rate. Targeted rates are appropriate when a defined group of ratepayers benefits from the services. The targeted refuse collection rate is an example.

In general, operating costs may not be funded from borrowings. All operating expenditure is funded on a year-by-year basis other than the cost of the biennial inorganic refuse collection. To avoid fluctuations in the refuse collection targeted rate, this charge is spread over two years.

The application of this philosophy ensures equitable funding of private and public benefit activities, intergenerational equity, and balances annual budgets.

Capital expenditure

The government, through NZ Transport Agency, contribute to the construction and maintenance of roads. Charitable receipts from Metrowater assist with funding the stormwater programme, along with a subsidy from Infrastructure Auckland. The last Metrowater payment will be received in 2009/2010. The remainder of the cost of capital projects is funded from rates, development contributions and borrowings.

Operating revenues and rates are set to cover all expenditure including depreciation charges. The depreciation charges do not incur a cash outgoing for the council. The cash surplus generated from the operating and rates revenue is applied to fund the acquisition of replacement assets.

Where new assets are required to meet growth, development contributions, and charges on new residential and commercial developments are used to fund the acquisition. If there is a need to develop the asset before the development contributions have been received, the acquisition is funded from borrowings. The borrowing and associate interest is paid from future development contribution. The purchase or construction of new assets required for service level improvement and new activities is funded from borrowings. Rates (general and targeted) are set at a level to cover operating costs and pay 60 per cent of the borrowings over 30 years. Some major projects contain elements of

replacement, growth and service level improvement. In these cases, the cost apportioned to each element is funded according to these rules.

Applying these principles achieves intergenerational equity: the balance between current and future ratepayers. They also ensure the council has funds to maintain existing assets and to invest in the expansion of its assets to continue to deliver quality services to residents.

Specific issues

Surplus

The surplus reported in the statement of comprehensive income is made up of several components.

The council's borrowings policy requires 60 percent of borrowings to be repaid over 30 years. This is done by setting income and rates each year at a level such that a surplus equal to 2 per cent of opening borrowings is achieved.

Secondly, a portion of the targeted rates may be applied to the funding of capital expenditure. This flows through to the surplus.

The third component relates to the variability of some expenditure. Not all expenditure is incurred evenly each year. In some years, a small surplus or deficit may be run to avoid unnecessary fluctuation in rates. The biennial inorganic refuse collection is an example of this type of expense. If a surplus is run in a year, it is returned to ratepayers in a subsequent year.

Finally, the financial accounting reporting standards require all income to be recorded through the statement of comprehensive income. The council receives income in the form of subsidies, grants, development contributions and levies that may only be applied to specific non-operating expenditure, often capital expenditure. These are part of the operating surplus.

Weathertightness building claims

The council has considered the financial impact of weathertightness claims, including those already lodged and potential claims. It has assessed its potential liability to be \$187 million and has provided for this sum in the statement of financial position. The cost of these settlements should not fall unfairly on ratepayers in the year of settlement. Rather than penalising current ratepayers with the full impact of these settlements it is appropriate to fund them from borrowings so the cost can be spread over time.

In addition to the specific provision the council's 2007/2008 annual report recognised a contingent liability for claims not yet lodged.

Urban fire fighting water supply

Metrowater has been providing the urban fire fighting water supply on behalf of the council since 1 July 1997. Full responsibility for this will be transferred to Metrowater from 2009/2010. The change ensures that Auckland City Council ratepayers are not disadvantaged by having to subsidise water users for the provision of these services. It also makes Auckland City Council consistent with other councils in the region, particularly Manukau City Council, which also has a separate retail water company.

Conclusion

The financing policies applied in the development of this 10-year plan are, with minor adjustments, consistent with those applied in the 2006-2016 plan. Each year's operating costs are funded through user charges, fees or rates. Where appropriate, rates are targeted to specific users of the services being funded with the balance of the funding coming from a general rate. The general rate is levied on a uniform and property value basis.

Ratepayers contribute to the replacement of current assets through the funding of the depreciation charge. Developers contribute to the assets required for the growth of the city and current and future ratepayers pay for the ongoing development of the city through the use of borrowings.

The effect of these policies is a financially prudent balanced 10-year plan. The policies take into account the needs of current and future ratepayers, while balancing the obligation to pay for services through the appropriate use of borrowings.

The following table summarises the council's projected revenue, expenditure, surpluses generated and sources of funding over the 10-year plan period.

\$000	Budget 2008/2009	Budget 2009/2010	Projection 2010/2011	Projection 2011/2012	Projection 2012/2013	Projection 2013/2014	Projection 2014/2015	Projection 2015/2016	Projection 2016/2017	Projection 2017/2018	Projection 2018/2019
Rates revenue	419,099	434,520	454,072	489,686	503,743	523,639	544,345	566,731	576,788	599,368	624,050
Revenue from activities	169,140	161,909	173,232	190,829	195,250	213,564	220,396	228,622	238,298	247,109	258,659
Other revenue	16,225	17,589	18,284	18,184	18,084	17,984	17,984	17,884	17,884	17,784	17,684
Non operating revenue	132,205	138,082	77,560	77,929	88,829	104,898	118,423	118,209	116,946	120,489	137,662
Total council's revenue	736,669	752,100	723,148	776,628	805,906	860,085	901,148	931,446	949,916	984,750	1,038,055
Operating expense	452,875	449,090	463,208	479,115	479,391	499,272	515,761	540,135	576,708	592,058	622,972
Depreciation	137,384	141,134	145,707	168,259	179,447	189,079	198,818	207,980	216,253	224,490	231,298
Finance costs - net	8,994	10,024	27,149	41,160	43,179	41,559	40,533	36,888	35,772	34,627	31,658
Other gains/(losses) - net	(192)	(187)	(188)	(189)	(191)	(192)	(193)	(194)	(192)	(196)	(195)
Total expenditure	599,061	600,061	635,876	688,345	701,826	729,718	754,919	784,809	828,541	850,979	885,733
Surplus before taxation	137,608	152,039	87,272	88,283	104,080	130,367	146,229	146,637	121,375	133,771	152,322
Add depreciation	137,384	141,134	145,707	168,259	179,447	189,079	198,818	207,980	216,253	224,490	231,298
	274,992	293,173	232,979	256,542	283,527	319,446	345,047	354,617	337,628	358,261	383,620
Capital investment ¹	409,352	481,183	505,062	298,534	301,212	297,942	296,834	337,107	294,176	303,620	306,844
Funding required	134,360	188,010	272,083	41,992	17,685	(21,504)	(48,213)	(17,510)	(43,452)	(54,641)	(76,776)
Funded by:											
Borrowings ²	151,533	183,348	293,528	78,828	40,229	9,328	(2,672)	3,828	(23,672)	(46,672)	(50,673)
Working capital/investments	(17,173)	4,662	(21,445)	(36,836)	(22,544)	(30,832)	(45,541)	(21,338)	(19,780)	(7,969)	(26,103)
	134,360	188,010	272,083	41,992	17,685	(21,504)	(48,213)	(17,510)	(43,452)	(54,641)	(76,776)
Total borrowings	499,868	726,624	1,045,152	1,168,980	1,244,208	1,298,536	1,330,864	1,374,692	1,386,020	1,374,348	1,353,676
Notes to table											
1 Excludes deferred capital investment for 2008/2009											
2 Excludes borrowings relating to Metrowater of:		40,000	25,000	45,000	35,000	45,000	35,000	40,000	35,000	35,000	30,000

Treasury management policy

Background

The Local Government Act 2002 requires local authorities to adopt a liability management policy and an investment policy, and to include these policies in their long-term council community plans.

Together these policies make up Auckland City Council's treasury management policy.

The liability management policy must state the council's policies on how it will manage its borrowings and other liabilities, including interest rate exposure, liquidity, credit exposure, borrowings repayment, specific borrowing limits and the giving of securities.

The investment policy must set out the council's policies on investments including investment objectives, the mix of investments, acquiring new investments, management and reporting procedures, and risk management.

The council reviews and approves any changes to the treasury management policy at least every three years when it approves its 10-year plan. Every financial year, the council's treasury management steering group (made up of senior council officers and, from time to time, an external person) reviews and approves strategic risk limits for the council's treasury activities, which conform to the treasury management policy. These strategic risk limits are formally published in an internal document, referred to as the treasury operating manual.

The steering group also monitors compliance with these limits and the performance of treasury activities against agreed benchmarks on a monthly basis. The council (or a delegated committee of the council) reviews treasury outcomes against the strategic risk limits and performance benchmarks on a quarterly basis.

The council's treasury management policy should be read in the context of the council's revenue and financing policy, which contains the council's overarching financial policy statements and objectives.

Liability management policy

The following is a general description of the council's policies with respect to borrowing and liability management.

Objectives

The council's key liability management objectives in relation to borrowings are to:

- prudently manage the council's borrowing to ensure ongoing sustainable funding
- monitor and report on the risk and the performance of debt portfolios against predetermined limits and benchmarks
- prudently manage the council's exposure to interest rate changes
- minimise borrowing costs
- manage short-term cash flows in an efficient and prudent manner
- maintain a sufficient level of liquidity to meet both planned and unforeseen cash requirements
- maintain accurate cash flow forecasts to assist borrowing decisions
- prudently manage the council's credit exposures, which will be with approved counterparties and will have predetermined limits
- maintain market confidence in the creditworthiness and integrity of the council as a borrower
- operate a centralised treasury management function for the council and its subsidiaries.

Sustainable debt policy

The council maintains a sustainable debt policy that aims to achieve an appropriate balance between the principles of intergenerational equity and financial prudence. Under the sustainable debt policy, borrowings can be used only in the following circumstances:

Purpose of borrowing	Policy requirements
To fund financial assets that produce income (eg, loans to Metro Water Ltd)	Borrowing is permitted to the extent that the income produced by the financial asset is sufficient to cover the forecast interest and principal repayments on that debt.
To fund capital expenditure for new or improved public infrastructure assets with long lives	<p>Borrowing is permitted provided that:</p> <ol style="list-style-type: none"> (1) depreciation of the asset is fully funded from current rates or other council operating revenue (2) sufficient rates surpluses (over and above the level of rates funding required to fund net operating expenditure and depreciation) are forecast to allow 60 per cent of the debt to be repaid over 30 years on a straight line basis (3) the expenditure is not fully funded in the year it is incurred by tagged capital receipts (for example, development contributions or NZ Transport Authority subsidies).
To fund the renewal or replacement of public infrastructure assets	Borrowing is generally not permitted, as asset replacement is typically funded from the depreciation charge included in rates. However, borrowing is permitted if it is used solely to address a timing mismatch between high renewals expenditure in any particular year and the subsequent collection of forecast depreciation charges.
To fund capital expenditure (either new works or renewals) for commercial activities operating in a competitive environment	<p>Borrowing is permitted provided that:</p> <ol style="list-style-type: none"> (1) the activity is set up as a stand-alone business unit with its own financial reports and a notional balance sheet (2) a long-term asset management plan has been prepared detailing the activity's expected future asset replacement needs (3) sufficient user charges or other revenues are forecast to allow 100 per cent of the debt to be repaid over the asset's economic life on a straight line basis.

Purpose of borrowing	Policy requirements
To fund operating expenditure	<p>Borrowing is generally not permitted, as borrowing to fund routine operating expenditure would become unsustainable over time. However, borrowing is permitted if:</p> <p>(1) the borrowing is used solely to address a short-term cash flow timing mismatch, or</p> <p>(2) the operating expenditure provides enduring economic benefits (for example, a grant to a third party organisation to help fund a long-life facility that will provide public benefits), or</p> <p>(3) the operating expenditure is part of a capital expenditure related fund, which provides for that operating expenditure to be recovered over a defined period of time (for example, borrowing to cover the interest in a development contribution fund, where all interest will be recovered from developers within a 10-year period).</p>
To fund working capital requirements	Borrowing is permitted, subject to oversight by the treasury management steering group.
To provide transitional (or bridging) funding for projects or acquisitions	Borrowing is permitted, subject to oversight by the treasury management steering group.
To fund the impacts on ratepayer equity from payments associated with discovered liabilities eg, weathertightness payments, remediation of closed landfills; remediation of other contaminated sites	<p>Borrowing is permitted, subject to oversight by the treasury management steering group, where:</p> <ul style="list-style-type: none"> • funding this operational expenditure from rates would place a significant burden on current ratepayers; and • debt will assist in promoting intergenerational equity by spreading responsibility for funding these issues across generations. <p>Additionally, 60 per cent of any debt should be repaid over 30 years on a straight line basis.</p>

In addition, new borrowings may only be entered into if the forecast prudential ratios (outlined below) remain within policy limits throughout a 40-year horizon.

Any other borrowing is an exception to the sustainable debt policy and would only occur either in an emergency or when considered necessary on a case-by-case basis. In such cases, the council would consider the special circumstances and the nature of the borrowing, its repayment terms and its sources of funding. Other than in emergency situations, approval would be subject to special consultative procedures, usually as part of a 10-year plan or annual plan.

Management of borrowings

The council considers and approves its forecast borrowing requirements by approving the 10-year financial projections in its 10-year plan and the shorter-term projections in its annual plan.

Borrowings to fund council-controlled organisations are matched by corresponding loans to the organisations. There is no prescribed maximum limit for council-controlled organisation borrowings. These borrowings are agreed by the council when it is approving the council-controlled organisations' statements of intent and funding plans.

Any other council liabilities are managed in the course of the council's day-to-day operations.

Debt repayments

Debt repayments (both interest and principal) are governed by:

- the council's policy of maintaining forecast prudential ratios within specified limits
- for borrowings that fund new public infrastructure, the council's policy of repaying 60 per cent of each year's new borrowings over a 30-year period, amortised on a straight line basis
- for borrowings that fund capital expenditures for a stand-alone business unit with commercial objectives, the council's policy of repaying 100 per cent of each year's new borrowings over the economic life of the asset, amortised on a straight line basis

- the council's projected liquidity profile
- contractual terms and conditions of borrowing (funds must be available to repay debt as and when it falls due)
- the need to preserve borrowing flexibility.

The council sets, on a case-by-case basis, the appropriate terms for repaying debt for transitional project financing and for non-routine capital expenditure.

Borrowing limits

The council's prudential limits are:

- the forecast debt / forecast total income ratio must not exceed three times
- the forecast debt / forecast total assets ratio must not exceed 25 per cent
- the forecast operating cash flow (before interest) / forecast interest expense ratio must not be less than 2.5 times.

Liquidity

Liquidity management is the management of liquid assets and funding sources to meet both short and long-term commitments as and when they fall due.

To ensure the council maintains a sufficient level of liquidity at all times, the treasury management steering group will determine at least annually (when approving the council's strategic risk limits):

- the minimum amount by which the total of the council's unutilised short-term funding facilities and its liquid investments must exceed forecast net cash outflow
- the period of time over which the forecast net cash outflow must be measured.

The council's borrowings will be spread over a range of maturities to minimise the risk that the council is not able to raise new borrowings or refinance existing borrowings at acceptable credit margins. The treasury management steering group will establish the maximum value of outstanding borrowings that may mature over any six-month period. This will be done each year when the group is approving the council's strategic risk limits.

Interest rate exposure policy

The primary objective of interest rate risk management is to reduce uncertainty about net interest income or expense as interest rates change. Mechanisms used include matching the interest rate re-pricing profile of the council's financial investments and financial liabilities and, where appropriate, fixing rates through fixed-rate borrowings and by using interest rate hedging facilities.

Where the council has a long-term or ongoing need for core borrowings, lengthy borrowing terms are attractive as they eliminate short-term liquidity risk (the risk of not being able to roll over short-term debt as it matures).

Fixed-rate, long-term borrowing can also mitigate interest rate re-pricing risk. This risk exists where a long-life asset is funded by floating-rate debt and either the asset produces a fixed income stream, eg, parking fees, that can not easily be re-priced in line with changing interest rates, or debt repayments are funded from a fixed income source, eg, a targeted rate, which will not be re-priced regularly.

The council manages interest rate risk on its debt on a portfolio basis¹. The interest rate risk of the consolidated debt portfolio is spread over time, with the weighted average of the interest rate risk profile (modified duration) of the portfolio maintained within the limits of zero and 10 years, unless otherwise approved by the treasury management steering group.

Credit exposure policy

Prudent credit management can reduce the council's risk of loss from a counterparty failing to meet its obligations. Credit exposure for borrowings is relevant for the undrawn portion of any committed, standby or bank facility, where the counterparty has a contractual obligation to provide funds to the council. Where the council uses these facilities, the counterparty's minimum credit rating must be A1 (short term) or A- (long term) as rated by Standard & Poor's, or equivalent credit ratings from another internationally recognised rating agency (such as Moody's or Fitch Ratings).

¹ The council's debt is managed on a centralised basis for the parent and its subsidiaries.

Security for debt

In general, the council will provide rates revenue as security for its borrowings (this is appropriate as borrowing facilities are usually established for broad funding purposes). However, in specific cases, the council may consider whether alternative security is appropriate, for example security over property that is specifically connected with the borrowing.

Investment policy

Objectives

The council seeks to minimise the risks associated with its investments to avoid placing the capital value of individual investments at risk. The council does not undertake any unnecessary or speculative investment activity.

The council's key investment policy objectives are to:

- prudently manage the council's financial investments by seeking to maximise investment income within acceptable investment risk parameters
- practise an ethical investment approach²
- invest only in approved securities and asset classes
- maintain an appropriate level of diversity across asset classes
- support the council's liquidity requirements
- monitor and report on risk and performance against predetermined limits and benchmarks
- maintain operational controls and procedures that protect the council against financial loss, opportunity cost and other inefficiencies.

² Ethical investment involves avoiding investing in companies whose business activities or products the council deems to be inappropriate, eg, arms manufacture, gambling, alcohol or pornography.

Investment mix

The council has investments in equities and fixed-interest securities. The council's equity investments include holdings in council-controlled organisations and other entities, where there is a specific strategic objective for holding the investment or the investment is required to comply with legislation. The council also holds a minority shareholding in Auckland International Airport Ltd. The shares were issued to the council in 1988 when the airport's assets were vested to Auckland International Airport Ltd.

The council's fixed-interest investments include treasury assets, such as cash and short-term money market instruments, which are used to manage the council's day-to-day and longer-term cash flow and liquidity requirements. The council also holds other fixed-interest investments in various investment portfolios, each tagged for specific purposes.

Acquisition of new investments

The council has delegated the authority to acquire fixed-interest investments to its funds management team. These acquisitions are made in accordance with strategic risk limits approved by the treasury management steering group. New equity investments are approved by the council acting on the recommendation of the appropriate council committee, or based on the advice and recommendations of council officers. In general, it is not the council's policy to acquire equities solely for investment purposes, except where those equities are purchased as a part of a perpetual or externally managed investment portfolio, or where arrangements are entered into that mitigate financial risks associated with the investment.

Managing and reporting on investments

Details on the performance of investments are reported to the council, or the appropriate council committee, quarterly. Monthly management reports are reviewed by the treasury management steering group, including liquidity details, interest rate exposure and credit exposure.

Risk management

In the normal course of its treasury operations, the council has exposure to credit risk, interest rate risk and liquidity risk.

Credit risk is managed by the council limiting its credit exposure to any single counterparty. This is done by weighting exposures towards counterparties with higher credit ratings, as determined by an international credit rating agency, eg, parties that are rated A- or better by Standard & Poor's. To safeguard against loss through poor credit quality, limits are applied to the council's aggregate exposure to each counterparty (and groups of counterparties) within specified credit rating bands. The only unrated counterparties that the council may invest in are other local government bodies. The treasury management steering group reviews and approves strategic credit risk limits annually.

The main objective of interest rate risk management is to reduce uncertainty around net interest income or expense as interest rates change. Mechanisms used include matching the interest rate re-pricing profile of the council's financial investments and financial liabilities and, where appropriate, fixing rates through fixed rate borrowings and the use of interest rate hedging facilities.

Interest rate risk is the risk that interest income will (due to adverse movements in market interest rates) materially under-perform the interest income projections in the council's annual plans and 10-year plan, negatively affecting the council's financial performance and position.

The council manages interest rate risk on investments on a portfolio basis. The interest rate risk of each investment portfolio will be spread over time, with the weighted average of the interest rate risk profile (modified duration) being maintained within the limits of zero and five years, unless otherwise approved by the treasury management steering group.

Liquidity risk is managed by investing only in financial assets that can be liquidated through a readily available secondary market.

Revenue and financing policy

Background information for the revenue and financing policy

Auckland City Council's revenue and financing policy explains how the council will fund its operating and capital expenditure in the coming years.

For each of the council's areas of work (called activities), the policy takes into account the following issues (as set out in section 101 of the Local Government Act 2002):

- the relevant community outcomes the activity contributes to
- who will benefit from the activity
- the period over which the benefits from an activity are expected to occur
- what or who contributes to the need for an activity
- the pros and cons of a separate funding tool for the activity
- the overall impact of the funding method on the city's current and future social, economic, environmental and cultural well-being.

These issues are captured in the guiding principles (see below), which form the rationale for how the council funds its operating and capital expenditure.

How the council allocates these funding sources for each of its activities is shown in the financial sections of the individual council activities in part 1 of volume 2.

The council reviews and approves any changes to its revenue and financing policy at least every three years when it adopts its long-term council community plan or, in intervening years, its annual plan.

This policy should be read with the following related council policies:

- the treasury management policy (incorporating the liability management policy and the investment management policy)
- the funding impact statement, which describes the council's rates policies
- the development contributions policy
- the policy on partnerships with the private sector.

Guiding principles

The following general principles form the core of Auckland City Council's revenue and financing policies and help guide funding decisions.

There are some inherent conflicts between these guiding principles. In practice, establishing the council's specific revenue and financing policies involves balancing and trading-off competing guiding principles. For example, the principle of paying for benefits received may call for a high degree of user pays for an activity, but this must be balanced against the principle of affordability. Similarly, the principle of optimal capital usage may imply high debt funding for the council's activities, but this must be balanced against the principle of financial prudence and sustainability.

Affordability

The council's funding decisions are influenced by concepts such as people's ability to pay and the desire to provide broad access for people to particular services, in addition to the concept of user pays.

Rates are a form of taxation and are not purely a charge for services received. Affordability issues influence both the overall level of rates and the level of any uniform charges within the rates.

Paying for benefits received

In general, if a council activity mainly benefits a particular person or group, then that person or group should contribute to the cost of the activity. In addition, payment should be made for the activity at the same (or similar) time as the benefits are received (called intergenerational equity).

Paying for costs imposed

In general, if the actions or inactions of a particular person or group create a need for the council to carry out an activity, then that person or group should contribute to the cost of the activity. This is sometimes referred to as the polluter pays principle or causer pays principle.

Transparency and accountability

Where the principles of paying for benefits and paying for costs (set out above) suggest that a particular person or group should contribute towards the cost of an activity, then that activity should be funded separately from other activities, if it is practicable to do so.

Market neutrality

The council is aware of the risks of unfairly competing with private sector providers where it (or an organisation under its control) provides a service that is in actual or potential competition with the private sector. To avoid this, the council will apply commercial best practice when providing such services.

Financial prudence and sustainability

The council's revenue, expenditure, assets, liabilities, investments and general financial dealings should be managed in a prudent and sustainable manner.

Optimal capital usage

The council's limited financial resources should be used in such a way as to maximise the benefits provided to the community, while minimising the burden on ratepayers. Among other things, this principle influences the council's decisions on the best mix of funding (between rates income, other revenue sources, borrowings and asset sales) for its assets and activities.

Efficiency and effectiveness

The council's revenue and financing policies should have regard to the costs of carrying them out, and how effective they will be in achieving their objectives.

Overall social, economic, environmental and cultural impacts

Decisions on how the council's needs for revenue will be met (by ratepayer and other groups) should take into account the impact of the decision on the current and future social, economic, environmental and cultural well-being of the community.

Funding operating expenditure

The council ensures its projected operating revenue is sufficient to meet the cost of its regular, ongoing operating activities. This is consistent with the guiding principle of financial prudence and sustainability.

The council considers the following funding sources are appropriate for its operating expenditure.

General rates

General rates are appropriate for funding operating activities where there is a significant public good element¹. For example, the council's activities to maintain public parks and open spaces are funded mainly by general rates. This is consistent with the guiding principle of paying for benefits received; since all members of the community can benefit from well maintained parks, all members should contribute to the cost of these activities.

Similarly, general rates are appropriate for funding activities where a private good generates positive externalities² or benefits for the wider community. For example, although theatre productions supported by The Edge® can only be seen by ticket holders, these shows are considered to have positive flow-on benefits to the cultural well-being of the wider community.

General rates are also appropriate for funding activities where imposing the cost on the individuals or groups who benefit from the activity would place too great a burden upon them. This is consistent with the guiding principle of affordability. For example, general rates are used to subsidise the cost of operating

swimming pools, which ensures the general public have affordable access to these facilities.

The value-based general rate is applied on the basis of each property's annual value and a uniform annual general charge (see the funding impact statement for a detailed explanation). General rates based on the property's annual value can be applied using differentials, meaning that the general rate can be applied at different levels for different groups of ratepayers. The council's chosen valuation basis and the structure of its general rate represent a balance of the guiding principles of paying for benefits received and affordability. The council also applies a uniform annual general charge, which all rateable properties pay irrespective of property value.

Targeted rates

Targeted rates are appropriate for funding operating activities where the activity mainly benefits a specific group of ratepayers or where the action or inaction of that group contributes to the need for the activity. For example, the council's refuse collection service is funded by a targeted rate charged only to ratepayers who receive the service.

Targeted rates are also appropriate where the revenue collected can be targeted towards funding a specific type of expenditure, such as operational expenditure associated with maintaining new infrastructure for roads and transport.

A targeted rate can be applied in several ways, including a fixed amount per property or according to property value.

Fees and charges

Fees and charges are appropriate where the benefits of an activity are primarily private. For example, the costs of providing land information services are largely funded by user charges because the person requesting the services receives most of the benefits.

1 A public good is a good or service where it is not possible to exclude a person from enjoying the benefits of the good or service, and where one person using that good or service does not prevent another person also using it at the same time.

2 A positive externality arises whenever the activities of one party make another party better off, yet the party benefiting does not contribute to the cost of those activities.

They are also appropriate where a person's or group's action or inaction creates the need for an activity. For example, the cost of car parking enforcement is largely funded by parking fines.

Where there is actual or potential competition from the private sector to provide a service, the council's fees and charges are set after considering the principle of market neutrality.

Interest and dividends from investments

This type of revenue is used to supplement general rates funding to help meet the cost of the council's regular operating activities and reduce the burden on ratepayers.

Borrowings

In general, the council does not fund operating expenditure by borrowing. The only exceptions are when:

- borrowing is used to fund short-term working capital requirements
- certain expenditure provides enduring economic benefits.
- to fund the impacts on ratepayer's equity from payments associated with discovered liabilities eg, weathertightness payments, remediation of closed landfills; remediation of other contaminated sites. Borrowing is permitted, subject to oversight by the treasury management steering group, where:
 1. funding this operational expenditure from rates would place a significant burden on current ratepayers; and
 2. borrowings will assist in promoting intergenerational equity by spreading responsibility for funding these issues across generations.

Additionally, 60 per cent of any borrowings should be repaid over 30 years on a straight line basis.

Grants and subsidies

In general, grants and subsidies are appropriate only for funding the operating costs of the particular activity that the grant or subsidy was intended to pay for. For example, transport subsidies can only be used to fund specific transport projects and these projects must meet strict eligibility criteria.

Other sources

The appropriateness of other funding sources should be assessed with regard to the guiding principles. Any miscellaneous revenue that may arise from the council's normal operating activities should be used to fund activities that would normally be funded from general rates.

The table on the following page shows the council's current and projected funding sources for operating expenditure. In setting these funding sources, the council has considered the guiding principles and the community outcomes that each of its activities contribute to.

Auckland City Council's funding sources for operating expenditure for 2009/2010 to 2018/2019

\$000	Budget 2008/2009	Budget 2009/2010	Projection 2010/2011	Projection 2011/2012	Projection 2012/2013	Projection 2013/2014	Projection 2014/2015	Projection 2015/2016	Projection 2016/2017	Projection 2017/2018	Projection 2018/2019
General rates											
Value-based ¹	200,925	191,161	196,163	192,341	179,192	173,752	171,694	179,040	189,336	187,789	186,838
Uniform charge ¹	27,660	43,355	53,037	59,843	69,383	77,382	85,746	95,087	104,841	115,016	126,230
	228,585	234,516	249,200	252,184	248,575	251,134	257,440	274,127	294,177	302,805	313,068
Targeted rates											
CBD (non-residential) ²	7,370	7,607	7,956	10,700	11,916	12,298	9,679	9,164	9,000	9,214	9,442
CBD (residential) ²	528	471	432	524	543	581	472	457	450	461	472
Mainstreet	6,849	7,568	7,568	7,568	7,568	7,568	7,568	7,568	7,568	7,568	7,568
Refuse	34,485	29,360	30,284	36,707	39,989	41,509	43,339	44,871	46,583	48,525	50,289
Rugby World Cup 2011 ³	0	0	0	6,900	0	0	0	0	0	0	0
	49,232	45,006	46,240	62,399	60,016	61,956	61,058	62,060	63,601	65,768	67,771
Penalties, discounts and remissions ⁴	(1,313)	(1,263)	(1,503)	(1,767)	(2,113)	(2,479)	(2,895)	(3,366)	(3,786)	(4,350)	(4,982)
Total rates	276,504	278,259	293,937	312,816	306,478	310,611	315,603	332,821	353,992	364,223	375,857
Revenue from activities											
Direct user charges ⁵	75,202	68,038	70,447	72,707	75,190	77,666	80,341	83,532	87,113	90,961	95,173
Grants and subsidies ⁶	15,155	17,345	19,220	24,552	18,435	19,168	19,849	20,597	21,294	22,019	24,036
Other operational revenue ⁷	25,992	25,129	30,790	39,783	45,413	58,609	62,223	64,060	66,884	68,361	70,750
Rental Revenue	26,351	27,252	27,444	27,764	28,678	29,733	28,588	29,537	30,523	31,540	32,616
Penalties and fines	24,727	22,559	23,697	24,468	25,826	26,643	27,612	29,073	30,618	32,320	34,130
Sponsorship income	1,280	1,288	1,335	1,255	1,407	1,444	1,481	1,521	1,562	1,604	1,649
Recoveries	431	298	299	300	300	301	301	302	303	304	304
	169,138	161,909	173,232	190,829	195,249	213,564	220,395	228,622	238,297	247,109	258,658
Other revenue											
Interest and dividends ⁸	27,875	32,920	35,245	37,301	40,176	43,477	47,048	50,821	53,147	56,400	60,241
Petrol tax and royalties ⁸	3,225	3,569	3,469	3,369	3,269	3,169	3,169	3,069	3,069	2,969	2,869
	31,100	36,489	38,714	40,670	43,445	46,646	50,217	53,890	56,216	59,369	63,110
Working capital ⁹	0	1,359	4,905	(1,554)	2,756	(1,329)	2,310	(2,304)	2,304	(2,431)	2,431
Total	476,742	478,016	510,788	542,761	547,928	569,492	588,525	613,029	650,809	668,270	700,056

Notes to table

- 1 The general rate will be assessed on the annual value of each rating unit and assessed differentially on different categories of land as explained in the funding impact statement. In 2009/2010, the general rate also includes a uniform annual general charge of \$250 per separately used or inhabited part of a rating unit.
- 2 The CBD targeted rate is \$57 per residential unit in the CBD and is a value-based rate for CBD non-residential properties.
- 3 The Rugby World Cup targeted rate is projected to be \$23 per residential unit and will generate around \$3.4 million. The targeted rate for non-residential properties will be a value-based rate and will generate around \$3.5 million.
- 4 The figures in this row show the council's net revenue from rates penalties on overdue rates payments, less the expenditure from the discount for early rates payments, as outlined in the council's discount policy, and less the remission of rates under the council's rates remission policies. The discount policy and rates remission and postponement policies are included in the rates assistance section of this document.
- 5 Includes fees, sales and rents.
- 6 The council classes grants and subsidies for operating expenditure as revenue from activities, while it classes grants and subsidies for capital expenditure as capital revenue.
- 7 Other operational revenue includes payments and reimbursements from council-controlled organisations for services provided by the council to the organisations.
- 8 Petrol tax and royalties, and interest and dividends in the table do not include revenue from council-controlled organisations and council-controlled trading organisations. Revenue from council-controlled organisations and subsidiaries is shown under the charitable receipts.
- 9 The council temporarily borrows to fund some of its expenditure when there is a timing difference between when the council requires the funding for its expenditure and when it receives the revenue. The amount borrowed is repaid when the council receives the revenue.

General note: These figures are projections, and the actual operating expenditure in any particular year may vary.

Sources of funding of operational expenditure for the council's activities

The following table set outs the sources of funding for operating expenditure for 2009/2010, with respect to each of the council's activities. Volume 2 provides more information about the revenue and financing policy for each activity.

Activities	General Rates ¹	Targeted Rates	Direct User Charges ²	Grants and subsidies	Other operational revenue ³	Rental revenue	Penalties and fines	Sponsorship income	Recoveries	Petrol tax and royalties ⁴	Other revenue	Working Capital
Economic development strategy												
AMETI	X			X								
Economic growth and development	X	X										
Lifestyle choices strategy												
Arts and cultural facilities and programme	X	X	X		X	X						
Auckland Art Gallery	X		X	X	X			X				
Auckland Zoo	X		X	X	X	X		X				
Events	X	X		X	X	X		X				
Marinas			X		X	X						
Recreation	X			X		X						
Quality built environment strategy												
City planning	X	X	X									
Development with Vision	X		X			X						
Land and property related information			X		X							
Management of development	X		X		X		X					
Stormwater network management	X								X			
Urban growth strategy	X											
Quality natural environment strategy												
Closed landfills management	X											
Environmental policy and planning	X											
Parks	X				X	X						X
Recycling services		X										
Stormwater quality enhancement	X											
Utilities advocacy	X											
Strong and healthy communities strategy												

Part 1: Policies and statements
Revenue and financing policy

Activities	General Rates ¹	Targeted Rates	Direct User Charges ²	Grants and subsidies	Other operational revenue ³	Rental revenue	Penalties and fines	Sponsorship income	Recoveries	Petrol tax and royalties ⁴	Other revenue	Working Capital
Community services	X			X	X	X		X				X
Civil defence and emergency management	X											
Libraries	X		X	X	X	X	X					
Environmental health and licensing	X		X		X		X					
Street environment and town centres	X			X	X	X						
Waste management		X			X							X
Transport choices strategy												
Parking			X		X	X	X					
Transport infrastructure	X	X	X	X	X	X				X		
Efficient, capable and user-friendly council												
Efficient and capable council			X	X	X	X			X	X	X	
Representation	X			X								

Notes to table

- 1 The general rate will be assessed on the annual value of each rating unit and assessed differentially on different categories of land as explained in the funding impact statement. In 2009/2010, the general rate also includes a uniform annual general charge of \$250 per separately used or inhabited part of a rating unit.
- 2 Includes fees, sales, rents and commercial revenue.
- 3 Other operational revenue includes payments and reimbursements from council-controlled organisations for services provided by the council to the organisations.
- 4 Petrol tax and royalties, and interest and dividends in the table do not include revenue from council-controlled organisations and council-controlled trading organisations. Revenue from council-controlled organisations and subsidiaries is shown under the charitable receipts.

Funding capital expenditure

Auckland City Council considers the following funding sources are appropriate for its capital expenditure. These funding sources may be applied either directly to capital projects when expenditure is made on them, or towards financing interest and principal repayments on borrowings that were raised to fund the expenditure.

Intergenerational equity principles, which are dealt with under the council's guiding principle of paying for benefits received (when they are received), suggest that assets with a long life span should be funded by borrowings. In that way, repayments are spread over 30 years, instead of paying for the entire cost of the assets in the year they are built.

For such assets, the funding sources below can be used to finance principal repayments on borrowings, rather than for directly funding capital projects.

General rates

General rates are appropriate for funding new capital projects where there is a significant public good element. For example, it is appropriate to fund the upgrades of street signs and lighting from general rates. This is consistent with the guiding principle of paying for benefits received; since all members of the community can benefit from the upgrades, all members should contribute to the cost of providing them.

Similarly, general rates are appropriate for funding new capital projects where a private good generates positive externalities or benefits for the wider community. For example, although car parking in the CBD can only be used by the people who pay the relevant parking charges, provision of car parking has spill-over benefits for businesses in the CBD and also for the wider community (through the enjoyment of having a more dynamic CBD).

Where a current asset provides a public good or positive externalities, then it is appropriate to fund the replacement of that asset from general rates, especially where the general rate includes an explicit charge to recover depreciation.

General rates are also appropriate for funding capital projects where imposing the cost on the individuals or groups who will benefit from the project would place too great a burden on them. This is consistent with the guiding principle of affordability. For example, it would be appropriate to use the general rate to fund redeveloping a swimming pool complex, to ensure the public continues to have access to the facility.

The value-based general rate is applied on the basis of each property's annual value and a uniform annual general charge (see the funding impact statement for a detailed explanation). General rates based on the property's annual value can be applied using differentials, meaning that the general rate can be applied at different levels for different groups of ratepayers. The council's chosen valuation basis and the structure of its general rate represent a balance of the guiding principles of paying for benefits received and affordability. The council also applies a uniform annual general charge, which all rateable properties pay irrespective of property value.

Targeted rates

Targeted rates are appropriate for funding capital projects where the project mainly benefits a specific group of ratepayers or where the action or inaction of that group contributes to the need for the project. For example, the cost of certain CBD upgrade projects is funded by a targeted rate, which is only paid by CBD ratepayers.

Targeted rates are also appropriate where the revenue collected can be targeted towards funding a specific type of expenditure, such as capital expenditure to replace or expand new transport infrastructure.

A targeted rate can be applied in several ways, including a fixed amount per property or according to property value.

Fees and charges

Fees and charges are appropriate where the benefits provided by an asset are primarily private in nature. For example, the infrastructure required to provide

land information services is largely funded by user charges because the people buying these services receive most of the benefits.

Interest and dividends from investments

This type of revenue is used to supplement general rates funding for capital projects to help meet the cost of providing assets and reduce the burden on ratepayers.

Borrowings

All borrowings are subject to the council's sustainable borrowings policy (see the treasury management policy in this section of the document) and the guiding principle of optimal capital usage.

Borrowings are appropriate when an asset has a long life and will provide a benefit over a long period. By financing the cost over 30 years, current and future ratepayers both pay for the benefits they receive. The council will repay 60 per cent of all new borrowings for new assets over 30 years, while ensuring that its total borrowings stay within its prudential limits.

Borrowings are also appropriate when there is a timing difference between when expenditure is incurred on an asset and when income is received from it.

When an asset will be used for an activity that is expected to generate additional commercial revenue for the council, then capital expenditure on the asset should be funded from borrowings (to be serviced by the commercial revenue) rather than from rates. This is consistent with the guiding principle of optimal capital usage.

When the council provides a service that is in competition or potential competition with the private sector, borrowings should be used to fund the capital expenditure in line with best commercial practice. This will ensure consistency with the principles of optimal capital usage and market neutrality.

Proceeds from asset sales

It is generally appropriate to use the proceeds from selling an asset to fund the cost of providing another asset. In general, assets to be funded from the proceeds of asset sales should be of a higher strategic priority than the assets that were sold. Asset sales are most attractive from a financial perspective where they produce lower financial returns than the council's interest costs on borrowings.

Development contributions

If a capital project provides capacity to cater for future population growth, then it is appropriate to use development contributions to fund some of the project's costs. The council's development contributions policy takes into account a number of considerations, including benefits and causes, to ensure developers and new residents contribute fairly to these costs. Otherwise, current ratepayers would subsidise new ratepayers and this is inconsistent with the guiding principles.

An exception might occur if development contributions would impose an excessive burden on developers and new ratepayers, and this conflicted with the council's overall development objectives for the city. In this case, the guiding principle of affordability may mean that some degree of subsidisation is appropriate.

See the development contributions policy in this section of the document for more details about development contributions and the projects they are used to fund.

Financial contributions

Financial contributions are appropriate to fund the cost of providing assets, associated with development, that are required as the result of a person's actions, where development contributions do not apply. For example, if a development has an environmental impact, which the council must address through a capital works project, then it may be appropriate to use financial

contributions to fund the cost of those capital works. Financial contributions are levied under the Resource Management Act 1991.

Grants and subsidies

In general, grants and subsidies are appropriate only for funding the costs of providing a particular asset that the grant or subsidy was intended for. For example, transport subsidies can only be used to fund specific transport projects and these projects must meet strict eligibility criteria.

Other sources

The appropriateness of other funding sources should be assessed with regard to the guiding principles. Any miscellaneous revenue, or extraordinary receipt of funds, should be used to fund assets that would normally be funded from general rates.

Dedicated capital expenditure portfolios are a special case. These portfolios are set up on the basis that they will only be used to fund the capital expenditure of either a specific project or a specific type of project.

Charitable payments from the council's subsidiary Metro Water Ltd are another special case and are currently dedicated to funding stormwater capital expenditure projects. Following consultation with ratepayers in 2008/2009, the council has decided to phase out these charitable payments.³

The table on the following page shows the council's current funding sources for capital expenditure. In setting these funding sources, the council has considered the guiding principles and the community outcomes that each activity contributes to.

³ The council is restricting Metro Water Ltd's price increases to the council's rate of inflation until the charitable receipts are phased out. This decision should improve affordability. Based on Metro Water Ltd's updated costs and the restriction on price increases to the council's rate of inflation, this means that charitable receipts are likely to be phased out from 1 July 2010.

Auckland City Council's funding sources for capital expenditure for 2009/2010 to 2018/2019

\$000	Budget 2008/2009	Budget 2009/2010	Projection 2010/2011	Projection 2011/2012	Projection 2012/2013	Projection 2013/2014	Projection 2014/2015	Projection 2015/2016	Projection 2016/2017	Projection 2017/2018	Projection 2018/2019
General rates											
Value-based ^{1,2}	3,246	8,984	6,075	902	9,198	15,569	18,601	13,560	6,518	10,635	16,881
Targeted Rates											
CBD (non-residential) ^{2,3}	6,083	5,782	7,875	7,299	8,154	7,912	10,706	11,693	(66)	(70)	(75)
CBD (residential) ^{2,3}	436	358	427	357	372	374	523	583	(3)	(4)	(4)
Open space	0	0	0	0	0	0	0	0	0	0	0
Refuse ²	0	4	53	53	94	94	94	94	94	94	94
Rugby World Cup 2011 ⁴	0	0	0	0	0	0	0	0	0	0	0
	6,519	6,144	8,355	7,709	8,620	8,380	11,323	12,370	25	20	15
Total rates	9,765	15,128	14,430	8,611	17,818	23,949	29,924	25,930	6,543	10,655	16,896
Revenue from activities											
Direct user charges ⁴	545	729	734	779	805	871	974	1,073	1,044	1,027	1,018
	545	729	734	779	805	871	974	1,073	1,044	1,027	1,018
Depreciation	137,384	140,405	144,973	167,480	178,642	188,208	197,844	206,907	215,209	223,464	230,280
Capital revenue											
Borrowings and working capital ⁵	129,260	186,652	267,178	43,545	14,927	(20,175)	(50,523)	(15,207)	(45,758)	(52,210)	(79,206)
Charitable receipts ⁶	23,496	10,500	0	0	0	0	0	0	0	0	0
Development contributions	39,295	16,803	19,997	22,980	27,098	33,936	46,108	56,175	64,041	73,022	83,290
Grants and subsidies	69,414	110,779	57,563	54,949	61,731	70,962	72,315	62,034	52,905	47,467	54,372
Other gains/(losses) ⁷	192	187	188	189	191	192	193	194	192	196	195
	261,657	324,921	344,926	121,663	103,947	84,915	68,093	103,196	71,380	68,475	58,651
Total	409,351	481,183	505,063	298,533	301,212	297,943	296,835	337,106	294,176	303,621	306,845

Notes to table

- 1 The general rate will be assessed on the annual value of each rating unit and assessed differentially on different categories of land, as explained in the funding impact statement. In 2009/2010 the general rate also includes a uniform annual general charge of \$250 per separately used or inhabited part of a rating unit.
- 2 The capital projects funded by the council's rates are in some years funded by debt, which is repaid by rates in later years.
- 3 The CBD targeted rate is \$57 per residential unit in the CBD, and is a value-based rate for CBD non-residential properties.
- 4 Includes fees, sales and rents.
- 5 The council temporarily borrows to fund some of its expenditure, when there is a timing difference between when the council requires the funding for its expenditure and when it receives the revenue. The amount borrowed is repaid when the council receives the revenue.
- 6 Revenue from council-controlled organisations and subsidiaries is shown under the charitable receipts.
- 7 The council uses the term "other gains/(losses)" to refer collectively to funds received from the sale of assets and other minor funding sources.

General notes:

- a. Under the council's current policy, capital expenditure is fully funded over 30 years, but may not necessarily balance in any particular year.
- b. Negative numbers mean the council has spent fewer funds than are available for that particular year. All the unspent funding is accumulated for the following years.
- c. These figures are projections, and the actual capital expenditure in any particular year may vary.

Sources of funding of capital expenditure for the council's activities

The following table sets out the sources of funding for capital expenditure, with respect to each of the council's activities. Part 1 of volume 2 provides more information about the revenue and financing policy for each activity.

Activities	General rates ¹	Targeted rates	Direct user charges	Depreciation	Borrowings and working capital	Charitable receipts	Development contributions	Grants and subsidies	Other gains/(losses) ²
Economic development strategy									
AMETI	X				X		X	X	
Economic growth and development	X	X		X	X			X	
Lifestyle choices strategy									
Auckland Art Gallery	X			X	X		X	X	
Arts and cultural facilities and programme	X			X	X				
Events				X					
Marinas	X			X	X				
Recreation	X			X	X		X		
Auckland Zoo	X			X	X			X	

Part 1: Policies and statements
Revenue and financing policy

Activities	General rates ¹	Targeted rates	Direct user charges	Depreciation	Borrowings and working capital	Charitable receipts	Development contributions	Grants and subsidies	Other gains/(losses) ²
Quality built environment strategy									
City Planning				X					
Development with Vision	X			X	X				
Management of development				X					
Stormwater network management	X			X	X	X	X		
Urban growth strategy									
Quality natural environment strategy									
Closed landfills management	X			X	X				
Parks	X			X	X		X		
Recycling services	X			X	X				
Strong and healthy communities strategy									
Community services	X			X	X		X		
Emergency management				X					
Libraries	X			X	X		X		
Environmental health and licensing				X					
Street environment and town centres	X			X	X				
Waste management	X	X			X				
Transport choices strategy									
Parking	X			X	X				
Transport infrastructure	X		X	X	X		X	X	
Efficient, capable and user-friendly council									
Efficient and capable council	X			X	X				X
Representation				X					

Notes to table

1 The general rate will be assessed on the annual value of each rating unit and assessed differentially on different categories of land, as explained in the funding impact statement. In 2009/2010 the general rate also includes a uniform annual general charge of \$250 per separately used or inhabited part of a rating unit.

2 The council uses the term "other gains/(losses)" to refer collectively to funds received from the sale of assets and other minor funding sources.

Estimated average rates increases to 2018/2019

The council's focus for the next 10 years will be on creating affordable progress for the city that is in keeping with the economic times facing New Zealand. This will be achieved by carefully prioritising spending so that projects are completed sensibly, at a pace within our means. Affordable progress involves keeping average rates increases⁴ over the next 10 years to less than, or equal to, the council's rate of inflation each year⁵.

The following table shows the council's projected inflation rate and the projected rates increases from 2009/2010 to 2018/2019.

Year	Projected rate of inflation	Projected average rates increase ¹
2009/2010	2.5	2.0
2010/2011	2.5	2.5
2011/2012	2.5	6.1 ^{2,3,4}
2012/2013	2.6	1.0 ^{3,4}
2013/2014	2.6	2.5 ⁴
2014/2015	2.6	2.5 ⁴
2015/2016	2.7	2.6 ⁴
2016/2017	2.7	2.6 ⁴
2017/2018	2.7	2.4 ⁴
2018/2019	2.8	2.6 ⁴
Average	2.62	2.68

Notes to table

- 1 Excludes the impact of the growth in rating base, and CBD, Mainstreet and additional recycling services targeted rates.
- 2 The impact of new targeted rates in 2011/2012 is a 3.6 per cent increase in rates.
- 3 The council plans to introduce two new targeted rates to help fund council's operating costs for the Rugby World Cup 2011. This will result in a rates increase in 2011/2012 that is 1.6 per cent higher than council's projected rate of inflation. However, in 2012/2013 the rates increase will be 1.6 per cent lower than the council's projected rate of inflation.
- 4 The council will develop the Queens Wharf to provide public open space, international cruise ship terminal, as well as a number of other new activities and attractions. The cost of this development is currently budgeted at around \$84 million dollars, which requires a rate increase of 2 per cent on top of the council's rate of inflation and the 1.6 per cent increase for the Rugby World Cup 2011. However, from 2012/2013 rate increases will be lower than council's rate of inflation.

4 Excludes the impact of the CBD, Mainstreet, additional recycling services, and Rugby World Cup 2011 targeted rates.

5 The rate increase for 2011/2012 is greater than council's rate of inflation for that year to fund the development of Queens Wharf and council's operating costs for Rugby World Cup 2011. However, from 2012/2013 rate increases are projected to be lower than council's rate of inflation.

General rates funding versus user charges

The council believes that if an activity mainly benefits a particular person or group, then that person or group should contribute to the cost of that activity through some form of user charges. Where the whole community benefits from an activity, the council believes that all ratepayers should contribute to the cost through general rates.

However, sometimes fully funding an activity that provides benefit to individuals may place too great a burden upon them or create non-compliance issues. An example of this is setting consent fees too high, which could lead to other financial costs for the council. In these situations, the council uses both user charges and general rates to fund these activities. For activities that provide both individual and community benefits, the council also funds these activities from user charges and general rates.

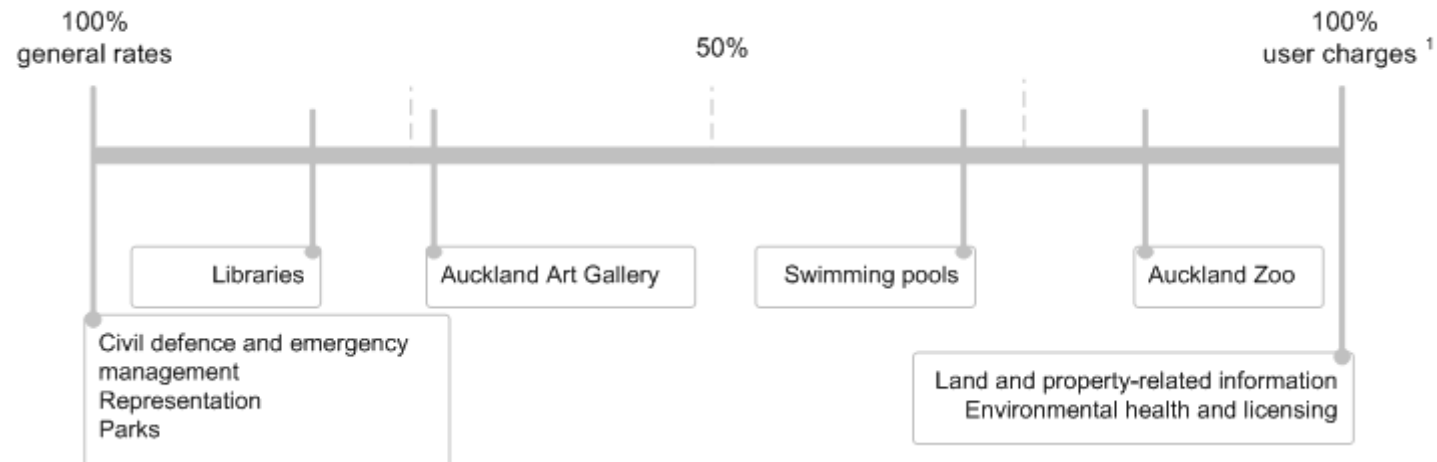
The council must consider these issues when determining the level of user charges or general rates funding for an activity.

To illustrate this process, the diagram below shows how operating expenditure for a few selected council services is funded. The examples chosen range from 100 per cent general rates funded to 100 per cent user charges funded.

The diagram is followed by a brief explanation of the funding sources for operating expenditure used for each of the activities shown in the diagram.

Volume 2 has more information about funding for all of the council's activities.

Summary of operating expenditure funding sources for selected council activities



Note

- 1 For this purpose, user charges include fees, charges, fines, penalties, targeted rates, financial contributions and development contributions. Some services are also funded from other sources such as grants, subsidies, sponsorship, borrowings, sales, leases, rent, revenue and interest and dividends. For this reason, placement on the continuum is approximate.

Examples of activities fully funded or almost fully funded from general rates

Civil defence and emergency management

Civil defence and emergency management benefits the entire community by ensuring the city is prepared for recovery in the event of a disaster, and is therefore entirely funded from the general rates.

Representation

Auckland City Council's representation activities are almost fully funded from the general rates. This is appropriate as the whole community benefits from the city having robust and transparent democratic processes, and from being able to take part in decision-making. The council receives a small amount of revenue from user charges for these activities and from a grant from central government.

Parks

People who use the parks gain a direct benefit from them, but it is not feasible or desirable to exclude people from parks. Therefore, Auckland City Council's parks activities are almost fully funded from the general rate. This is a practical and fair way of funding parks, as parks are open for everyone to use and enjoy.

Individuals and clubs are charged for using sports fields and other sports facilities, which is fair when they are reserving them for their exclusive use.

Charges also are applied to cemetery plots, which is fair as plot owners are essentially acquiring a piece of land within the cemetery.

Examples of activities fully funded or almost fully funded from user charges

Land and property-related information

Auckland City Council's land and property-related information activities are fully funded from user charges (fees charged for reports and other information). This is fair, as individuals requesting information from the council benefit directly from these services.

Environmental health and licensing

The council's environmental health and licensing is almost entirely funded from user charges, as individuals benefit from being granted licences for premises preparing food or selling alcohol.

Examples of activities that use a mix of general rates and user charges funding

Libraries

The majority of funding for Auckland City Council's libraries activities comes from the general rate as the council is not allowed to charge membership fees. This is a fair way of funding these services, as everyone in the city benefits from the education and recreation opportunities that libraries provide. Fees are charged for the libraries' non-core and specialised services, and for taking out best-sellers and items other than books (such as CDs and DVDs). Penalties and fines are also applied for lost and overdue items.

Auckland Art Gallery

Conditions relating to the MacKelvie Trust Collection restrict the council from charging entry fees to Auckland Art Gallery's own collection and displays. The majority of costs associated with these collections and displays are funded from general rates, although the council reduces the burden on ratepayers with revenue from other sources (see volume 2).

General rates are considered the best way to pay for most of the gallery's costs, given the benefits it provides for the public and the city as a whole, and the restrictions placed on user charges. Admission fees are charged for exhibitions from national and international collections, and these are an effective and transparent way of covering the costs of these exhibitions.

Swimming pools

The council's swimming pools are mainly funded from user charges as individuals benefit from using the facilities.

However, swimming pools also benefit the community by helping to improve health and well-being through physical exercise, and developing a sense of pride in the city. The council provides a subsidy to swimming pool operators to ensure that charges are affordable. It is appropriate to use the general rate to fund this subsidy, which reflects the broader community benefits that pools provide.

Auckland Zoo

Most of Auckland Zoo's funding comes from admission and membership fees, as visitors benefit from the experience. Fees are an efficient and transparent way to pay for Auckland Zoo's activities. However, they are set at a level to make a visit to Auckland Zoo affordable for most people, while raising a reasonable amount of revenue.

Auckland Zoo's wildlife conservation and education programmes provide a significant public benefit for the community. General rates are therefore a fair way to fund the public benefits Auckland Zoo provides and ensure that entry fees remain affordable for most people. General rates contribute around 18 per cent of the zoo's total revenue, which varies depending on how much revenue is raised from other sources.

Development contributions policy

1 Introduction

The Local Government Act 2002 enables Auckland City Council to require development contributions from developers to help fund the cost of new or expanded infrastructure, which is required to meet the additional demand created by growth. Auckland is growing rapidly and the council considers it appropriate for developers to pay a fair share of the costs of growth through development contributions. The council adopted its first development contributions policy in June 2005.

This policy covers development contributions for community amenities, stormwater, public space land acquisition, public space infrastructure and transport. These charges will apply to developments anywhere in the city from 1 July 2009 when the policy takes effect. This policy updates and replaces the policy adopted in 2008 as part of that year's amendments to the council's long-term plan.

The policy sets out the development contributions payable by developers, specifies how and when they are to be calculated and paid, and summarises the methodology and rationale used in calculating the level of contributions. It also includes a summary of the significant assumptions that the policy is based on.

The policy also includes, for information purposes only, a summary of the provisions in the council's district plan that relate to financial contributions.

1.1 Public inspection of contributions information

This development contributions policy forms part of Auckland City Council's 10-year plan 2009-2019 (the 10-year plan). An earlier draft policy formed the statement of proposal required to support public consultation on the development contributions policy and the 10-year plan. This met the requirements of the special consultative procedure, as set out in sections 83 and 84 of the Local Government Act 2002.

This policy, along with a supporting information pack, is available for public inspection at www.aucklandcity.govt.nz/developmentcontributions and the council's offices, service centres and libraries.

The council's district plan (which contains the council's detailed financial contributions provisions) can be inspected at the council's offices, service centres and libraries. You can also visit www.aucklandcity.govt.nz to see the three published sections of the district plan.

1.2 Revising the policy in the future

The development contributions policy and schedule will be reviewed as required, and at least once every three years, when the long-term plan is reviewed. See also section 12 of this policy.

2 Structure of this policy

This policy meets the requirements of sections 106, 201 and 202 of the Local Government Act 2002, which set out the information that a development contributions policy must contain. It includes the following sections:

- Section 1: Introduction
- Section 2: Structure of this policy
- Section 3: Schedule of charges
- Section 4: Definitions
- Section 5: General policy principles
- Section 6: Cost allocation
- Section 7: Cost recovery and units of demand
- Section 8: Assessment of demand and payments
- Section 9: Bringing the 2009 policy amendments into force (starting arrangements)
- Section 10: Summary of past projects with residual capacity
- Section 11: Key assumptions
- Section 12: Possible future changes to the policy
- Section 13: Summary of financial contributions provisions.

3 Schedule of charges

The development contributions payable for each unit of demand, on granting a building or resource consent, or on authorising certain service connections, are given below. The unit of demand used for each activity is the household unit equivalent, or HUE.

Area	Activity	Residential/ non-residential	Contribution per HUE (excluding GST)	Contribution per HUE (including GST)
Isthmus, central area and Hauraki Gulf islands	Community amenities	Residential developments only	\$1,271.00	\$1,429.88
Isthmus and central area	Public space land acquisition ¹	Residential developments only	\$4,524.00 plus the equivalent value of 3.87m ² of the land being developed	\$5,089.50 plus the equivalent value of 3.87m ² of the land being developed (plus GST)
Isthmus and central area	Public space infrastructure	Residential developments only	\$7,060.00	\$7,942.50
Isthmus and central area	Stormwater	Both residential and non-residential developments	\$4,533.00	\$5,099.63
Isthmus, central area and Hauraki Gulf islands (but excluding Wynyard Point ²)	Transport	Both residential and non-residential developments	\$2,508.00	\$2,821.50
Wynyard Point ²	Transport	Both residential and non-residential developments	\$8,740.00	\$9,832.50

Notes to table

- 1 The per HUE charges for public space land acquisition are a uniform component, plus a component based on the value of the land being developed; see section 8.4 of this policy for details.
- 2 The western reclamation precinct, as defined in the operative central area section of the council's district plan, and any adjacent part of the coastal marine area that is included within the district of the council.

The HUE represents one typical household unit. For residential developments the number of HUEs will be based on the number of household units (or residential units, or allotments) created by the development. Residential developments anywhere in the whole isthmus are assessed for development contributions for all of the activities. Residential developments in the Hauraki Gulf islands are assessed for development contributions for community amenities and transport.

Non-residential developments anywhere in the whole isthmus will be assessed for development contributions for stormwater. Stormwater development contributions will be based on the amount of impervious area added to the site by the development. The equivalent number of HUEs is calculated based on one HUE representing 250m² of impervious area.

Non-residential developments anywhere in the city (including the Hauraki Gulf islands) will also be assessed for development contributions for transport. For the transport activity, the number of HUEs for non-residential developments will be based on the scale and nature of the development.

Development contributions will not be payable for normal residential extensions or alterations to existing dwellings, unless these create additional household units, or alter a feature that was used to claim an earlier reduction (e.g., by adding a second bedroom to a unit that previously paid the reduced rate for one-bedroom units).

More detail on the assessment of development contributions is provided in section 8 of this policy.

Financial contributions under the Resource Management Act 1991 may also be charged when consent is granted. For more information, refer to the appropriate section of the district plan. A summary of the financial contributions provisions is also included in section 13 of this policy.

4 Definitions

Activity

A good or service provided by the council (as defined by section 5 of the Local Government Act 2002), and the headings under which development contributions are collected. The assets for each activity will generally be in accordance with the appropriate asset management plans. For this policy, the activities are:

- community amenities
- public space infrastructure
- public space land acquisition
- stormwater
- transport.

Allotment

- a) Any parcel of land under the Land Transfer Act 1952 that is a continuous area and whose boundaries are shown separately on a survey plan, whether or not:
 - (i) the subdivision shown on the survey plan has been allowed, or subdivision approval has been granted, under another act; or
 - (ii) a subdivision consent for the subdivision shown on the survey plan has been granted under this act; or
- b) Any parcel of land or building or part of a building that is shown or identified separately:
 - (i) on a survey plan; or
 - (ii) on a licence within the meaning of Part 7A of the Land Transfer Act 1952; or
- c) Any unit on a unit plan; or
- d) Any parcel of land not subject to the Land Transfer Act 1952.
(From: Resource Management Act 1991).

Authorised officer

An officer authorised by Auckland City Council's delegations register to carry out functions under this policy.

Catchment

An area of the city that is subject to development contributions.

Central area

The area covered by the central area section of the council's district plan.

Commercial development

A development providing for activities that are conducted in an office setting and that generally focus on business, government, professional, medical or financial services, and includes the personal service elements of these activities that are offered to consumers or clients.

This term is used when assessing non-residential developments for the transport activity.

Commercial accommodation development

A development providing accommodation in the form of a hotel, or motel, or otherwise on a per room basis.

This term is used when assessing non-residential developments for the transport activity.

Cost of growth

The part of the council's capital expenditure that is spent on reserves, network infrastructure or community infrastructure, which provides for future growth.

Development

As defined by section 197 of the Local Government Act 2002:

- a) any subdivision or other development that generates a demand for reserves, network infrastructure, or community infrastructure; but
- b) does not include the pipes or lines of a network utility operator.

Education development

A development providing for educational activities, including preschool, primary, secondary and tertiary institutions.

This term is used when assessing non-residential developments for the transport activity.

Gross floor area

Gross floor area (GFA) is the sum of the gross area of the several floors of all buildings on a site, measured from the exterior faces of the exterior walls, or from the centre lines of walls separating two buildings or, in the absence of walls, from the exterior edge of the floor.

Except as otherwise provided, where floor-to-floor vertical distance exceeds 6m, the gross floor area of the building or part of the building so affected shall be taken as the volume of that space in cubic metres divided by 3.6.

In particular, gross floor area includes:

- a) basement space, except as specifically excluded by this definition
- b) elevator shafts, stairwells and lobbies at each floor unless specifically excluded by this definition
- c) interior roof space providing head room of 2.4m or more, whether or not a floor has been laid
- d) floor spaces in interior balconies and mezzanines
- e) floor space in terraces (open or roofed), external balconies, porches and breezeways (a breezeway is a roofed outdoor area) where more than 50 per cent of the perimeter of these spaces is enclosed (except that a parapet not

higher than 1.2m or a railing not less than 50 per cent open and not higher than 1.4m shall not constitute an enclosure)

- f) all other floor space not specifically excluded.

The gross floor area of a building shall not include:

- uncovered steps
- interior roof space having less than 2.4m head room
- floor space in terraces (open or roofed), external balconies, porches or breezeways, provided that not more than 50 per cent of the perimeter of these spaces is enclosed, and provided that a parapet not higher than 1.2m or a railing not less than 50 per cent open and not higher than 1.4m, shall not constitute an enclosure
- pedestrian facilities approved by the council and eligible for bonus floor spaces, as defined under the relevant development controls
- pedestrian circulation space
- space for stairs, escalators and elevators essential to the operation of a through-site link, whether or not that link qualifies for bonus floor space under the relevant rules
- space for stairs, escalators and elevators servicing a floor or that part of a floor used only for car parking or loading
- required off-street parking or loading spaces
- car parks in basement space (including manoeuvring areas, access aisles and access ramps)
- non-habitable floor space in approved structures
- any entrance foyer or lobby or part of it, including the void forming an integral part of it (being a primary means of access to a building), which is open to the public, is accessed directly from a public place and has an overhead clearance of not less than 6m.
(From: isthmus section of the council's district plan)

Hauraki Gulf islands (area)

The area covered by the Hauraki Gulf islands section of the council's district plan.

Household unit

A building or group of buildings, or part of a building or group of buildings, that is:

- used, or intended to be used, only or mainly for residential purposes; and
- occupied, or intended to be occupied, exclusively as the home or residence of not more than one household.

To avoid doubt, any guest house or similar that is capable of being separately occupied is deemed to be a household unit.

HUE

Household Unit Equivalent. A unit of demand representing one average dwelling.

Industrial development

A development providing for activities in which goods are manufactured, fabricated, processed, converted, repaired, packaged, assembled, stored, distributed or serviced.

This term is used when assessing non-residential developments for the transport activity.

Isthmus (area)

The area covered by the isthmus section of the council's district plan.

Managed accommodation development

A development providing accommodation in the form of a boarding house, hospital or rest home, or otherwise on a per bed basis.

This term is used when assessing non-residential developments for the transport activity.

Mixed development

A development with aspects of both residential and non-residential development.

Multi-storey, multi-unit development

A development that has more than one storey and more than one residential unit on at least one storey, and in which access to the units on each level can be gained from one or more common corridors or similar access-ways.

Non-residential development

Any development that is not for residential purposes.

One-bedroom household unit

A household unit that has not more than two rooms, excluding a kitchen, laundry, bathroom, toilet or any room used solely as an entrance hall, passageway or garage. This includes studio apartments.

Residential development

A development that creates one or more household units or residential allotments. For the avoidance of doubt, any development, including commercial accommodation development and managed accommodation development, will be considered to be a residential development where it is residential in nature and where any of the following apply:

- it is likely to operate in such a way that the average stay exceeds 60 days
- it includes a unit title or similar subdivision of one or more residential units.

Residential unit

A building, a room or group of rooms used, or designed to be used, exclusively by one or more persons as a separate household unit.

(From: isthmus section of the council's district plan)

Retail development

A development providing for activities connected with the sale, lease or rental of new or used products or services to the general public. This includes shopping centres, supermarkets, food outlets and restaurants, entertainment facilities, garden centres and bulk retail (but not service stations).

This term is used when assessing non-residential developments for the transport activity.

Service station development

A development that provides for the retail sale of motor vehicle fuels (including petrol, diesel, LPG and CNG).

This term is used when assessing non-residential developments for the transport activity.

Ten-year cost of growth

The part of the cost of growth that relates to meeting the demand arising from growth within the 10-year planning period.

Whole isthmus (area)

The area included in the isthmus, together with the area included in the central area.

5 General policy principles

5.1 Aim of the development contributions policy

Auckland City Council intends that developers should bear an appropriate proportion, taking into account the considerations included in section 101(3) of the Local Government Act 2002, of the cost of increased infrastructure capacity provided to meet demand from growth, through paying development contributions that reflect this cost.

5.2 Use of development contributions as a funding tool

The cost of infrastructure to cater for growth is covered by rates, financial contributions and development contributions.

The council considers that it is appropriate to pass a fair and reasonable proportion of the cost of growth onto developers through the development contributions policy and through continued use of some financial contributions.

The council carried out a process called Future Auckland to identify community outcomes. These outcomes are set out in volume 1 of Auckland City Council's 10-year plan 2009-2019. The activities that the council will fund from development contributions all support the community outcomes in some way.

- Reserves (public space land acquisition) contribute significantly to: Auckland has successful neighbourhoods; Auckland is interesting and enjoyable; Aucklanders are healthy; and Auckland is clean and beautiful.
- Network infrastructure (transport and stormwater) contributes significantly to: Aucklanders have real transport choices; Auckland is clean and beautiful; Auckland is a great place for business; and Aucklanders are healthy.
- Community infrastructure (community amenities and public space infrastructure) contributes significantly to: Auckland has strong communities; Auckland is interesting and enjoyable; Aucklanders have opportunities to learn; Auckland has successful neighbourhoods; Auckland is creative and vibrant; and Aucklanders are healthy.

The council has carefully considered, for each activity, the matters included in section 101(3) of the Local Government Act 2002 as part of its evaluation and allocation of growth costs under this policy. In summary, using development contributions and some financial contributions to fund the growth costs for certain of these activities (rather than rates and a higher level of financial contributions) is considered to be appropriate for a number of reasons, including the following.

- Development contributions are fairer because they allocate growth costs to the section of the community that creates the need for the council to incur that expenditure, i.e. developers and new residents or occupants.
- Development contributions allocate growth costs to the growth community and new residents or occupants who will benefit from the new assets, or the assets of additional capacity, that are funded out of the contributions.
- Development contributions send clear signals to developers and the growth community about the true cost of growth.
- Growth costs can be properly apportioned over time, so that members of the growth community only pay for capacity that they use up.
- Development contributions allow growth-related capital expenditure in relation to particular activities to be funded distinctly from other expenditure on those activities, and from expenditure on other activities, and therefore provide transparency and accountability regarding the true costs of growth to Auckland City Council.
- Development contributions, as a dedicated growth funding source, offer more secure funding for community outcomes that are affected by growth.
- The council considers that using development contributions to fund the cost of growth-related capital expenditure for the activities covered by this policy will best advance social, economic, environmental and cultural well-being.
- Funding from rates, financial contributions and other funding sources is not sufficient to meet all the expected costs of growth and maintain existing service levels. The development contribution policy offers reasonable and sustainable funding for growth.

5.3 Activities that development contributions will be charged for

Development contributions will be charged for the following activities.

- Community amenities (community halls and centres, leisure facilities, libraries, cultural facilities). This is community infrastructure in terms of section 197 of the Local Government Act 2002.
- Public space land acquisition (principally for acquisition of public space land). This is reserves in terms of section 197 of the Local Government Act 2002.
- Public space infrastructure (principally for enhancement of public space). This is community infrastructure in terms of section 197 of the Local Government Act 2002.
- Stormwater. This is network infrastructure in terms of section 197 of the Local Government Act 2002.
- Transport. This is network infrastructure in terms of section 197 of the Local Government Act 2002.

5.4 Areas where development contributions will be charged

Development contributions will be charged throughout the whole of the council's district, including the areas covered by the central area section of the district plan and the Hauraki Gulf islands section of the district plan. However, not every type of development contribution charge will apply in every area. The details of which contributions apply in which parts of the city are shown in section 3 (Schedule of charges) and section 8 (Assessment of demand and payments).

6 Cost allocation

To calculate the maximum development contribution payable, the Local Government Act 2002 (section 106 and schedule 13) requires Auckland City Council to provide a methodology that identifies the total cost of capital expenditure incurred to provide for growth in the city (i.e. the cost of growth).

The council has developed a cost allocation framework, which sets out the cost allocation principles to be followed in deriving the cost of growth in a way that meets the requirements of the act.

Under this framework, individual cost allocation methodologies for each activity have been developed. These set out the cost of growth for each activity and consider what proportion of these costs it is appropriate to allocate to the growth community with reference to section 101(3) of the Local Government Act 2002.

The cost allocation framework and methodologies are included in the development contributions information pack (see section 1.1).

6.1 Cost allocation framework

The cost of growth for each activity is based on a set of common principles, which have been articulated in the cost allocation framework.

The framework sets out the two contexts in which the cost allocation is undertaken. These are the current growth situation in Auckland and the requirements of the Local Government Act 2002.

Within these contexts, the framework identifies five considerations: legislative constraints, equity, risk, economic efficiency and asset management. Under these considerations, a number of principles have been derived and have in turn been used to prepare each cost allocation methodology.

6.2 Cost allocation methodologies

Auckland City Council has developed a cost allocation methodology for each of the activities that development contributions will be charged for. These methodologies set out how the cost of growth is calculated and allocated. They also describe the key assumptions that apply to each activity, and show how the calculation is consistent with the cost allocation principles.

The following table shows unadjusted and adjusted figures for the 10-year cost of growth, based on capital expenditure for growth identified in the 10-year plan. These figures represent the amounts that the council seeks to recover through development contributions. These figures take account of recovery periods, inflation and interest as outlined in section 6.2.6.

The figures are likely to change in future versions of this policy. See section 12 of this policy for more information.

Activity	10-year cost of growth (\$m)		
	Unadjusted cost (before adjusting for inflation and interest)	Inflated cost (after adjusting for inflation)	Present value (after adjusting for inflation and interest) ¹
Community amenities	20	22	17
Public space infrastructure ²	127	140	96
Public space land acquisition ²	124	130	106
Stormwater	80	126	40
Transport	173	224	104
Total	524	642	363

Notes to table

- 1 Present value figures enable a comparison between activities where expenditure occurs at different points in time.
- 2 Minor financial contributions revenue is expected for these two activities (depending on the outcomes for consents granted with financial contributions conditions). Revenue raised from either type of contribution will be spent in accordance with the requirements for that contribution.

6.2.1 Community amenities

The unadjusted cost of growth for community amenities over the next 10 years is currently estimated to be \$20 million. The present value of the 10-year cost of growth, including the costs of inflation and adjustment for interest, is \$17 million.

This has been evaluated from the proportion of the capital spend on the underlying assets that is considered to be growth-related. The capital spend has been based on a set of past projects that have residual capacity and on future projects. As each of these projects represents a significant investment in a single site, they typically include elements of renewal, shortfall, service-level improvement, and growth.

The cost allocation methodology for this activity involves, for each project:

- removing expenditure that is not part of the total cost of capital expenditure, or that is clearly not related to growth
- evaluating and removing that part of the cost related to any increase in the capacity of the given facility, which relates to providing for past growth (shortfall), based on population figures and level of provision statements
- evaluating and removing that part of the capital spend that relates to renewal, based on the state of the facility before and after the project
- evaluating and removing that part of the capital spend that relates to service-level improvement, based on the standard of the facility before and after the project.

A summary of the costs relating to past projects that have residual capacity (for this activity), which are included in the above cost of growth, is given in section 10 of this policy.

The allocation of costs for this activity includes consideration of the factors in section 101(3)(a) of the Local Government Act 2002, including the distribution of benefits and the extent to which certain groups contribute to the need to undertake this activity. In relation to section 101(3)(b) of the act, the council considers that using development contributions to fund part of this activity supports overall community well-being.

6.2.2 Public space infrastructure

The unadjusted cost of growth for public space infrastructure over the next 10 years is currently estimated to be \$127 million. The present value of the 10-year cost of growth, including the costs of inflation and adjustment for interest, is \$96 million.

To evaluate this cost of growth, a list has been prepared of the public space projects that need to be carried out to provide capacity for growth over the next 10 years, and then costs have been estimated for these projects. This includes an allowance for upgrading the new public spaces acquired under the public space land acquisition activity.

The evaluation is based on how various types of public space need to be managed and improved to handle increased demand from growth. The capacity of the public space network may be improved in a number of ways, including:

- supporting a higher number of users (e.g., providing facilities, changing surfaces, demarcating areas)
- accommodating longer use, whether each day or throughout a season (e.g., lighting, drainage, sand carpets)
- allowing shorter downtime or faster recovery from use (e.g., drainage, paths, special sports surfaces)
- educating users (e.g., to stay on tracks on sensitive soils, signs, interpretation)
- improving accessibility (e.g., pedestrian bridges and linkages, signage)
- acquiring wharves to be used as public space.

To ensure only growth-related costs are captured, the list of projects does not include renewals, projects to address existing gaps (shortfall), non-growth projects (e.g., the volcanic cones projects) and projects that are directed at service-level improvement (e.g., those for increasing safety standards at existing playgrounds to meet updated safety requirements).

The allocation of costs for this activity includes consideration of the factors in section 101(3)(a) of the Local Government Act 2002, including the distribution of benefits and the extent to which certain groups contribute to the need to

undertake this activity. In relation to section 101(3)(b) of the act, the council considers that using development contributions to fund part of this activity supports overall community well-being.

6.2.3 Public space land acquisition

The unadjusted cost of growth for public space land acquisition over the next 10 years is currently estimated to be \$124 million. The present value of the 10-year cost of growth, including the costs of inflation and adjustment for interest, is \$106 million.

To evaluate this cost of growth, a list was compiled of sites that would be targeted for acquisition over the next 10 years to cater for the increased demand for public space arising from growth. The cost of growth given above is the expected cost of acquiring these sites, based on an assessment of their market value. The list of sites was assembled after considering:

- suitable stand-alone sites (e.g., large, flat, few buildings, location)
- sites neighbouring existing reserves, offering better access to or use of that reserve
- sites that can serve expected growth areas
- sites in the central area, including waterfront sites.

The acquisition list excludes esplanade reserves, land used to replace existing reserves that are taken up by major road or other projects, land vested or acquired in connection with larger developments or exchanged with other parties, and the non-growth portion of land needed to fill in gaps in the public space network.

As this list is growth driven from the outset, it has not generally been necessary to allocate its costs between the different expenditure types. Costs relating to service-level improvements, non-growth-related acquisitions, and acquisitions to rectify existing shortfalls in the parks network are already excluded.

The allocation of costs for this activity includes consideration of the factors in section 101(3)(a) of the Local Government Act 2002, including the distribution of benefits and the extent to which certain groups contribute to the need to undertake this activity. In relation to section 101(3)(b) of the act, the council

considers that using development contributions to fund part of this activity supports overall community well-being.

6.2.4 Stormwater

The unadjusted cost of growth for stormwater over the next 10 years is currently estimated to be \$80 million. The present value of the 10-year cost of growth for stormwater, including the costs of inflation and adjustment for interest, is \$40 million.

The council's stormwater capital programme is based on the outcomes of the drainage strategic review, as discussed in detail in the council's water and sanitary services assessment. The review recommended that the stormwater capital programme should focus on developing network infrastructure to address the expected growth and intensification of the city by:

- taking better account of the identified areas of change; and
- addressing existing flooding problems.

In calculating the cost of growth for stormwater, a top-down approach has been used. Under this approach, the cost of growth is evaluated by:

- estimating the total capital works required to upgrade and extend the existing network so that it provides a full stormwater network, and
- estimating the proportion of this work that relates to growth, then
- calculating the per-unit cost of growth.

The 10-year cost of growth is then assessed by considering how the 10-year period relates to expected growth and expected expenditure over the period of delivery of the full stormwater network.

A stormwater capital expenditure project will increase the capacity of stormwater infrastructure to cope with growth, and help to remedy flooding problems. After recognising both these aspects, and the way they have been reflected in the capital programme, the growth proportion has been estimated to be 46 per cent of the total cost of stormwater capital works (excluding renewals work and projects to improve stormwater quality). This, with the planned capital

programme (and factoring in the expected number of units of demand), yields a cost of growth estimate of \$8.0 million per year.

The allocation of costs for this activity includes consideration of the factors in section 101(3)(a) of the Local Government Act 2002, including the distribution of benefits and the extent to which certain groups contribute to the need to undertake this activity. In relation to section 101(3)(b) of the act, the council considers that using development contributions to fund part of this activity supports overall community well-being.

6.2.5 Transport

The cost of growth for transport over the next 10 years is currently estimated to be \$173 million. The present value of the 10-year cost of growth, including the costs of inflation and adjustment for interest, is \$104 million.

This has been evaluated, based on the proportion of the capital spend on the underlying assets that is considered to be growth-related, for:

- capital projects, including the council's expenditure in relation to the Auckland-Manukau Eastern Transport Initiative
- the reseal and pavement treatment programmes
- the works proposed in connection with the redevelopment of Wynyard Point.

The capital projects part of the evaluation is based on a set of projects that provide increased capacity in the transport network. Each of these projects typically includes elements of renewal, shortfall, service-level improvement and growth.

The cost allocation methodology for this activity involves, for each project:

- removing expenditure that is not part of the total cost of capital expenditure, or that is clearly not related to providing capacity for growth
- evaluating and removing those parts of the project cost that are related to renewal or service-level improvement

- evaluating and removing the part of the project cost that is related to increasing the capacity of the network to provide for past growth (shortfall)
- accounting for other funding sources, to ensure that only the growth expenditure funded by the council is included in the cost of growth to be recovered through development contributions.

The reseal and pavement treatment part of the cost of growth is based on the component of the cost of these programmes that relates to increased trips. Over the life cycle of these assets, this proportion has been evaluated as 9.5 per cent.

The cost of growth related to the transport works planned as part of the development of Wynyard Point has been evaluated using the same methodology as for other capital projects. However, as the objective of the planned works is to provide additional capacity to allow for the increase in trips to and from Wynyard Point caused by development in that area, and as development in this area will be the primary beneficiary of these works, the council considers it appropriate to allocate a proportion of the growth costs for these works specifically to a Wynyard Point catchment.

Based on information from traffic modelling, assuming development to the highest likely levels, and taking account of developments consented prior to 2006 (where the associated costs are excluded from the cost of growth), 61 per cent of the growth costs for the Wynyard Point transport works has been allocated to the Wynyard Point catchment. The charge for Wynyard Point developments also includes their share of the cost of growth for works across the whole isthmus, to recognise that new development within Wynyard Point will generate additional demand on the city's wider transport network.

The remaining 39 per cent of the growth costs for the Wynyard Point transport works has been allocated to development in the remainder of the city. This reflects the impact that growth elsewhere in Auckland city has on the need for those works, and reflects the benefits that those works will have for the growth community across the whole city.

The allocation of costs for this activity included consideration of the factors in section 101(3)(a) of the Local Government Act 2002, including the distribution of benefits and the extent to which certain groups contribute to the need to undertake this activity. In relation to section 101(3)(b) of the act, the council

considers that using development contributions to fund part of this activity supports overall community well-being.

6.2.6 Taking into account the costs of finance and revenue from interest

Where relevant, revenue from interest and the costs of finance are included in the cost of growth calculation and reflected in the development contribution charges.

The approach used bases the cost of growth on the inflation adjusted value of a project at its programmed construction date. Equity of development contribution charges across time is ensured by modelling both expenditure and revenue over the relevant period (which is typically 10 years, except where the council has committed expenditure over a longer period, or a given project or programme will provide capacity for more than 10 years). The per HUE charges for each year are modified to account for inflation (or, in the case of the Wynyard Point transport charges, to account for present values). This means that growth costs are spread appropriately over the relevant time.

Present value figures have been used to describe the cost of growth, including finance and inflation costs, as this ensures a like-with-like comparison between activities that have different timings for their expenditure.

The allocation of these costs included consideration of the factors in section 101(3)(a) of the Local Government Act 2002. In relation to section 101(3)(b) of the act, the council considers that using development contributions to fund part of these costs supports overall community well-being.

7 Cost recovery and units of demand

As part of charging development contributions, the Local Government Act 2002 (schedule 13) requires the council to attribute the cost of growth to units of demand that are related to the impact of growth.

To meet this requirement, the council has developed a cost recovery framework, which sets out the cost recovery principles to be followed in determining appropriate units of demand and apportioning the cost of growth to each unit.

Under this framework, the council has developed individual cost recovery methodologies for each activity, which establish the unit of demand for each activity. The cost recovery framework and methodologies are included in the development contributions information pack (see section 1.1).

7.1 Cost recovery framework

The choice of the unit of demand, and the approach that is chosen to attribute the cost of growth to these units for each activity, is based on a set of common principles, which are articulated in the cost recovery framework.

The framework sets out the two contexts in which the cost recovery is undertaken. These are the current growth situation in Auckland, and the requirements of the Local Government Act 2002.

Within these contexts, the framework identifies four considerations: legislative constraints, equity, administrative efficiency and effect on growth. Under these considerations, a number of principles have been derived and have in turn been used to guide and assess each cost recovery methodology.

The unit of demand for all activities and all developments is the household unit equivalent (HUE). The cost recovery methodologies describe how the growth costs for each activity are attributed to different types of developments, using HUEs in each case.

7.2 Cost recovery methodologies

7.2.1 Community amenities

This policy provides for development contributions for community amenities to be charged only on residential developments. The number of HUEs will be assessed from the number of additional household units (or allotments or residential units). This may be revised in future, as further information on non-residential demands for these types of facilities becomes available.

Some elements of the growth-related spending and revenue collection, which the council currently has planned for this activity, will continue through to 2021.

7.2.2 Public space infrastructure

This policy provides for development contributions for public space infrastructure to be charged only on residential developments. The number of HUEs will be assessed from the number of additional household units (or allotments or residential units). This may be revised in future as further information on non-residential demands for public space becomes available.

Some elements of the growth-related spending and revenue collection, which the council currently has planned for this activity, will continue through to 2027.

7.2.3 Public space land acquisition

This policy provides for development contributions for public space land acquisition to be charged only on residential developments. The number of HUEs will be assessed from the number of additional household units (or allotments or residential units). This may be revised in future as further information on non-residential demands for public space becomes available.

The charge for this activity is a blended charge, which includes both a uniform charge component and a land value based component. Under this approach, \$61 million of the unadjusted growth costs for public space acquisitions that provide for citywide demand will be allocated on a whole isthmus basis and recovered as a uniform charge per HUE. The remaining \$63 million of

unadjusted growth costs will be recovered based on the value of land, to maintain a relationship between the charge and the cost of providing public space in the vicinity of the development. This is discussed further in section 8.4.

Some elements of the growth-related spending and revenue collection, which the council currently has planned for this activity, will continue through to 2027.

7.2.4 Stormwater

Development contributions for stormwater will be charged on both residential and non-residential developments.

For residential developments, the number of HUEs will be assessed from the number of additional household units (or allotments or residential units).

For non-residential developments, the number of HUEs will be estimated from the additional impervious area added by the development. This approach has been chosen because it is appropriate to stormwater, and because the large possible range of impervious areas that may be added by this kind of development has made the averaging approach used for residential developments less equitable.

The assessment of the number of HUEs for a non-residential development is based on the impervious area added by an average dwelling, estimated at 250m². The charge per square metre of impervious area added is therefore (on average) equivalent between residential and non-residential developments.

Some elements of the growth-related spending and revenue collection, which the council currently has planned for this activity, will continue through to 2043.

To reflect the wider aims of the council's drainage strategic review, a partial rebate of the stormwater charges is available for sites that incorporate appropriate onsite stormwater management and re-use (see section 8.14.1).

7.2.5 Transport

Development contributions for transport will be charged on both residential and non-residential developments.

For residential developments, the number of HUEs will be assessed from the number of additional household units (or allotments or residential units).

For non-residential developments, the number of HUEs will be estimated from the scale and nature of the development. The assessment of the number of HUEs for a non-residential development is based on a number of development types, which are defined in section 4.

This approach has been chosen because it is appropriate to transport, and reflects current understandings of the different transport-demand generating characteristics that various non-residential land uses have. The following daily trip rates, which are used to assess the number of HUEs that a given non-residential development represents, have been compiled from relevant New Zealand and international sources. The corresponding HUE conversion factors are given in section 8.2.

Type of development	Unit	Daily trips per unit
Residential	Household	9
Commercial accommodation	Room	5
Managed accommodation	Bed	5
Retail	100m ² gross floor area	34
Service station	100m ² gross floor area	320
Industrial	100m ² gross floor area	5
Commercial	100m ² gross floor area	11
Education	Student	2

Some elements of the growth-related spending and revenue collection, which the council currently has planned for this activity, will continue through to 2032.

8 Assessment of demand and payments

This section sets out the process for assessing development contributions, the rules about payment and other administrative details.

Development contributions will be assessed on all applications for building consents, land use (resource) consents, and subdivision (resource) consents. Development contributions will also be assessed, in certain circumstances, on service connections.

The assessment will be made against the first consent application that is lodged for a development.

A reassessment will be made on every subsequent consent application. The reassessment will take into account the number of units of demand previously assessed and determine whether the development still generates the same number of units of demand. This will ensure that the final development is not over-charged or under-charged.

Each assessment will be in terms of the policy that applies to the corresponding consent (refer section 9), and take account of actual credits that are available at the time that assessment is carried out (refer section 8.3). Where a development becomes subject to assessments under more than one version of this policy, then the assessment under the most recent version of this policy shall prevail for the development as a whole.

This shall, however, be without prejudice to any rights the council may have under section 208 of the Local Government Act 2002 in relation to contributions under an earlier assessment that remained unpaid.

The process for assessing the development for a development contribution payable follows.

8.1 Step one: Assessing whether the application is a development and whether development contributions are required

Residential and non-residential consent applications (and applications for service connections) will be assessed to decide whether development contributions are required, i.e. whether the criteria set by the Local Government Act 2002 are met. This involves asking whether:

- a) the application involves a development as defined in section 197 of the Local Government Act 2002 (in particular, any subdivision or other development that generates a demand for reserves, network infrastructure, or community infrastructure)
- b) the development will, either alone or in combination with other developments, require the council to incur capital expenditure on new assets or assets of increased capacity (section 199 of the Local Government Act 2002)
- c) a contribution for the development is required under this policy (section 198(2) of the Local Government Act 2002).

The types of consent and service connection applications that generate demand, which the council then translates into HUEs, are set out in table 8.1.1 and in sections 8.2 and 8.3.

Table 8.1.1 The relationship between consents and demand

Type of consent	Demand typically generated for	Typically requires the council's expenditure on
Residential consent: a building, land use or subdivision consent application that indicates that one or more household units, residential units or allotments will be created	Reserves Community infrastructure Network infrastructure	Community amenities Public space infrastructure Public space land acquisition Stormwater Transport
Non-residential consent: a building, land use or subdivision consent application that indicates (in relation to a particular use) that additional impervious area, gross floor area, rooms or beds will be added, or that additional students will be provided for, or additional trips will arise	Network infrastructure	Stormwater Transport

8.2 Step two: Assessing the number of units of demand

Applications relating to both residential and non-residential developments will be assessed for the number of units of demand that they generate, although the process may differ depending on whether the development is predominantly residential or non-residential. Mixed consent applications (e.g., for residential and commercial) will be assessed under the rules that apply for each of those types of development (where necessary).

Combined consent applications (e.g., for land use and subdivision) will be assessed under the rules that apply for each of those types of consent (where necessary).

The following tables show the number of units of demand that will be generated for each activity from a development.

8.2.1 Residential developments: consents

Building consent application: Where an application for a building consent indicates that one or more household units will be constructed, then every additional household unit will generate the following HUEs.

Land-use consent application: Where an application for a land-use (resource) consent indicates that one or more residential units will be created, then every additional residential unit will generate the following HUEs.

Subdivision consent application: Where an application for a subdivision (resource) consent indicates that one or more allotments will be created, then each additional allotment beyond the number existing before the subdivision, in each case counting only those intended or capable of supporting residential development, will generate the following HUEs.

Community amenities (excluding one-bedroom household units)	1.0 HUE
Community amenities (one-bedroom household units)	0.7 HUE
Stormwater (excluding multi-storey, multi-unit developments)	1.0 HUE
Stormwater (multi-storey, multi-unit developments ¹)	1.0 HUE per residential unit (on one floor)
Public space infrastructure (excluding one-bedroom household units)	1.0 HUE
Public space infrastructure (one-bedroom household units)	0.7 HUE
Public space land acquisition (excluding one-bedroom household units)	1.0 HUE
Public space land acquisition (one-bedroom household units)	0.7 HUE
Transport (excluding one-bedroom household units)	1.0 HUE
Transport (one-bedroom household units)	0.7 HUE

Note to table

- 1 For multi-storey, multi-unit developments, the number of units of demand for stormwater development contributions will be based on the number of household units, residential units or allotments (as appropriate) on any one level of the development, selected so that the maximum number of HUEs results.

8.2.2 Non-residential developments: consents

Building, land use and subdivision consent applications: where an application for a building consent, a land use (resource) consent, or a subdivision (resource) consent indicates (in relation to a particular use) that additional impervious area, gross floor area, rooms or beds will be added, or that additional students will be provided for, or additional trips will arise, then the following HUEs will be generated:

Stormwater ¹	0.004 HUE per 1m ² of added impervious area
Transport (for a commercial accommodation development) ²	0.56 HUE per additional room
Transport (for a commercial development) ²	1.22 HUE per 100m ² of additional gross floor area
Transport (for an education development) ²	0.22 HUE per additional student provided for
Transport (for a service station development) ²	35.56 HUE per 100m ² of additional gross floor area
Transport (for an industrial development) ²	0.56 HUE per 100m ² of additional gross floor area
Transport (for a managed accommodation development) ²	0.56 HUE per additional bed
Transport (for a retail development) ²	3.78 HUE per 100m ² of additional gross floor area
Transport (for any non-residential development not falling into one of the above categories)	0.11 HUE per additional daily trip generated

Notes to table

- 1 A mixed development will be assessed for the stormwater activity (for any part where the residential and non-residential aspects share a common footprint) based on the maximum of the residential or non-residential number of HUEs.
- 2 See definitions in section 4. The assessment of the number of HUEs for transport will be based on the use of each particular part of the development (where necessary).

8.2.3 Residential and non-residential developments: service connections

Where an application is made for a service connection for a development that:

- does not and did not require a building consent or a resource consent from the council; and
- generates a demand for reserves, network infrastructure or community infrastructure; and
- requires a service connection to a service provided by or on behalf of the council,

then development contributions, for all activities, will be assessed before that service connection is authorised. This assessment will be in terms of section 8.2.1 and 8.2.2, or where those sections are not appropriate, section 8.10.

8.2.4 Subdivision around historic development

Where an allotment being subdivided includes or comprises more than one household unit, then each of those household units (beyond the first one) which were approved for construction before 15 November 1999 will be treated as a historic credit when assessing the number of additional allotments for that subdivision consent.

To avoid doubt, such credits are available only where each relevant household unit:

- was lawfully established and on the same site (and the applicant can demonstrate this, and the dates involved); and
- would now be subject to development contributions.

8.2.5 Zero stormwater impacts

Where a development is shown to generate zero additional impact on the public stormwater network, even under extreme storm conditions, then no development contributions for stormwater will be assessed on that development. Where a developer requests a special assessment (under section 8.10) on this basis, that request must also identify a suitable mechanism for ensuring that the impact will remain at zero in perpetuity.

8.3 Step three: Assessing credits

In some cases, credits can be used to reduce the development contribution that is payable.

Credits are recognition of previous contributions (either financial contributions or development contributions) that have already been paid or otherwise met, and of situations where the contribution to growth of a development is less than the assessment of units of demand indicates.

Credits can be expressed in units of demand or in dollars. Where they are expressed in units of demand, the assessment of the number of units of demand (HUEs) created by a development can be reduced by the number of credits

available. Where credits are expressed in dollars, the development contributions charge for a development can be reduced by this amount.

Credits will not be refunded, and can only be used for developments on the same site and for the same activity. Credits cannot be used to reduce the number of units of demand, or the amount payable, to less than zero.

There are two types of credit, actual and historic.

8.3.1 Actual credits

Actual credits will be awarded for contributions that have previously been paid or assessed for the same development, on an activity-by-activity basis. This gives effect to recent case law, which states that development contributions may not be imposed for a particular activity where a financial contribution has already been imposed on the same development for the same purpose.

Actual credits arising from one type of consent can be used to reduce the charges assessed in relation to another type of consent for the same development.

Previous payment	Development contributions credits available	Credits expressed in
Financial contributions paid or assessed (refer to section 200 of the Local Government Act 2002)		
Open spaces (in cash or as land or easements accepted by the council)	For public space land acquisition and public space infrastructure (with the financial contribution assessment applied independently against both of these development contributions activities)	Units of demand
Stormwater	For stormwater	Units of demand
Development contributions paid – these credits are only available when previous contributions have actually been paid or secured by way of a bond in terms of section 8.6.1 of this policy, by the assessment date.		
Any activity	For that activity	Units of demand

8.3.2 Historic credits

Historic credits will be awarded in situations where previous structures on the site or uses of the site imply that the current development is not contributing to growth to the extent that the assessed number of units of demand implies.

Historic credits will be awarded for the following.

- Household units that were removed less than five years before the consent application was accepted for lodgement (credit is available for all activities).
- Impervious area on the subject site that was removed less than five years before the consent application was accepted for lodgement. This only applies to development contributions for the stormwater activity and to non-residential developments.
- Gross floor area of any building on the subject site that was removed less than five years before the consent application was accepted for lodgement. This only applies to development contributions for the transport activity and to non-residential developments.
- Rooms, beds, or provision for students on the subject site that were removed less than five years before the consent application was accepted for lodgement. This only applies to development contributions for the transport activity and to non-residential developments.
- Voluntary amalgamation of lots by the owner less than 10 years before the consent application was accepted for lodgement. The credit will be based on the number of lots amalgamated and each one's suitability for relevant forms of development (credit is available for all relevant activities).

In the context of section 8.3.2, removed also includes demolished or converted.

The prior element for which credit is claimed must have been lawfully established and on the same site in each case. Proof of this, and the dates involved, rests with the applicant before any credits will be given. In all cases, credits will only be given to the extent that the prior element would now be subject to development contributions.

Credits from existing non-residential uses can be used against charges from proposed residential uses, and vice versa. The credits and charges will be calculated for each type of development in terms of the rules in sections 8.1, 8.2 and 8.3.

8.3.3 Credits on subdivision

Credits that arise in connection with a subdivision can be allocated among the allotments that result from that subdivision. This allocation has no impact on the charges assessed in relation to the subdivision itself.

8.4 Step four: Calculating development contributions charges

The assessed number of units of demand for each activity, adjusted for any credits, is then multiplied by the per unit charge for that activity (for the appropriate catchment) to give the development contributions charge for that activity. All charges added together give the total development contributions payable (subject to any dollar credits or remissions, and GST).

The development contributions schedule in section 3 of this policy shows the charges that apply for each unit of demand for each activity.

The charge for public space land acquisition depends in part on the value of the land being developed or of the allotments being created. The process for calculating that charge is set out in section 8.4.1.

8.4.1 Calculating public space land acquisition charges

Development contributions for public space land acquisition are assessed based on the lesser of either:

- a) the blended charge specified below, or
- b) the cap imposed by section 203(1) Local Government Act 2002. Note that the cap imposed by the act is only expected to determine the contribution payable for sites where the land value is particularly low.

The calculations for these are set out below.

- a) the blended charge (for each HUE, excluding GST) is the sum of:
 - (i) a uniform charge of \$4,524, and
 - (ii) a charge based on the value equivalent of 3.87m² of the land being developed.

This charge will apply both to consent applications that will create new allotments (typically, subdivision consents) and consent applications that create new household units (typically, building and land use consents).

- b) the cap set by section 203 of the Local Government Act 2002 requires that development contributions for reserves must not exceed the greater of:
 - (i) 7.5 per cent of the value of the additional allotments created by a subdivision, and
 - (ii) the value equivalent of 20m² of land for each additional household unit created by the development.

The cap for consent applications that will create new allotments (typically, subdivision consents), is set out in b)(i) above. As it will not generally be possible to identify the additional allotments created by a subdivision, the value of the additional allotments will (where necessary) be calculated based on the average value (the mean) of all post-development allotments intended or capable of supporting residential development.

The cap for consent applications that create new household units (typically, building and land use consents) is set out in b) (ii) above.

For developments that include both types of consent, the higher of the cap set under b) (i) or b) (ii) will prevail for the development as a whole. This will be handled by calculating the contribution for each type of consent individually. This will apply even where both types are processed simultaneously, or as a single application.

8.4.2 Assessment of land value

The assessment of the land value will be based on the GST inclusive market value of the land being developed:

- in its developed state (that is, with the rights and configuration given to the land by the consent being considered, and by any previous consents)
- as assessed not more than 12 months before the contribution is paid
- on a freehold (not leasehold) basis.

The land value used to assess the charges for the public space land acquisition activity will be capped at a maximum of \$4725 (including GST) per square metre.

8.5 Step five: Applying remissions

Remissions may be deducted from the development contributions charge payable. Remissions are dollar reductions in the amount of a development contribution. These will only be given in the circumstances below.

8.5.1 Public space where useful public access is provided

Where a development provides for permanent access to public space that is useful to the public, the value of that access may form the basis for a remission for development contributions for public space land acquisition and public space infrastructure. Such remissions will be at the discretion of an authorised officer.

8.6 Payment due dates and enforcement

Development contributions shall be payable on the granting of a resource consent or building consent or authorisation of a service connection. The final date for payment shall be as follows.

- For a resource consent (for subdivisions): prior to release of the certificate under section 224(c) of the Resource Management Act 1991 (the 224c certificate), or where no 224c certificate is required, on uplift of the survey plan.
- For a resource consent (other): on uplift of the building consent, or where no building consent is required or it has already been issued, on uplift of the resource consent.
- For a building consent: on uplift of the consent.
- For an authorisation for a service connection: on uplift of the authorisation.

Where necessary, these different requirements will apply even when two types of consent are processed simultaneously, or as a single application.

Bonding is available for development contributions as set out in section 8.6.1. No other provision for postponement of payment is available.

If a development contribution is not paid, then the council shall withhold the relevant 224c certificate, code compliance certificate or service connection, or

may prevent the commencement of a resource consent. In any such situation, the council may also register unpaid development contributions as a charge on the title to the land involved, under the Statutory Land Charges Registration Act 1928.

8.6.1 Bonding for development contributions

Bonding is available for development contributions over \$50,000 at the discretion of an authorised officer.

Bonds will:

- only be accepted where the bond is guaranteed by a registered bank
- be for a maximum period of 24 months, subject to later extension as agreed by an authorised officer
- have an interest component added, at an interest rate of 2 per cent per annum above the Reserve Bank official cash rate on the day the bond document is prepared. The bonded sum will include interest, calculated on the basis of the maximum term set out in the bond document
- be based on the GST inclusive amount of the contribution.

If the discretion to allow a bond is exercised, all costs for preparation of the bond documents will be met by the applicant.

8.7 Form of payment

Development contributions shall be paid in the form of land, cash or a combination of these. The form of payment may be subject to negotiation, but final discretion remains with the council. Land may be taken in respect of any activity.

8.8 Goods and services tax

Once the development contributions calculations are complete, GST will be added to the final invoice as required by the Goods and Services Tax Act 1985.

Land taken as a development contribution will be zero rated in accordance with that act.

8.9 Review request

Where there are concerns that a development contribution assessment may be incorrect, or inconsistent with the adopted policy, an administrative re-check of the calculations will be made available.

8.10 Special assessment

Developments that have exceptional features, which mean that their demands on the city's infrastructure are not well represented through the assessment procedure set out in this policy, may be subject to a special assessment at the discretion of an authorised officer.

Size alone does not indicate that a special assessment is appropriate, but a minimum threshold, under which special assessments will not be considered, may be used.

8.11 Private development agreements

Where it is in the best interests of all parties, Auckland City Council may enter into a private development agreement with a developer. This agreement must clearly state the departures from the standard processes and calculations, and the reasons for these differences.

All costs for preparation of the private development agreement document will be met by the applicant.

8.12 Refunds

Development contributions already paid will be refunded (where taken as money) or returned (where taken as land) to the consent holder or to his or her personal representative (less reasonable administration costs), on written request from that person, in the following circumstances.

- The consent lapses or is surrendered.
- The development or building for which the consent was granted does not proceed.

- The council does not provide the reserve, network infrastructure or community infrastructure for which the contribution was required.
- A previous overpayment has been made (for whatever reason).

8.13 Treatment of developments carried out by the council

Developments carried out by the council will be subject to development contributions, except for any development contributions that are for the same activity as the development itself.

8.14 Rebates

8.14.1 Rainwater tank rebate

This applies when a development provides for stormwater management and re-use in a way that meets the requirements of the Development Contributions Rebate Programme for Rainwater Tanks (Stormwater) manual. Once the development is complete, the developer may apply for a partial rebate of any development contributions paid for the stormwater activity.

That application must confirm that the development has been completed and that the requirements of the manual have been met. The rebate will be calculated at \$1000 (excluding GST) per HUE. The number of HUEs for which the rebate will be paid will be the lower of:

- the number of HUEs in the development for which development contributions for stormwater have been paid
- the number of HUEs that are participating in the stormwater management and re-use.

The rainwater tank rebate will not be taken into account when the consent application is assessed for development contributions, as it is only available once the development has been completed.

9 Bringing the 2009 policy amendments into force (starting arrangements)

This section sets out when the 2009 amendments to the development contributions policy come into force. It does not relate to other parts of the policy that were adopted in previous development contributions policies and that have had full force and effect on consents accepted for lodgement on or after 1 July 2005.

Development contributions are assessed on all applications for consent that meet the criteria set out in section 8.1. The treatment of each consent application will be governed by when that consent application was accepted for lodgement by Auckland City Council, as shown in the following table.

Date consent accepted for lodgement	Treatment
Before 1 July 2009	Subject to financial contributions and development contributions as provided for in the development contributions policy adopted in 2008 as part of the 2006-2016 long-term plan
On or after 1 July 2009, where the development was not under way before 1 July 2009	Subject to full financial and development contributions as provided for in this policy
On or after 1 July 2009, where the development was under way before 1 July 2009 in areas covered by the Isthmus and central area sections of the district plan	Subject to full financial and development contributions as provided for in this policy
From 1 July 2009 to 31 December 2009 (inclusive), where the development was under way before 1 July 2009 and is in the area covered by the Hauraki Gulf islands section of the district plan	Subject to financial contributions and development contributions, as provided for in the development contributions policy adopted in 2008 as part of the 2006-2016 long-term plan
On or after 1 January 2010 (anywhere in the city)	Subject to full financial and development contributions as provided for in this policy

For the purposes of this section, a development was under way before 1 July 2009 if either of the following applies:

- One or more consent applications (which were subject to financial contributions or development contributions under an earlier policy) for the same development had been accepted for lodgement before 1 July 2009, and have not lapsed.
- For non-residential developments only, one or more consent applications for the same development had been accepted for lodgement before 1 July 2009, and either have not yet been granted, or were granted on or after 1 July 2004, and have not lapsed.

To avoid doubt, where a consent relates to a stage of a development (stage A) other than one for which a financial contribution or development contribution under an earlier policy was required (stage B), full development contributions as provided for in this policy may be required for stage A.

All financial contributions provisions in the three sections of the district plan will remain in place. However, where a development contribution can be applied under this policy in respect of any activity, then that development contribution will be applied instead of the financial contributions provisions relating to the same community facilities or activity (see sections 3 and 8 of this policy).

No allowance (in terms of the starting arrangements) will be made for delays in lodging applications, even where such delay is outside the control of the applicant. It is intended that there be no discretion over whether a given application is subject to development contributions or not.

10 Summary of past projects with residual capacity

The following table summarises the growth component of the cost of selected past projects, which have residual capacity and which have been included in the calculation of the development contributions charges. This growth expenditure was incurred in the 2001/2002 or subsequent financial years, in anticipation of development.

Activity	Growth cost included in the cost of growth
Community amenities	\$4.87 million

11 Key assumptions

The main assumptions on which this policy and the schedule of development contributions charges are based, and the effects if actual outcomes are significantly different, are as follows.

11.1 Growth

The medium growth scenario from Statistics New Zealand (2006 base projections) and information on current development patterns and the current economic outlook have been used to estimate future growth in the city (e.g., populations, number of households).

Information from previous impervious area studies for the Auckland isthmus was used to assess expected increases in non-residential impervious area. Information about non-residential building, and from traffic modelling, was used to assess expected increases in non-residential transport demands.

Further information on the growth projections is included in the development contributions information pack.

If growth is lower than these projections, contributions revenue will be lower, and growth-related projects may be delayed accordingly, with appropriate adjustments to recovery periods. The opposite will occur if growth is higher than projected.

11.2 Capital works

The current cost of growth estimates are based on the most up-to-date information on the council's planned capital works programme.

It is possible that the council may significantly alter the capital programme or the methods it uses for service delivery, and this could have a major impact on the required capital works programme and, correspondingly, on the costs of growth. Similarly, external agents (e.g. central or regional government, outcomes from the Royal Commission on Auckland's governance, and climate change) could have a large impact on the capital works programme.

11.3 Third party funding

Third party funding is provided for some of the council's projects. One example is the subsidy received from the New Zealand Transport Agency for many transport projects. These third party funds have been taken into account so that the reported cost of growth is based on the estimated net cost to the council.

If the level of third party funding is greater than has been assumed, the schedule of charges may overstate the council's cost of growth. In this case, the schedule would need to be revised accordingly.

11.4 Interest and inflation

The council uses assumptions about inflation and long-term interest rates as part of taking account of cost increases, the cost of finance and revenue from interest. Inflation and interest assumptions are drawn from the significant assumptions section in volume 3 of the council's 10-year plan.

12 Possible future changes to the policy

The development contributions policy and schedule will be reviewed as required, and at least once every three years, when the council's long-term plan is reviewed.

Currently, the council is investigating changes to the policy including:

- application of other activities to non-residential developments
- application of other activities to developments on the Hauraki Gulf islands
- other policy improvements that arise from experience in operating the policy.

Any changes that are proposed in the future will be presented for public consultation as part of a draft amendment to the 10-year plan.

13 Summary of financial contributions provisions

This section is provided for information purposes only. A summary of Auckland City Council's current financial contributions provisions is given in the following sections. The full details of these are available in the district plan, which can be inspected at the council's offices, service centres and libraries. You can also visit www.aucklandcity.govt.nz to see the three published sections of the district plan.

13.1 Isthmus section of the district plan

The following table outlines the financial contribution provisions that apply in the council's district plan (isthmus section).

Type of financial contribution	Purpose of funding tool	Target and payment mechanism
Financial contribution for residential development (clause 4B.4.4) ¹	To provide for additional areas of open space and to develop existing reserves more intensively to meet the recreational and open space needs of additional residents.	Residential development and subdivision. A contribution is required of either land (30m ² per new residential unit or new residential allotment created) or the cash equivalent of this value, or a combination of the two. This amount is a maximum and may be reduced at the council's discretion.
Financial contributions for business development in business 2 and 3 zones (clause 4B.5.4)	To improve pedestrian amenities, landscaping, signage and the quality of open spaces in the city's shopping centres.	Commercial development within shopping centres. This contribution only applies to the business 2 and 3 zones and is based on a formula related to 7.5 per cent of the value of the building work. The 7.5 per cent is a maximum value, and can be in the form of land or cash, or a combination of the two.

Type of financial contribution	Purpose of funding tool	Target and payment mechanism
Parking (clause 4B.8.4)	To require a contribution where on-site parking is not feasible or desirable, and use this contribution for the purchase, provision and maintenance of a public car park or to improve on-street car parking in the vicinity.	New activities or development in residential and business areas. The level of contribution is based on the cost of the land and formation costs of providing the parking in the relevant area.
Physical infrastructure, particularly drains and roads (clause 4B.6.4)	To ensure adequate funding of roads and drainage improvements required by new development.	New development. The plan does not provide a specific mathematical formula, but rather sets a maximum for any infrastructure contribution of 5 per cent of the total capital cost of the project.
Environmental and heritage financial contributions (clause 4B.7.4)	To remedy or mitigate adverse effects of a development and use the financial contribution for the benefit of heritage or environmental features in the vicinity or elsewhere in the city.	New development. A contribution is required of either land or cash (or any combination of the two). The amount of the contribution is based on a case-by-case assessment.

Notes to table

- 1 This rule is considered to be replaced for residential developments (as set out elsewhere in this policy) for this area by the development contributions for public space infrastructure and public space land acquisition.

13.2 Central area section of the district plan

The following table outlines the financial contribution provisions that apply in the council's district plan (central area section).

Type of financial contribution	Purpose of funding tool	Target and payment mechanism
New developments with a value of work exceeding \$250,000 ¹ (part 8)	Acquisition and development of public spaces and enhancement of public pedestrian facilities.	All new development, except permitted port and education activities in the tertiary education and port precincts. Subdivision and refurbishment of existing buildings are exempt. One per cent of the value of works exceeding \$250,000 or the equivalent value in land or a combination of money and land.
Rule specific to development in the Viaduct Harbour		
All development except refurbishment ¹ (part 14.7)	Purchase and development of public amenities, infrastructure and new roads required for development undertaken in precinct area 1.	All development. Maximum financial contributions shall be 7.5 per cent of the value of development if paid in cash, or 2.5 per cent provided in public works and 5 per cent in cash.

Note to table

- 1 These rules are considered to be replaced for residential developments (as set out elsewhere in this policy) for this area by the development contributions for public space infrastructure and public space land acquisition.

13.3 Hauraki Gulf islands section of the district plan

The following table outlines the financial contribution provisions that apply in the council's district plan (Hauraki Gulf islands section).

Type of financial contribution	Purpose of funding tool	Target and payment mechanism
Subdivision of land (rule 9.2.1)	Protecting and enhancing the environment, providing access to important natural areas, providing public open space, providing public infrastructure assets (roads and drainage).	New development. A financial contribution may be up to 10 per cent of the cash value of lots created. Financial contributions may be in the form of cash, land or works, or a combination of these.
Land use activity (rule 9.2.1)	Protecting and enhancing the environment, providing access to important natural areas, providing public open space, providing public infrastructure assets (roads and drainage).	New development. A land use activity financial contribution can be no more than 1 per cent of the total cash value of the development. Financial contributions may be in the form of cash, land or works, or a combination of these.

Partnerships with the private sector

Objective

This policy, required under the Local Government Act 2002, covers partnerships between Auckland City Council and the private sector.

This is an umbrella policy and must be flexible to handle different types of partnership proposals. Potential partnerships include:

- grants, loans, investments or guarantees by Auckland City Council, which meet the definition of partnerships with the private sector under the Local Government Act 2002
- ventures where Auckland City Council participates with a person engaged in business in some joint objective, but without any direct supply of goods or services by that person to or on behalf of Auckland City Council, where such ventures meet the definition of partnerships with the private sector under the Local Government Act 2002
- a partnership or joint venture to provide water services under section 137 of the Local Government Act 2002
- event sponsorships that meet the definition of partnerships with the private sector under the Local Government Act 2002
- land transport infrastructure, which is to be built or tolled on a public–private partnership basis
- other infrastructure projects built on a public–private partnership basis.

Proposals for the above partnerships and any other public–private partnerships will be assessed on a case-by-case basis, including consideration of matters set out in clause 4 of this policy. Each partnership will be subject to a separate, tailored agreement detailing the rights and responsibilities of each party.

Background

Section 102(4)(e) of the Local Government Act 2002 requires every local authority to adopt a policy on partnerships between The Local authority and the private sector. Section 107(1)(a) requires the policy to state:

The Local authority's policies in respect of the commitment of local authority resources to partnerships between The Local authority and the private sector.

The policy must include the circumstances when such partnerships will be entered into, and the consultation to be carried out, conditions to be imposed, risk assessment and management procedures, and monitoring and reporting procedures for such partnerships. It must also include assessment, monitoring and reporting procedures on the extent to which a partnership has helped achieve community outcomes.

For the purpose of this policy, partnership with the private sector is defined in section 107 of the Local Government Act 2002 as:

any arrangement or agreement that is entered into between one or more local authorities and one or more persons engaged in business¹, but does not include:

- a) any such arrangement or agreement to which the only parties are
 - i) local authorities; or
 - ii) one or more local authorities and one or more council organisations; or
- b) a contract for the supply of any goods or services to, or on behalf of, a local authority.

¹ The act does not define the phrase “engaged in business”. The Office of the Auditor General advises that for the purposes of this phrase, the nature of the entity's activities, rather than its legal form, is the relevant consideration. Not-for-profit organisations may be included if they engage in trading or business activities.

Auckland City Council adopted its first policy on partnerships with the private sector in 2003. Under section 102(6) of the Local Government Act 2002, the policy can only be amended as an amendment to the long-term council community plan.

Related policies

This policy applies to all partnerships with the private sector as defined in section 107 of the Local Government Act 2002 and applies if the private-sector partner is a person “engaged in business”. Whether not-for-profit or community groups are included in this definition depends on the nature of their activities².

Auckland City Council already has a number of policies in place that apply to partnerships with community groups and not-for-profit groups³. They are:

- the facility partnership policy for partnerships with community organisations and other not-for-profit organisations to provide community, arts and cultural, and leisure facilities
- the Mainstreet policy for partnerships with local business communities involved in Mainstreet programmes
- the community loans policy for strategic recreational, community, sporting, and arts or cultural facilities
- the policy statement for community loans under \$200,000, Hillary Commission loans and loan guarantees.

If a proposed partnership is already covered by one of these policies, it will be assessed under that policy, rather than the general provisions of this policy.

2 As noted in the Background section of this policy, council-controlled organisations and contracts for the supply of goods and services are excluded from the definition of partnerships with the private sector.

3 Copies of these policies are available on request from Auckland City Council. Copies of the facility partnership policy, the Mainstreet policy and the community loans policy are also available on Auckland City Council’s website at www.aucklandcity.govt.nz/council/documents.

However, where the partner engages in trading or business activities to the extent that the relevant policy does not address the matters set out in section 107(1)(b) of the Local Government Act 2002, regard will also be had to this policy.

Auckland City Council’s policy for all other partnerships with the private sector is set out on the following pages.

Circumstances in which Auckland City Council will consider providing resources to partnerships with the private sector

Criteria

Auckland City Council will consider providing resources to partnerships with the private sector if one or more of the following criteria are met:

- the partnership contributes to achieving the community outcomes identified in Auckland City Council’s long-term council community plan or to Auckland City Council’s strategic objectives as set out in its annual plan or long-term plan
- the partnership promotes the social, economic, cultural or environmental well-being of Auckland city, in the present and for the future
- the partnership provides access to funding, expertise or opportunities that would not otherwise be available to Auckland City Council, or the private sector is unwilling or unable to provide sufficient resources to achieve the partnership’s objective without Auckland City Council’s support
- there is scope, opportunity and incentive for innovative solutions to be achieved through the partnership in the case of large complex projects
- risks can be transferred to the partner best able to manage them
- the partnership provides a more cost-effective solution than if each party acted alone to achieve the objective.

Auckland City Council is not obliged to enter into a partnership with the private sector even if one or more of these criteria are met.

Deciding whether criteria are met

Auckland City Council will comply with the decision-making provisions in section 76 (and sections 77, 78, 80, 81 and 82 to the extent that they apply) of the Local Government Act 2002, when deciding whether a proposed partnership meets the above criteria.

Initial assessment

All partnership proposals will be assessed in accordance with Auckland City Council's policy on significance.

Assessing significant partnership proposals

For partnership proposals considered significant, Auckland City Council will carry out a more comprehensive assessment of:

- the extent to which the proposal contributes to Auckland City Council's strategic goals
- the rationale for Auckland City Council's involvement in the activity
- the suitability of the proposal as a public-private partnership, and the appropriate form of that partnership
- all reasonably practicable options for achieving the objectives of the partnership
- the costs and benefits of each option, including the capital and operational expenditure, and (where applicable) the financial benefit of the partnership proposal compared to the cost if Auckland City Council were to achieve the proposal's objective or desired outcome alone
- the implications of the proposal for the current and future social, economic, environmental and cultural well-being of the region.
- Significant proposals will also be subject to an internal or external peer review.

Auckland City Council may also require the proposed partner to provide a preliminary business plan and independently prepared feasibility study.

Consultation

The Local Government Act 2002 sets out various levels of consultation that must be carried out for different types of decisions. Auckland City will comply with the act's requirements, and, in situations not covered by the act, will carry out public consultation where considered desirable.

The extent and nature of the consultation will depend on the degree of significance of the partnership proposal.

In addition, all proposals for funding are reviewed by Auckland City Council as part of its annual budget process. These proposals are considered at community board and council meetings. The agendas for these meetings are open to the public, except in cases where issues need to be kept confidential for the reasons set out in the Local Government Official Information and Meetings Act 1987.

Conditions imposed by Auckland City Council on partnerships with the private sector

The extent to which the following conditions are applied to partnerships will depend on the level of resources that Auckland City Council is providing and the partnership's nature. Proposals will be assessed on a case-by-case basis.

Each partnership proposal will be subject to a separate, tailored agreement. The agreement may include:

- the partnership's objectives or the community outcomes that each party wants to achieve
- the parties' respective responsibilities and obligations, including responsibility for obtaining any necessary consents, licences or other approvals, or to undertake any matter or do any thing
- details of funding or other resources that Auckland City Council will provide to the partnership
- ownership of any assets generated
- Auckland City Council's requirements for monitoring and performance reporting

- each party's responsibilities for risk management
- a governance structure and the agreed level of Auckland City Council's involvement
- when the project will start and finish
- the minimum level of funding to be provided by the private sector partner
- the use of appropriate business processes for procurement and all other aspects of work associated with the project
- details of insurance cover for the project
- liability for ongoing operational expenditure and maintenance
- that Auckland City Council may appoint a project manager or adviser if it wishes
- that Auckland City Council has final sign-off for the various stages of the project
- the consequences if conditions are not met
- procedures for dispute resolution
- how Auckland City Council's contribution will be acknowledged
- a specification that the private-sector partner will submit their agreed financial and non-financial records for audit when reasonably requested to by Auckland City Council
- key performance targets.

Auckland City Council may impose any other conditions it considers appropriate.

Risk assessment and management

Every partnership proposal will be assessed for potential risks to Auckland City Council, using the council's risk assessment framework. Auckland City will get advice on potential risks.

In assessing risk, Auckland City Council will:

- identify material risks
- assess the consequences of those risks and the probability of those risks occurring
- identify the scope for mitigating those risks.

Risks that may be assessed include:

- default and termination risk
- insurance coverage and limitations risk
- financial and refinancing risk
- risk to the capacity of Auckland City Council to carry out its activities
- risk to the safety of persons and property
- risk to intellectual property
- design and construction risk
- commissioning and operating risk
- service and under-performance risk
- maintenance risk
- risk of force majeure
- risk of change to the legal or regulatory environment
- risk of legal challenge
- technology obsolescence risk
- planning risk
- price risk

- taxation risk
- residual value risk
- demand and usage risk
- valuation risk
- third-party revenue risk
- the relative investment of the private-sector partner
- the experience of the private-sector partner, particularly in that activity
- risk to the reputation of Auckland City Council, the elected council and Auckland city generally.

A risk management strategy to minimise or provide cover for significant risks will be developed for each partnership proposal. Risks will be allocated to the partner best able to cost-effectively manage them and the strategy will specify which party is responsible for which area of risk management. Indemnities and guarantees may be required from the private-sector partner.

Monitoring and reporting

The level, frequency and duration of monitoring and reporting requirements for partnerships will depend on the level of funding being provided by Auckland City Council, and the nature of the partnership.

The monitoring and reporting requirements will be included in the partnership's written agreement.

Generally, the private-sector partner must submit a report outlining:

- progress on agreed outcomes, objectives and key performance targets
- financial information (using generally accepted accounting principles that are appropriate to the entity)
- the impacts that the project has had, and will have, on the social, economic, cultural or environmental well-being of Auckland city.

Assessment, monitoring and reporting on community outcomes

Auckland City Council will review the partnership's performance and the reports provided by the private-sector partner. The review will include assessing and monitoring how community outcomes have been furthered by the partnership. Monitoring requirements for community outcomes will be included in the partnership's written agreement.

Auckland City Council will report on the partnership's performance in its annual report. The report will include:

- a comparison between the partnership's actual activities and performance, and its intended activities and performance, as set out in Auckland City Council's long-term council community plan or its annual plan
- the partnership's impacts on the social, economic, cultural and environmental well-being of the community
- the value of funds or resources allocated to the partnership during that year
- the partnership's objectives and how these link to community outcomes, and a statement about the extent to which the partnership has helped achieve the outcomes.

Policy on significance

Summary of changes to significance policy

The council has reviewed its policy on significance as part of preparing its 2009-2019 Long-term Council Community Plan (10-year plan), with a view to improving while maintaining the intent of the existing policy.

The council has made a number of minor amendments to its policy on significance. The improvements include:

- updating, minor editing and reordering of existing text
- removing redundant sections
- strengthening and clarifying the guidance on determining significance
- clarifying the consultation requirements
- improving the mechanisms for promoting and monitoring compliance with the policy.

The primary benefit of these amendments is to improve the conciseness, readability and relevance of the policy. The amendments also reduce the risk of council decisions being subject to review, due to ambiguity in the policy.

1 Objective

In accordance with the Local Government Act 2002, this policy sets out:

- the council's general approach to determining the significance of proposals and decisions, and the thresholds, criteria and procedures used in making this assessment
- the assets that the council considers to be strategic assets.

Definitions of terms used in the policy that come from the Local Government Act 2002 are set out in Attachment 1.

2 Background

Section 90 of the Local Government Act 2002 requires the council to have a policy on significance. Significance in this context means the degree of importance that can be attributed to any particular matter or thing and can be thought of as a continuum ranging from insignificant to very significant. There is a point on the continuum after which a matter will be considered significant, that is, it will have a high degree of significance.

The assessment of significance helps the council determine the nature, extent and degree to which it must comply with the decision-making and consultation requirements of the Local Government Act 2002 (sections 76 to 82). These requirements include identifying and assessing options, considering community views, identifying inconsistent decisions, enabling contributions to decision-making processes by Maori and carrying out consultation processes.

The more significant the issue the higher the standard of compliance required. For significant decisions, the council must ensure appropriate compliance with the act.

3 Determining significance

3.1 General approach

The council will use the thresholds and criteria in this policy to assess the significance of proposals or decisions in terms of their likely impact on, and likely consequences for:

- the current and future social, economic, environmental or cultural well-being of the district or region
- any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision or matter
- the capacity of the council to perform its role, and the financial and other costs of doing so.

The issue of significance will be considered in the early stages of a proposal and reviewed as the proposal develops.

3.2 Thresholds

The council generally considers a proposal or decision to be significant if it involves one or more of the following:

- (a) transfer of the ownership or control of a strategic asset to, or from, the council
- (b) construction, replacement or abandonment of a strategic asset
- (c) a significant change in intended service levels for a significant council activity, including a decision to commence or cease any such activity
- (d) a significant impact on the capacity of, or cost to, the council in delivering any of the council activities identified in its long-term council community plan (10-year plan).

A list of strategic assets is contained in Attachment 2. A list of council activities is contained in Attachment 3.

3.3 Criteria

In determining whether a change or impact is significant with respect to thresholds c and d, the council will consider the proposal or decision against the following criteria:

- (a) the extent of any change in service levels
- (b) the extent of any change in net budget
- (c) the extent of any change in asset base
- (d) the relative size of the net budget for the activity compared to the council's overall budget
- (e) the extent to which a decision flows logically from existing policies, resolutions or decisions in the long-term or annual plans.

As a general guide, the creation of a new activity, or a 40 per cent increase or 25 per cent decrease in the nature of an activity, would be considered significant.

A decision to rearrange current activities (for example through amalgamation) would not generally be considered significant.

If a proposal flows logically from existing policies, resolutions or decisions that would generally indicate that the decision is not significant.

3.4 Procedures

Reports by officers to the council or a council committee, which are seeking a decision, will generally include a statement addressing the issue of significance. If the proposal is considered to be significant, the report will include a statement about how the relevant sections of the Local Government Act 2002 and this policy will be observed.

4 Reviewing proposals of higher significance

For proposals that are determined to be significant, the council will generally carry out internal or external peer review, or both, to assess the robustness of the proposal, as well as its compliance with the Local Government Act 2002. The extent and focus of the peer review depends on the nature of the proposal.

5 Consultation requirements

The degree of significance of a change, proposal or decision will inform decisions about whether consultation is needed and its nature. However, a decision that a change, proposal or decision is significant, will not necessarily mean that consultation is required.

Unless consultation is required by statute, it is open to the council to decide whether consultation is required in order to determine community views, and if so the nature and extent of consultation. A change, proposal or decision that meets any of the thresholds listed in section 3.2 of this policy requires statutory consultation. A more complete list of matters that require statutory consultation is included in Attachment 4. The council's approach to and guidelines for consultation are outlined in its consultation policy.

6 Exclusions

This policy will not apply where, in the opinion of the council, failure to make a decision urgently would result in unreasonable or significant damage to property, or risk to people's health and safety, or the loss of a substantial opportunity to achieve the council's strategic objectives. Other policy and legislative requirements will still apply.

7 Adoption and amendment of this policy

The council must use the special consultative procedure set out in the Local Government Act 2002 to adopt or amend this policy.

Attachment 1: Definition of terms under the Local Government Act 2002

Term	Definition
Activity	<p>means a good or service provided by, or on behalf of, a local authority or a council-controlled organisation; and includes –</p> <ul style="list-style-type: none"> (a) the provision of facilities and amenities; and (b) the making of grants; and (c) the performance of regulatory and other governmental functions
Group of activities	<p>means one or more related activities provided by, or on behalf of, a local authority or council-controlled organisation</p>
Significance	<p>in relation to any issue, proposal, decision, or other matter that concerns or is before a local authority, means the degree of importance of the issue, proposal, decision, or matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for,-</p> <ul style="list-style-type: none"> • the current and future social, economic, environmental, or cultural well-being of the district or region: • any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision or matter: • the capacity of the local authority to perform its role, and the financial and other costs of doing so
Significant	<p>in relation to any issue, proposal, decision, or other matter, means that the issue, proposal, decision, or other matter has a high degree of significance</p>
Strategic asset	<p>in relation to the assets held by a local authority, means an asset or groups of assets that the local authority needs to retain if the local authority is to maintain the local authority’s capacity to achieve or promote any outcome that the local authority determines to be important to the current or future well-being of the community; and includes –</p> <ul style="list-style-type: none"> • any asset or group of assets listed in accordance with section 90(2) by the local authority; and • any land or building owned by the local authority and required to maintain the local authority’s capacity to provide affordable housing as part of its social policy; and • any equity securities held by the local authority in: • a port company within the meaning of the Port Companies Act 1988: • an airport company within the meaning of the Airport Authorities Act 1966

Attachment 2: List of strategic assets

- Central City library.
- Community and mobile library network.
- The historical collection of the library.
- Auckland Art Gallery Toi o Tamaki.
- Community centres and halls network.
- The network of premier parks, parks, sports fields, and public open spaces.
- The Edge®.
- Auckland Zoo.
- The network of public swimming pools.
- The network of heritage buildings.
- The network of car parks.
- The Auckland road network as a whole.
- The Auckland stormwater network as a whole.
- Auckland City Council's shares in Auckland International Airport Ltd (defined as a strategic asset in the Local Government Act 2002)¹.
- Auckland City Council's 100 per cent shareholding in Metro Water Ltd, and the local water and wastewater networks in Auckland city that Metro Water Ltd owns and operates.
- Auckland City Council's 41.6 per cent shareholding in Watercare Services Ltd, and the bulk water and wastewater networks in the Auckland region that Watercare Services Ltd owns and operates.
- Auckland City Council's 61.3 per cent shareholding in Auckland Regional Transport Network Ltd. The Auckland Regional Transport Network manages an operators' agreement for rail and bus operations at the Britomart Transport Centre and is responsible for operating the centre under a long-term lease agreement².
- The Hauraki Gulf airfields and wharves network as a whole.

The council defines the network of a strategic asset as the whole of the asset group, rather than a single example of the asset.

1 The council has previously consulted on a proposal to transfer its shares in Auckland International Airport Ltd to a council-controlled organisation and may take such action if deemed appropriate in the future.

2 Negotiations with the Auckland Regional Council to transfer the remaining Auckland Regional Transport Network Ltd assets to the Auckland Regional Holdings and the Auckland Regional Transport Authority have been suspended, pending the outcome of the Royal Commission on Regional Governance. If the assets are transferred, Auckland City Council will no longer consider its 61.3 per cent shareholding in the network to be a strategic asset. It is envisaged that Auckland Regional Transport Network Ltd will then be placed into voluntary liquidation and the company will be removed from the register.

Attachment 3: List of council activities 2009-2019

\$000	Budget 2009/2010	40% of Budget 2009/2010 ¹	25% of Budget 2009/2010 ²
Economic development			
AMETI	1,659	664	415
Economic growth and development	18,653	7,461	4,663
Lifestyle choices			
Arts and cultural facilities and programmes	45,202	18,081	11,300
Auckland Art Gallery	7,807	3,123	1,952
Auckland Zoo	4,245	1,698	1,061
Events	10,951	4,380	2,738
Marinas	(3,226)	(1,290)	(807)
Recreation	12,462	4,985	3,116
Quality built environment			
City planning	13,594	5,438	3,399
Development with Vision	1,075	430	269
Land and property related information	587	235	147
Management of development	11,155	4,462	2,789
Stormwater network management	30,530	12,212	7,632
Urban growth strategy and management	2,501	1,000	625
Quality natural environment			
Closed landfills management	3,416	1,366	854
Environmental policy and planning	913	365	228
Parks	46,134	18,454	11,534
Recycling services	8,872	3,549	2,218
Stormwater quality enhancement	651	260	163
Utilities advocacy	1,168	467	292

\$000	Budget 2009/2010	40% of Budget 2009/2010 ¹	25% of Budget 2009/2010 ²
Strong and healthy communities			
Civil defence and emergency management	1,340	536	335
Community services	27,413	10,965	6,853
Environmental health and licensing	4,243	1,697	1,061
Libraries	30,753	12,301	7,688
Street environment and town centres	28,618	11,447	7,154
Waste management	18,423	7,369	4,606
Transport choices			
Parking	(25,619)	(10,248)	(6,405)
Transport infrastructure	106,843	42,737	26,711
Efficient, capable and user-friendly council			
Efficient and capable council	974	390	244
Representation	9,412	3,765	2,353
Total net operating expenditure	420,750	168,300	105,187

Notes to table

- 1 Included to provide guidance in determining whether a proposal or decision will increase the net budget of an output by 40 per cent.
- 2 Included to provide guidance in determining whether a proposal or decision will decrease the net budget of an output by 25 per cent.

The list will be updated each year and made available in Auckland City Council's annual plan or 10-year plan.

Attachment 4: Statutory provisions requiring consultation

The following matters are listed in the Local Government Act 2002 as requiring statutory consultation:

- establishing a council-controlled organisation (section 56)
- adopting, reviewing or amending a bylaw (section 86)
- any proposal for altering the mode by which a significant activity is undertaken by or on behalf of the council (s88(1))
- adopting a long-term council community plan (section 93(2))
- altering a long-term council community plan (section 93(5))
- adopting an annual plan (section 95(2))
- certain decisions that can only be taken if provided for in the long-term council community plan (section 97):
 - a decision to alter significantly the level of service provided for any significant activity carried out by or on behalf of the local authority, including a decision to commence or cease any such activity
 - a decision to transfer the ownership or control of a strategic asset to or from the local authority
 - a decision to construct, replace or abandon a strategic asset
 - a decision that will, directly or indirectly, significantly affect the capacity of the local authority, or the cost to the local authority, in relation to any activity identified in its long-term council community plan
- adopting or amending the policy on significance (section 90(4) and sections 103 to 108)
- adopting or amending the funding and financial policies (section 102(4))
- assessing the council's water and other sanitary services (section 125)
- entering into a partnership or joint venture to provide water services (section 137)
- disposing of a park (section 138).

Not all of these matters would be considered significant under the council's policy on significance.

Policy on Auckland Airport shares

Summary of changes to Auckland Airport shares policy

Auckland City Council has reviewed its Auckland Airport shares policy as part of preparing its 2009-2019 long-term council community plan (10-year plan). This review was conducted within the context of the strict requirement that the council must maintain at least a 12.75 per cent stake in Auckland International Airport Ltd. As a result of the review, some changes to the policy have been made.

The council adopted the policy on Auckland Airport shares in September 2007 as an amendment to its 2006-2016 10-year plan and the policy was worded and structured accordingly. The policy is now part of, not an amendment to, the council's 2009-2019 10-year plan and has been updated to reflect this. Some other minor edits have also been made.

The previous policy did not allow the council to buy shares or other securities in Auckland International Airport Ltd outside of a restructuring transaction. The council believes there are a few other scenarios where buying additional shares in the airport would be prudent and having the flexibility to do so, should such a scenario arise, would be beneficial.

Consequently, the policy on Auckland Airport shares, has been changed to enable the purchase of more shares in the airport subject to council approval, following rigorous analysis against the objectives and criteria outlined in the policy.

1 Objective and overview

This policy sets out the range of possible ownership arrangements available to the council with respect to its shares in Auckland International Airport Ltd and the key objectives and criteria that the council will apply when evaluating proposals relating to this shareholding.

The policy does not provide for any sale of the council's shareholding in Auckland Airport below 12.75 per cent, except as a technical step in a restructuring transaction that will result in the council holding not less than a 12.75 per cent ownership stake in the airport.

2 Background

Auckland City Council currently owns 155,766,240 shares in Auckland International Airport Ltd which equates to a 12.75 per cent shareholding.

Section 5 of the Local Government Act 2002 defines the council's shareholding in Auckland International Airport Ltd as a strategic asset. Under section 97 of the act, a transfer of ownership or control of a strategic asset can only occur if the decision to do so is provided for in the council's long-term council community plan (10-year plan).

Following approaches by several parties, and subsequent public consultation, the council decided at its 3 September 2007 meeting:

- (1) not to sell down its ownership interest in Auckland Airport below 12.75 per cent
- (2) to amend Auckland City Council's 2006-2016 10-year plan to include a policy on ownership options for the council's Auckland Airport shareholding that retains at least the council's 12.75 per cent ownership interest, but maximises returns and strategic benefits from that asset.

To seek public feedback prior to making this decision, the council developed consultation materials in accordance with the Local Government Act 2002's requirements. The statement of proposal sought to amend the 10-year plan to allow the council to transfer ownership or control, or restructure its interest in Auckland Airport, if doing so was in the best long-term interests of the residents and ratepayers of Auckland city. It also sought feedback on the council's potential ownership options in relation to its shareholding, and the criteria to be used by the council to assess its options.

The consultation process was widely promoted and potential submitters had a range of submission options. The special consultative procedure started on 15 July 2007 and submissions closed on 15 August 2007. Overall, 614 submissions were received. Public hearings were conducted on 27 August 2007.

Respondents indicated strong opposition to selling the shares (91.3 per cent opposed) and to decreasing the council's stake in the airport (90.8 per cent opposed). Respondents were somewhat less opposed to restructuring the council's shareholding in Auckland Airport (50.5 per cent opposed), while 50.9 per cent of respondents supported increasing the council's stake. The major themes in qualitative responses concerned foreign control, the importance of financial returns (in terms of dividends and capital appreciation) and the need to retain some public ownership. The results of public consultation endorsed the criteria outlined in the statement of proposal.

3 Policy details

3.1 Possible levels of ownership

Under this policy, a change in ownership is only provided for if the council's ultimate stake in Auckland International Airport Ltd is at least 12.75 per cent. The council has not yet decided whether or not it will change the size of its stake in Auckland Airport, rather this policy provides for two possible options for the level of the council's ownership or control:

- maintaining its stake at 12.75 per cent
- increasing its stake above 12.75 per cent.

3.2 Possible implementation options

A change in ownership or control of some or all of Auckland City Council's shareholding in Auckland Airport, or a restructure of the council's interest in Auckland Airport, may take place by any of the options listed below, or by a combination of those options, or in any other ways that satisfy the six general assessment criteria set out later in this document.

Option 1: The council joins a consortium, which will execute a full or partial takeover or otherwise acquire a substantial stake in Auckland Airport. The council would achieve an ultimate stake of at least 12.75 per cent in the airport by taking shares, or other securities, in the consortium.

Option 2: The council agrees to Auckland International Airport Ltd merging with another company, exchanging the council's shares in the airport for shares or other securities in the new entity (provided the council's ultimate stake is at least 12.75 per cent of that new entity).

Option 3: The council agrees to Auckland International Airport Ltd being restructured so that its business units separate into stand-alone entities, with the council receiving a proportionate equity stake in one or all of the stand-alone entities (provided that the council's ultimate stake is at least 12.75 per cent of the combined equity of the stand-alone entities).

Option 4: The council sells shares, or other securities, in Auckland Airport for cash or some other form of consideration, provided that the council's ultimate stake in the airport is at least 12.75 per cent.

Option 5: The council buys shares or other securities in Auckland Airport.

Option 6: The council transfers its ownership stake in Auckland Airport to a holding company.

3.3 General assessment criteria

The council will assess any options that may become available to it against the following six general criteria. In applying these criteria, the council will follow the decision-making principles outlined in the Local Government Act 2002 and consider the feedback received from the public consultation process.

1. Feasibility: the likelihood of successfully implementing the option, as measured by the extent of tax, legal and other issues that would need to be worked through to successfully do so.
2. Strategic value: the impact in terms of the council's long-term objectives, desired community outcomes and the broader public interest. This would be reflected in factors such as:
 - the council's ability to appoint directors to the board of Auckland Airport
 - the council's ability to have input into the management of Auckland Airport
 - the level of public scrutiny of the management of Auckland Airport
 - the level of New Zealand ownership of Auckland Airport
 - the council's ability to block a full takeover of Auckland Airport or otherwise block ownership changes that could significantly impact on the business plan and operations of Auckland Airport.
3. Financial returns: the impact on the council's projected after tax cash flows over the remaining period of the 2009-2019 long-term plan and beyond.
4. Liquidity: the ability of the council to quickly change its shareholding to cash if required. This would be reflected in factors such as whether the council's shares can still be traded on the New Zealand Stock Exchange, the likely number of buyers for the council's shareholding, and any new procedures or restrictions that may be put in place in relation to the council exiting its investment.
5. Risk: the likelihood and impact of negative consequences. This includes any operational risk associated with changes to the management or operation of Auckland Airport, as well as the financial risk associated with an increase in the level of debt funding of Auckland Airport. A higher level of debt would reduce the airport's capital expenditure flexibility and increase the risk

associated with the airport's ability to make future distributions to shareholders.

6. Overall impact: the overall impact on the current and future social, economic, environmental and cultural well-being of the community. This assessment will include the likelihood of Auckland Airport's role as an integral part of the city's regional and national transport system being compromised.

3.4 Key objectives and criteria

When using the general assessment criteria to evaluate any proposals that may be put to the council regarding its stake in Auckland Airport, the council will consider the following to be key objectives and criteria.

1. No single investor controlling 50 per cent or more of voting rights in the airport.
2. Maximising both long-term and short-term financial returns.
3. The council being able to influence the governance and strategic direction of the airport.
4. Any significant new investors being committed and able to contribute to the sustainable long-term development of the airport.
5. Agreement that the council's ownership or influence will not later be diluted or reduced by circumstances outside its control.
6. Ongoing listing of Auckland Airport on the New Zealand Stock Exchange.
7. No reduction in the council's stake in the airport below 12.75 per cent.

4 Adoption and amendment of this policy

The council must use the special consultative procedure set out in the Local Government Act 2002 to adopt and amend this policy.

Establishing a new council-controlled organisation and holding company

Key decisions

Establishing a holding company and subsidiaries

In the draft 10-year plan, Auckland City Council proposed establishing a holding company to govern some of its assets and activities that have commercial objectives. The holding company would be a council-controlled organisation.

As part of establishing a holding company, the council also proposed establishing three new council-controlled organisations, which would be subsidiaries of the holding company. These subsidiaries would initially have no assets or liabilities, and would be non-trading entities.

Auckland City Council has decided to establish a holding company, but the implementation of this decision will be deferred to allow the council and the Auckland Transition Agency to maintain flexibility during the transition to the new Auckland Council. The use of a holding company (and subsidiaries) may allow for a more efficient transfer of assets and activities to the new Auckland Council or one of its subsidiaries.

Establishing a council-controlled organisation to manage Auckland City Council's marina assets

A recent review of the council's marina operations has found that the marinas' current governance structure does not provide the best value for money for the council's investment in them, or align appropriately with the marinas' commercial focus. The council therefore proposed a number of options in its draft 10-year plan to improve the management of its marina assets.

The council has decided that Westhaven marina should be operated as a council-controlled organisation (CCO). The council has also decided that this CCO should be included as part of a holding company structure where this would achieve similar outcomes and benefits as proposed in the draft ten-year plan. However, implementation of this decision will be deferred to allow the council and the Auckland Transition Agency to maintain flexibility during the transition to the new Auckland Council.

In the interim, to provide improved governance and commercial oversight over the marina operations, the council will establish a stand-alone business unit for its Westhaven marina operations.

Establishing a holding company and subsidiaries

Background

Auckland City Council has been considering establishing a holding company for some time and carried out public consultation about the possibility in both 2003 and 2006. However, as no action was taken at the time, and some time has elapsed since the previous consultation, the council wished to gain further feedback from the community before deciding whether to establish a holding company for its commercially focused assets.

To seek public feedback prior to making this decision, the council developed consultation materials in accordance with the requirements of the Local Government Act 2002. The statements of proposal sought to allow the council to establish a holding company and subsidiaries (council-controlled organisations) to provide improved governance over certain of its assets and activities that have commercial objectives.

The consultation process was undertaken as part of the 10-year plan consultation. This was widely promoted and potential submitters had a range of submission options. The consultation period opened on 17 April 2009 and submissions closed on 18 May 2009. Twelve submissions relating to the holding company proposal were received (of 428 total submissions on the 10-year plan). Public hearings were conducted on 2-4 June 2009.

After the draft 10-year plan was finalised, the New Zealand Government released its decision on the future of Auckland local government. Constraints have been placed on decision making during the transition period and current councils are required to act in ways that are consistent with the establishment of the new Auckland Council.

A very small proportion of submissions on the draft plan (12 out of 428) made comments on this proposal. Of these, a majority (10 out of 12) were opposed to the proposals, and the most common reason for their opposition was the impending changes to Auckland regional governance.

Apart from regional governance changes, no material new issues were raised in the submissions that had not previously been considered by the council or one of its committees.

Policy on establishing a holding company and subsidiaries

Given the uncertainty as to the process and outcome of transition to the new Auckland Council and the structure of the new Auckland Council (and its subsidiaries), Auckland City Council has decided to establish a holding company, but to defer implementation of this decision. This gives the council and the Auckland Transition Agency the flexibility to appropriately manage changes and ensure a smooth transition. The use of a holding company (and subsidiaries) may allow for a more streamlined, efficient transfer of assets to the new Auckland Council or one of its subsidiaries. The council will work closely with the Auckland Transition Agency to explore the most appropriate methods of facilitating the transfer of assets and activities to the new Auckland Council.

The holding company will be a council-controlled organisation governed by a board of independent directors. Only assets or activities with commercial objectives will be considered for transfer to the holding company, and the council is committed to consulting with the public about any proposal to transfer assets or activities.

As part of establishing a holding company, Auckland City Council may establish three new council-controlled organisations as subsidiaries of the holding company. These subsidiaries would allow the council to structure the holding company in a way that best represents the range of activities in which it may be involved. In particular, it would provide the holding company with the flexibility to hold assets directly, or within one of its subsidiaries.

If any such subsidiaries are established, each subsidiary company will be fully owned and controlled by the holding company. The statement of intent for the holding company will contain terms around the use of subsidiaries. The subsidiaries' operations will be subject to the holding company's statement of intent and a constitution consistent with that of the holding company.

Accountability and monitoring arrangements

The holding company will be a council-controlled organisation as defined in the Local Government Act 2002. As such, it would be subject to the reporting and monitoring requirements set out in that act. These requirements include the holding company and the council agreeing a statement of intent, and the holding company making regular financial reports to Auckland City Council. The council could also specify additional forms of control and monitoring when setting the constitution of the holding company.

If any subsidiaries are established, the council may exempt them from the statutory monitoring and reporting requirements of council-controlled organisations until they start operations.

The decision making and consultation requirements of the Local Government Act 2002 would still apply to any of the council's decisions regarding the funding, use and operation of the holding company and its subsidiaries. The council would still be required to consider the significance of its decisions in this regard, and the extent to which public consultation would be required (if any).

Establishing a council-controlled organisation to manage Auckland City Council's marina assets

Background

Auckland City Council has recently reviewed its marina operations, including:

- Westhaven Marina
- Hobson West Marina
- Viaduct Harbour Marine Village Marina.

The marinas are currently operated as an in-house council service, with a range of council staff, entities and groups involved in governing and managing them. The marinas have a commercial focus on price setting and the council's Property Enterprise Board oversees some of the operations at the Westhaven and Hobson West marinas.

The review of the council's marina operations has found that the current governance structure of the marinas does not provide the best value for money for the council's investment in the marinas or align appropriately with the marinas' commercial focus. The review recommended establishing a council-controlled organisation (CCO) to operate the council's Westhaven marina assets. The Hobson West and Viaduct Harbour Marine Village marinas are used in the delivery of the council's event objectives and are therefore run on a somewhat less commercial basis than Westhaven Marina, so would remain under the direct ownership of the council. It is possible that the Westhaven Marina company would contract with the council to manage these other marinas to support best value service delivery.

To seek public feedback prior to making this decision, the council developed consultation materials in accordance with the requirements of the Local Government Act 2002. The statement of proposal sought to allow the council to establish a CCO to operate its Westhaven marina assets, with this included in a

holding company structure, on the basis that this would provide improved governance aligned with its commercial objectives.

The consultation process was undertaken as part of the 10-year plan consultation. This was widely promoted and potential submitters had a range of submission options. The consultation period opened on 17 April and submissions closed on 18 May 2009. Three submissions relating to the marina CCO proposal were received (of 428 total submissions on the 10-year plan). Public hearings were conducted on 2-4 June 2009. Of the three submissions on the marina CCO proposal, one supported it, one opposed it and the other did not present a clear position.

Policy on establishing a council-controlled organisation to manage Auckland City Council's commercial marina assets at Westhaven

The council has decided that the council's commercial marina assets at Westhaven should be operated as a CCO. This CCO will be included as part of a holding company structure if this would achieve similar outcomes and benefits as proposed in the draft 10-year plan. However, given the uncertainty relating to the impending changes to Auckland local government, the council will wait for further details of the new Auckland local government structure and transition process before implementing these decisions. This will ensure that the establishment of the marina CCO will be done in a way that is consistent with other council controlled organisations in the Auckland region, for smooth integration into the new Auckland Council or one of its subsidiaries. Auckland City Council will work with the Auckland Transition Agency to determine the most appropriate timing and process for implementation.

When the Marina CCO is established, the council will transfer its Westhaven Marina operations, assets and staff into a newly created, wholly owned council-controlled organisation. This entity will operate Westhaven Marina and a board of independent directors will provide commercial oversight. There are a number of legal entities that currently make up Westhaven Marina's operations. The council will not make any changes to these, other than moving them from the

direct control of the council to that of the Marina CCO, and appointing independent trustees.

If the Marina CCO is included as part of a holding company structure, the same arrangements would apply, except that marina CCO would be owned via the holding company rather than directly by the council. If an appropriate holding company structure is not in place, the marina CCO will be directly owned by council.

In the interim, to provide improved governance and commercial oversight over the marina operations, the council will establish a stand-alone business unit for its Westhaven marina operations. This new unit will ring-fence the Westhaven Marina operations, assets and staff, and provide improved governance of the marina operations.

Accountability and monitoring arrangements

When established, the marina company will be a council-controlled organisation as defined in the Local Government Act 2002. As such, it will be subject to the reporting and monitoring requirements set out in that act. These requirements include the marina CCO and the council agreeing a statement of intent, which will govern the marina's operations, and the marina CCO making regular financial reports to Auckland City Council. The council may also implement additional forms of control and monitoring when it sets the marina CCO's constitution.

Should the marina CCO be established as a subsidiary of a holding company, similar accountability and monitoring arrangements would apply.

Funding impact statement

This funding impact statement outlines Auckland City Council's funding methods, including the different rates it levies, and the amount of funding from each method that the council will use to pay for its expenditure. The statement also explains how each rate will be calculated and applied.

In July 2006, the council adopted additional projects to help achieve its long-term vision more quickly. This required rates increases higher than the council's rate of inflation to fund the additional projects. Since then, the council has shifted its focus to affordability, so that the next 10 years will see affordable progress for the city that is in keeping with the economic times facing New Zealand. Affordable progress involves keeping average rates increases over the next 10 years to less than or equal to the council's rate of inflation each year¹. This will be achieved by carefully prioritising our spending, so that projects are completed at a slower and more sustainable pace. By putting the plans in place now, we can make positive, progressive and affordable change in the city.

For 2009/2010, the average rates increase for the city is 2 per cent. This is less than the council's projected rate of inflation for 2009/2010, which is projected to be 2.5 per cent.

The following table shows the council's projected inflation rate and the projected rates increases from 2009/2010 to 2018/2019.

Year	Projected rate of inflation	Projected average rates increase ¹
2009/2010	2.5	2.0
2010/2011	2.5	2.5
2011/2012	2.5	6.1 ^{2,3,4}
2012/2013	2.6	1.0 ^{3,4}
2013/2014	2.6	2.5 ⁴
2014/2015	2.6	2.5 ⁴
2015/2016	2.7	2.6 ⁴
2016/2017	2.7	2.6 ⁴
2017/2018	2.7	2.4 ⁴
2018/2019	2.8	2.6 ⁴
Average	2.62	2.68

Notes to table

- 1 Excludes the impact of the growth in rating base, and CBD, Mainstreet and additional recycling services targeted rates.
- 2 The impact of new targeted rates in 2011/2012 is a 3.6 per cent increase in rates.
- 3 The council intends to introduce two new targeted rates to help fund council's operating costs for Rugby World Cup 2011. This will result in a rates increase in 2011/2012 that is 1.6 per cent higher than council's projected rate of inflation. However, in 2012/2013 the rates increase will be 1.6 per cent lower than the council's projected rate of inflation.
- 4 The council will develop the Queens Wharf to provide public open space, international cruise ship terminal, as well as a number of other new activities and attractions. The cost of this development is currently budgeted at around \$84 million dollars, which requires a rate increase of 2 per cent on top of the council's rate of inflation and the 1.6 per cent increase for the Rugby World Cup 2011. However, from 2012/2013 rate increases will be lower than council's rate of inflation.

Over the full 10 years, our rate increase, including the Rugby World Cup 2011 targeted rates and Queens Wharf increases, in in-line with inflation, average inflation 2.62 per cent, rate increase 2.68 per cent.

¹ The rate increase for 2011/2012 is greater than council's rate of inflation for that year to fund the development of Queens Wharf and council's operating costs for Rugby World Cup 2011. However, from 2012/2013 rate increases are projected to be lower than council's rate of inflation.

Overview of funding sources

The council's operating revenue and sources of funding for the financial years from 1 July 2009 to 30 June 2019 are shown in the following tables. How the council allocates these funding sources for each activity is shown in volume 2.

Table A – Auckland City Council's funding sources for operating expenditure for 2009/2010 to 2018/2019

\$000	Budget 2008/2009	Budget 2009/2010	Projection 2010/2011	Projection 2011/2012	Projection 2012/2013	Projection 2013/2014	Projection 2014/2015	Projection 2015/2016	Projection 2016/2017	Projection 2017/2018	Projection 2018/2019
General rates											
Value-based ¹	200,925	191,161	196,163	192,341	179,192	173,752	171,694	179,040	189,336	187,789	186,838
Uniform charge ¹	27,660	43,355	53,037	59,843	69,383	77,382	85,746	95,087	104,841	115,016	126,230
	228,585	234,516	249,200	252,184	248,575	251,134	257,440	274,127	294,177	302,805	313,068
Targeted rates											
CBD (non-residential) ²	7,370	7,607	7,956	10,700	11,916	12,298	9,679	9,164	9,000	9,214	9,442
CBD (residential) ²	528	471	432	524	543	581	472	457	450	461	472
Mainstreet	6,849	7,568	7,568	7,568	7,568	7,568	7,568	7,568	7,568	7,568	7,568
Refuse	34,485	29,360	30,284	36,707	39,989	41,509	43,339	44,871	46,583	48,525	50,289
Rugby World Cup 2011 ³	0	0	0	6,900	0	0	0	0	0	0	0
	49,232	45,006	46,240	62,399	60,016	61,956	61,058	62,060	63,601	65,768	67,771
Penalties, discounts and remissions ⁴	(1,313)	(1,263)	(1,503)	(1,767)	(2,113)	(2,479)	(2,895)	(3,366)	(3,786)	(4,350)	(4,982)
Total rates	276,504	278,259	293,937	312,816	306,478	310,611	315,603	332,821	353,992	364,223	375,857
Revenue from activities											
Direct user charges ⁵	75,202	68,038	70,447	72,707	75,190	77,666	80,341	83,532	87,113	90,961	95,173
Grants and subsidies ⁶	15,155	17,345	19,220	24,552	18,435	19,168	19,849	20,597	21,294	22,019	24,036
Other operational	25,992	25,129	30,790	39,783	45,413	58,609	62,223	64,060	66,884	68,361	70,750
Rental Revenue	26,351	27,252	27,444	27,764	28,678	29,733	28,588	29,537	30,523	31,540	32,616
Penalties and fines	24,727	22,559	23,697	24,468	25,826	26,643	27,612	29,073	30,618	32,320	34,130
Sponsorship income	1,280	1,288	1,335	1,255	1,407	1,444	1,481	1,521	1,562	1,604	1,649
Recoveries	431	298	299	300	300	301	301	302	303	304	304
	169,138	161,909	173,232	190,829	195,249	213,564	220,395	228,622	238,297	247,109	258,658
Other revenue											
Interest and dividends ⁸	27,875	32,920	35,245	37,301	40,176	43,477	47,048	50,821	53,147	56,400	60,241
Petrol tax and royalties ⁸	3,225	3,569	3,469	3,369	3,269	3,169	3,169	3,069	3,069	2,969	2,869
	31,100	36,489	38,714	40,670	43,445	46,646	50,217	53,890	56,216	59,369	63,110
Working capital ⁹	0	1,359	4,905	(1,554)	2,756	(1,329)	2,310	(2,304)	2,304	(2,431)	2,431
Total	476,742	478,016	510,788	542,761	547,928	569,492	588,525	613,029	650,809	668,270	700,056

Notes to table

- 1 The general rate is assessed on the annual value of each rating unit and assessed differentially on different categories of land as explained in the funding impact statement. In 2009/2010, the general rate also includes a uniform annual general charge of \$250 per separately used or inhabited part of a rating unit.
- 2 The CBD targeted rate is \$57 per residential unit in the CBD and is a value-based rate for CBD non-residential properties.
- 3 The Rugby World Cup targeted rate is projected to be \$23 per residential unit and will generate around \$3.4 million. The targeted rate for non-residential properties will be a value-based rate and will generate around \$3.5 million.
- 4 The figures in this row show the council's net revenue from rates penalties on overdue rates payments, less the expenditure from the discount for early rates payments, as outlined in the council's discount policy, and less the remission of rates under the council's rates remission policies. The discount policy and rates remission and postponement policies are included in the rates assistance section of this document.
- 5 Includes fees, sales and rents.
- 6 The council classes grants and subsidies for operating expenditure as revenue from activities, while it classes grants and subsidies for capital expenditure as capital revenue.
- 7 Other operational revenue includes payments and reimbursements from council-controlled organisations for services provided by the council to the organisations.
- 8 Petrol tax and royalties, and interest and dividends in the table do not include revenue from council-controlled organisations and council-controlled trading organisations. Revenue from council-controlled organisations and subsidiaries is shown under the charitable receipts.
- 9 The council temporarily borrows to fund some of its expenditure, when there is a timing difference between when the council requires the funding for its expenditure and when it receives the revenue. The amount borrowed is repaid when the council receives the revenue.

General note: These figures are projections, and the actual operating expenditure in any particular year may vary.

Table B – Auckland City Council’s funding sources for capital expenditure for 2009/2010 to 2018/2019

\$000	Budget 2008/2009	Budget 2009/2010	Projection 2010/2011	Projection 2011/2012	Projection 2012/2013	Projection 2013/2014	Projection 2014/2015	Projection 2015/2016	Projection 2016/2017	Projection 2017/2018	Projection 2018/2019
General rates											
Value-based ^{1,2}	3,246	8,984	6,075	902	9,198	15,569	18,601	13,560	6,518	10,635	16,881
Targeted Rates											
CBD (non-residential) ^{2,3}	6,083	5,782	7,875	7,299	8,154	7,912	10,706	11,693	(66)	(70)	(75)
CBD (residential) ^{2,3}	436	358	427	357	372	374	523	583	(3)	(4)	(4)
Refuse ²	0	4	53	53	94	94	94	94	94	94	94
	6,519	6,144	8,355	7,709	8,620	8,380	11,323	12,370	25	20	15
Total rates	9,765	15,128	14,430	8,611	17,818	23,949	29,924	25,930	6,543	10,655	16,896
Revenue from activities											
Direct user charges ⁴	545	729	734	779	805	871	974	1,073	1,044	1,027	1,018
	545	729	734	779	805	871	974	1,073	1,044	1,027	1,018
Depreciation	137,384	140,405	144,973	167,480	178,642	188,208	197,844	206,907	215,209	223,464	230,280
Capital revenue											
Borrowings and Charitable receipts ⁶	129,260	186,652	267,178	43,545	14,927	(20,175)	(50,523)	(15,207)	(45,758)	(52,210)	(79,206)
Development contributions	23,496	10,500	0	0	0	0	0	0	0	0	0
Grants and subsidies	39,295	16,803	19,997	22,980	27,098	33,936	46,108	56,175	64,041	73,022	83,290
Other gains/(losses) ⁷	69,414	110,779	57,563	54,949	61,731	70,962	72,315	62,034	52,905	47,467	54,372
	192	187	188	189	191	192	193	194	192	196	195
	261,657	324,921	344,926	121,663	103,947	84,915	68,093	103,196	71,380	68,475	58,651
Total	409,351	481,183	505,063	298,533	301,212	297,943	296,835	337,106	294,176	303,621	306,845

Notes to table

- 1 The general rate will be assessed on the annual value of each rating unit and assessed differentially on different categories of land, as explained in the funding impact statement. In 2009/2010 the general rate also includes a uniform annual general charge of \$250 per separately used or inhabited part of a rating unit.
- 2 The capital projects funded by the council's rates are in some years funded by debt, which is repaid by rates in later years.
- 3 The CBD targeted rate for 2009/2010 is \$57 per residential unit in the CBD, and is a value-based rate for CBD non-residential properties.
- 4 Includes fees, sales and rents.
- 5 The council temporarily borrows to fund some of its expenditure, when there is a timing difference between when the council requires the funding for its expenditure and when it receives the revenue. The amount borrowed is repaid when the council receives the revenue.
- 6 Revenue from council-controlled organisations and subsidiaries is shown under the charitable receipts.
- 7 The council uses the term "other gains/(losses)" to refer collectively to funds received from the sale of assets and other minor funding sources.

General notes:

- a. Under the council's current policy, capital expenditure is fully funded over 30 years, but may not necessarily balance in any particular year.
- b. Negative numbers mean the council has spent fewer funds than are available for that particular year. All the unspent funding is accumulated for the following years.
- c. These figures are projections, and the actual capital expenditure in any particular year may vary.

Rating policies

This part of the funding impact statement outlines how the council will apply its rates policies for 2009/2010.

The council collects rates through three methods:

- a uniform annual general charge on every separately used or inhabited part of all rating units (see the end of this section of the document for a definition of a separately used or inhabited part)
- a general rate based on the annual value of a property and charged differentially for seven ratepayer groups²
- targeted rates that fund specific services and projects by charging those ratepayers who benefit from them.

The council administers targeted rates for refuse collection, the CBD development project, and Mainstreet programmes. The council will introduce a new targeted rate for ratepayers who request an additional recycling service and two new targeted rates in 2011/2012 to fund around \$6.9 million of the operating costs for the Rugby World Cup 2011. The Rugby World Cup targeted rates will be included in the council's draft 2011/2012 annual plan for public consultation.

2 Note that the council is changing the names of the three rural ratepayer groups from rural 1, rural 2 and rural 3 to "farming and open space", "limited access" and "remote islands" respectively.

Impacts of the 2008 revaluation

Auckland City Council is required by legislation to revalue every property in the city at least every three years. The council has recently completed its three-year revaluation based on property values as at 1 July 2008.

The council does not generate any additional rates revenue from the citywide property revaluation. This is because the council does not grow its rates revenue with higher property values in the city (like central government does with income tax revenue), but adjusts its rates in the dollar to generate the required rates revenue.

However, the revaluation will have an impact on the distribution of rates between ratepayers, depending on how their property value increased relative to the citywide average. Properties that increased in value by more than the citywide average will experience a higher than average rate increase, whereas properties that increased in value by less than the citywide average will have a lower than average rate increase.

In general, non-residential and rural properties had higher than average valuation increases, while residential properties had lower than average valuation increases.

As a result of the revaluation, many residential ratepayers will have below average rates increases and some residential properties will have decreases. Non-residential properties will mainly have rates increases around the average. However, CBD non-residential ratepayers will, on average, see an increase in their contribution to rates, as the valuation increases for CBD businesses have generally been higher than the average for the city.

These impacts from the revaluation are before the impacts of applying the next step of the council's long-term general rate differential strategy, the uniform annual general charge and the change to the refuse collection targeted rate are taken into consideration.

The following table shows the average valuation increases following the 2008 property revaluations for the different types of property across the city.

Table C

Differential group	Capital value	Land value	Annual value (used to calculate the property rates)
Residential	11.7%	17.3%	11.5%
CBD non-residential	21.4%	23.1%	17.4%
Non-residential	13.8%	15.8%	12.9%
Rural	18.8%	19.4%	18.8%
Citywide average	13.0%	17.4%	12.5%

Note to table

See the "Valuation system used" section in this volume to see how annual value is determined.

Changes for 2009/2010

For 2009/2010 the average rates increase is 2 per cent (excluding the impacts of the CBD, Mainstreet, additional recycling service targeted rates), which is less than the council's rate of inflation which is projected to be 2.5 per cent (although some properties may have a rates increase that is either lower or higher than this average). This 2 per cent average rates increase will be applied by increasing the uniform annual general charge (as discussed in this section of the document) and reducing the refuse collection targeted rate. The increase is lower than the 8.9 per cent rates increase projected in the previous amended 2006-2016 long-term plan, and means that some projects will be completed at a slower pace.

The targeted rates are used to fund some of the council's current projects and activities, as well as some additional projects that the council adopted in order to achieve its long-term vision.

The council has made changes to the following targeted rates:

- changing the refuse collection targeted rate from \$210 to \$183 (including GST)
- increasing the CBD targeted rate for CBD non-residential properties, in line with the reduction in their general rate (as outlined under the council's long-term differential strategy)
- increasing the CBD targeted rate for residential properties from \$55 to \$57 (including GST) per residential unit in the CBD
- introducing a \$63 recycling targeted rate for each additional recycling service provided.

The general rate differentials for ratepayers will also be adjusted to achieve the next step of the council's long-term differential strategy. Applying that next step in 2009/2010 will transfer about \$2.7 million of general rate revenue from the non-residential groups to residential ratepayers.

Table D shows the percentage impacts on ratepayer groups of the revaluation, applying the next step of the long-term differential strategy, the 2 per cent average rates increase, and the changes to the targeted rates.

Table D – Impacts on ratepayer groups from a 2 per cent average rates increase and other changes

Ratepayer group	Impact from revaluations (%)	Impact of applying the differential strategy (%)	Increase to the general rates and refuse collection targeted rate (%)	Increase from the CBD targeted rates (%)	Average overall rate increase for 2009/2010 (%)
Residential	1.2 decrease	1.5	1.1	0.0	1.4
Non-residential	0.2 decrease	0.4 decrease	3.2	0.0	2.6
CBD non-residential	3.7	3.6 decrease	3.5	2.5 ¹	6.1 ¹
Great Barrier Island non-residential	6.8	1.5	1.9	0.0	10.2
Rural 1	1.7	2.4	2.8	0.0	6.9
Rural 2	12.2	0.1	3.1	0.0	15.4
Estimated overall citywide rates increase (%)	0.0	0.0	2.0	0.6	2.6¹

Note to table

1 The CBD targeted rate for the CBD non-residential group will increase to reflect the decrease in the general rate paid by the CBD non-residential group and the CBD targeted rate increase is included in these figures.

Ratepayers can visit the council's website www.aucklandcity.govt.nz to see the impacts of the changes on rates for their own property, as well as for a range of sample properties.

The general rate

The uniform annual general charge

The council will increase its uniform annual general charge from \$162 to \$250 (including GST) for each separately used or inhabited part³ of each rating unit for 2009/2010. The council believes that increasing the uniform annual general charge provides a more equitable way of distributing costs when these costs are largely fixed.

The uniform annual general charge forms the first part of the general rates collected from each rateable property, irrespective of a property's value. Revenue collected through the uniform charge is not allocated to fund specific council services, but goes into the general rates revenue pool, making up 11 per cent of the general rates revenue. A uniform annual general charge of \$250 will generate about \$43.4 million (excluding GST) of revenue in 2009/2010, which is 9.9 per cent of council's total rates revenue.

Where two or more contiguous properties are owned by the same person or persons, and are used jointly as a single unit, the ratepayer will be liable for only one uniform annual general charge⁴ (in-line with section 20 of the Local Government (Rating) Act 2002).

In 2009/2010, the council will collect around \$73.5 million (16.8 per cent) of its rates revenue from uniform charges (the UAGC, refuse collection targeted rate and CBD targeted rate for residential units in the CBD). In subsequent years, the council will use increases in the uniform annual general charge to achieve its average rates increases (after considering the other targeted rates), until its uniform rates revenue has reached 30 per cent of its total rates revenue, the maximum allowed under the Local Government (Rating) Act 2002.

3 The council's definition of a separately used or inhabited part is at the end of this section of the document.

4 Section 21 of the Local Government (Rating) Act 2002 allows councils to receive up to 30 per cent of their total rates revenue from uniform rates. This limit excludes revenue from targeted rates set solely for water supply or sewage disposal.

The value-based general rate

Valuation system used

The council assesses the value-based general rate on the annual value of each rating unit. The annual value is the greater of either:

- 5 per cent of the property's capital value
- the rental value of a property on the open market, less 20 per cent to cover normal expenses for developed land or less 10 per cent for vacant land.

How the rate is assessed

The value-based general rate is assessed by multiplying the annual value of a property by the rate per dollar that applies to that ratepayer group.

Different ratepayer groups pay different rates to reflect differing land use and location (called rates differentials). These differentials are listed as a rate in the dollar and as a proportion of the rate that applies to the residential ratepayer category, which is always 1.00 or 100 per cent. For example, if the non-residential differential was 200 per cent, this means non-residential ratepayers would pay two-times the rate in the dollar paid by residential ratepayers.

The value-based general rate includes differentials for seven ratepayer groups, including residential, non-residential, CBD non-residential, Great Barrier Island non-residential, farming and open spaces (previously known as rural 1), limited access (previously known as rural 2), and remote islands (previously known as rural 3)⁵. These are defined on the following page. The objective of including differentials in the general rate is to achieve a fair distribution of the general rate between categories of land.

⁵ Note that the council has renamed rural 1, rural 2, and rural 3, "farming and open space", "limited access", and "remote islands" respectively, to describe these ratepayer groups more clearly.

The value-based general rate will generate about \$341.3 million (excluding GST) of revenue in 2009/2010 and represents about 78.0 per cent of the council's total rates revenue.

The long-term differential strategy

Since 1999/2000, Auckland City Council has applied a long-term differential strategy to its general rate, based on moving to a set of target differentials over 10 years. The council reviewed this strategy in 2003/2004 and decided on the following.

The council will move to a single business rate for all non-residential groups over a transition period of nine years. The revised differential targets are 100 per cent for residential; 180 per cent for non-residential, CBD non-residential and Great Barrier Island non-residential; 86 per cent for farming and open space; 25 per cent for limited access; and 0 per cent for remote islands. These targets will be reached by 2012/2013. The lower differential target for non-residential groups will achieve a fairer distribution of rates than is currently the case.

Moving to a lower differential for the non-residential groups will involve progressively shifting some of the general rates from non-residential ratepayers to residential ratepayers over the nine years. About \$2.7 million per year (excluding GST) will be transferred to ensure the strategy is carried out at an affordable pace. The council considers that increases greater than this would be less affordable for some residential ratepayers. Table D outlines the impact of the differential strategy for 2009/2010 on each of the ratepayer groups.

The measure used for the differential strategy was reviewed in 2003/2004 and an alternative adopted, which incorporates both the value-based general rate and the uniform annual general charge (the new measure is called the effective differential).

The council will review its long-term differential strategy as part of its 2012/2013 long-term plan to see if the projected level is appropriate, including the differential levels for all seven ratepayer groups.

The following table shows the relationship between the general rate differentials for the 2008/2009, 2009/2010 and 2010/2011 financial years, and the differentials that will apply in the future (with residential stated as 1.00 or 100 per cent).

Table E

Differential group	Relative effective differentials ¹ for the general rate for 2008/2009	Relative effective differentials ¹ for the general rate for 2009/2010	Estimated relative effective differentials ¹ for the general rate for 2010/2011	Proposed 2012/2013 differential targets for the general rate	Rate in the dollar for the value-based general rate for 2009/2010 (figures include GST)
	%	%	%	%	
Residential	100	100	100	100	0.038497
Non-residential	195	190	186	180	0.086818
CBD non-residential	217	206	196	180	0.095007
Great Barrier Island non-residential	180	180	180	180	0.074414
Farming and open space	83	84	84	86	0.035818
Limited access	27	26	26	25	0.008925
Remote islands ²	0	0	0	0	0.000000

Notes to table

- 1 The relative effective differentials are calculated using the uniform annual general charge and value-based general rate.
- 2 Remote islands ratepayers are liable for the uniform annual general charge only, which is automatically remitted through a specific rate remission policy.

Differential categories in Auckland city are based on land use. The council has changed some of the differential category names and definitions for 2009/2010.

Changes

The council has renamed the rural 1, rural 2 and rural 3 ratepayer groups as “farming and open space”, “limited access” and “remote islands” respectively, to describe the groups more clearly. The council has also changed the definitions for the residential and farming and open space ratepayer groups for 2009/2010 as follows:

- The council has expanded the definition for the residential group to include hotels, motels, serviced apartments, boarding houses and hostels when the property owner provides proof that the property is used exclusively or almost exclusively for residential purposes. This removes ambiguity around the rating of these types of properties. (Property owners must provide proof of long-term stay (at least 90 days) for over 50 per cent of the units, as at 30 June each year. Proof must be in the form of a residential tenancy agreement or similar documentation). It also includes all vacant land on Waiheke, Great Barrier and Rakino islands to reflect the most likely development under the Hauraki District Plan.
- The council has also expanded the definition for the farming and open space ratepayer group to include all vacant land and residential land greater than 4ha on Waiheke, Great Barrier and Rakino islands. The council believes that large vacant blocks and bush blocks (including bush blocks with a residence) contribute to the islands’ open space character, which the council wants to retain. By extending the definition, properties of this type are better accommodated in the rating differential policy.

The differential definitions for 2009/2010 are shown in the following table.

Table F

Group	Ratepayer group	Definition
A	Residential	Includes all land that is used exclusively, or almost exclusively, for residential purposes, and includes tenanted residential properties, rest homes and geriatric hospitals. It excludes hotels, motels, serviced apartments, boarding houses and hostels. ¹ It includes all vacant land on Waiheke, Great Barrier and Rakino islands that is less than 4ha. It also includes vacant land ² on the isthmus that was previously used for residential purposes before the land was cleared or is in a residential zone.
B	Farming and open space	Includes all land on Waiheke, Great Barrier and Rakino islands, which is used exclusively, or almost exclusively, for agricultural, horticultural, or pastoral purposes, or for the keeping of bees or poultry or other livestock. It includes all vacant land and residential land greater than 4ha on Waiheke, Great Barrier and Rakino islands.
C	Limited access	Includes all coastal land (irrespective of land use) on Waiheke, Great Barrier and Rakino islands for which direct or indirect access by road is not provided or available, and all land situated on the islands of Kaikoura, Karamuramu, Little Barrier, Mokohinau, Motahaku, Mototapu, Motuihe, Pakatoa, Pakihi, Ponui, Rakitu, Rangiahua, Rotoroa and The Noises.
D	Remote islands	Includes land on all Hauraki Gulf islands other than the islands named in the definition of group C.
E	CBD non-residential	Includes all land in the central area ³ that is not in group A.
F	Great Barrier Island Non-residential	Includes all land situated on Great Barrier Island that is not in group A, B, or C.
G	Non-residential	It includes land not classified in any of the other ratepayer groups.

Notes to table

- Hotels, motels, serviced apartments, boarding houses and hostels will be rated non-residential except when the property owner provides proof that the property is used exclusively or almost exclusively for residential purposes. Property owners must provide proof of long-term stay (at least 90 days) for over 50 per cent of the units, as at 30 June each year. Proof should be in the form of a residential tenancy agreement or similar documentation.
- Vacant land on the isthmus previously used for non-residential purposes before the land was cleared, or is in either a mixed use or commercial/industrial zone will be classified as non-residential or CBD non-residential if the vacant land is in the central area.
- The central area means that part of the inner city bounded by the Waitemata Harbour from the east side of St Marys Bay to the east side of Fergusson Wharf; the current motorways; the west side of Stanley Street and The Strand; the north side of Tamaki Drive from The Strand to Solent Street; and the west side of Solent Street to the east side of Fergusson Wharf. You can view a map of the central area at www.aucklandcity.govt.nz or at any Auckland City Council library or service centre.

Refuse collection targeted rate

Activities to be funded

The targeted rate for refuse collection is used to fund refuse collection and disposal services (including the inorganic refuse collection every two years), refuse recycling, some of the cost of upgrading the Waiheke Island waste transfer station, and educational and promotional activities associated with refuse management.

The refuse collection targeted rate also funds several other recycling projects, which the council adopted in July 2006 to speed up progress towards achieving its long-term vision of waste minimisation. These projects include developing a resource recovery park, expanding the coverage of the hazardous waste collection, and providing additional refuse education programmes to reduce waste.

The council has changed the refuse collection targeted rate from \$210 to \$183 (including GST) per service for 2009/2010. While the cost of providing the services has increased (including the new waste levy) the council has reduced the targeted rate by using \$2 million of the targeted rate surplus carried over from 2007/2008. The surplus was a result of refuse expenditure being less than anticipated.

Categories of land liable

This targeted rate will be assessed on all land on the isthmus and Waiheke, Great Barrier and Rakino islands. The following exceptions will be applied in 2009/2010:

- vacant land
- land used exclusively or principally for forestry or mineral extraction
- land used exclusively or principally for transport, including car parks
- land used exclusively or principally for a school or university (not including day-care centres, child-care centres or creches)
- land used exclusively or principally as a licensed hospital or by a district health board to provide health services (not including medical centres)

- land used exclusively or principally as a church or place of worship
- land used exclusively or principally as a cemetery or crematorium
- land used exclusively or principally for passive outdoor activities, eg, parks
- land used exclusively or principally as part of a utility network
- coastal land (irrespective of land use) on Waiheke, Great Barrier and Rakino islands that does not have direct or indirect road access
- land used exclusively or principally as a billboard or billboards.

Land in these categories will nevertheless be liable for the targeted rate where a refuse collection service is provided to the rating unit as at 1 July 2009.

The council's refuse rates remission policy may provide rates relief for large residential blocks with an approved alternative collection service. Visit www.aucklandcity.govt.nz/rates for more details.

How the rate is assessed

For rating units made up of one separately used or inhabited part (see the end of this section of the document for the council's definition of this), the council will provide one refuse collection service. For rating units made up of more than one separately used or inhabited part, the council will provide the same service as was provided at 1 July 2009, unless otherwise informed by the owner of the rating unit (that is, at least one refuse collection service, and up to a maximum of one refuse collection service per separately used or inhabited part).

The targeted rate for refuse collection will generate revenue of about \$29.3 million (excluding GST) in 2009/2010 and represents about 7 per cent of the council's total rates revenue.

In the future, the level of this targeted rate may be adjusted to reflect changes in the costs of providing refuse collection and disposal services.

Targeted rate for an additional recycling service

Background

The council believes that allowing ratepayers on the isthmus to request additional recycling services encourages greater waste minimisation. This will help ensure that waste is diverted from landfill and that valuable resources are collected and reused, which is an integral part of Auckland's commitment to becoming a sustainable city.

From 2009/2010, the council has introduced a new targeted rate for each additional recycling service (above the service provided through the refuse collection targeted rate) provided to ratepayers in the isthmus (excluding ratepayers in the CBD).

The recycling collection service provided through the refuse collection targeted rate involves the fortnightly collection of a 240 litre mobile recycling bin. The council now allows ratepayers to request additional mobile recycling bins. The new targeted rate applies to each additional recycling bin requested.

The targeted rate for an additional recycling service is \$63 per year (including GST). Ratepayers can request and pay for the number of mobile recycling bins they require to meet their needs, provided the number of requested does not exceed the council's criteria. See www.aucklandcity.govt.nz/rates for more information about this targeted rate and its criteria.

Activities to be funded

The targeted rate for an additional recycling service funds the cost of collecting, processing and disposing of the recyclable materials collected.

How the rate will be assessed

Ratepayers are encouraged to apply for the additional recycling service before the start of the financial year (1 July 2009). The targeted rate applies for one additional service for one year (although ratepayers can request and pay the targeted rate for more than one service). Should ratepayers require an additional recycling service part way through the year, they will need to contact the council and the additional service will be applied as a charge.

CBD targeted rate

Changes

The council has increased the targeted rate for residential units in the CBD from \$55 to \$57 per unit for the 2009/2010 financial year. This increase will help to fund the higher costs associated with the CBD's redevelopment programme, caused by inflation. The council will also increase the targeted rate for CBD non-residential properties, in line with their reduction in their general rate from the differential strategy.

Background

The council adopted a CBD targeted rate in 2004/2005 to fund the development and revitalisation of the CBD (in-line with Auckland's CBD into the future strategy). The rate applies to both non-residential and residential ratepayers in the CBD.

This targeted rate is based on keeping the total of the general rate and the CBD targeted rate for CBD non-residential ratepayers constant in real terms (that is, at the same level as their general rate for the 2003/2004 financial year, with adjustments for inflation).

The CBD targeted rate for the CBD non-residential ratepayer group will be phased in over the same period as their general rate is reduced (as a result of the council's long-term differential strategy, which is gradually moving towards a lower general rate differential for businesses). The level of the CBD targeted rate for this group will be increased in-line with the decrease in their general rate.

Initially, the council anticipated that the CBD targeted rate would be applied from 2004/2005 to 2013/2014, generating about \$100 million over the period. However, to cover higher-than-anticipated project costs, the council extended the CBD targeted rate in 2006/2007 for a further two years to 2015/2016, which will generate an additional \$22 million (excluding GST). The targeted rate will then reduce in 2016/2017 to a residual amount, to cover the additional depreciation and operational expenditure generated by CBD projects associated with Auckland's CBD into the future strategy.

The targeted rate for CBD residential ratepayers is determined on a different basis than that used for CBD non-residential properties (residential rates are not decreasing because of the long-term differential strategy).

Activities to be funded

The CBD redevelopment programme aims to enhance the CBD as a place to work, live, visit and do business. It will achieve this by providing a high-quality urban environment, promoting the competitive advantages of the CBD as a business location, and promoting the CBD as a place for high-quality education, research and development. The programme intends to reinforce and promote the CBD as a centre for arts and culture, with a unique identity as the heart and soul of Auckland.

This targeted rate also funds the additional depreciation and operational expenditure generated by the projects in Auckland's CBD into the future strategy.

Land liable for the rate

This targeted rate will apply to all land currently in the central area, as it is defined for rating purposes. You can view a map of the central area at www.aucklandcity.govt.nz/rates, or at any Auckland City Council library or service centre.

How the rate will be assessed

The CBD targeted rate will be assessed as follows in 2009/2010.

For CBD non-residential land, the targeted rate will be assessed on annual value. The rate in the dollar for 2009/2010 is 0.019331 (including GST). This will generate about \$13.4 million (excluding GST) in revenue in 2009/2010. This figure is based on the reduction in this group's general rate, which results from the decrease in its general rate differential under the council's long-term differential strategy (outlined in the general rate policy).

For residential land in the CBD, the targeted rate will be assessed as a fixed amount for each separately used or inhabited part of the rating unit. For 2009/2010, the targeted rate for residential land in the CBD is \$57 (including

GST) per separately used or inhabited part of the rating unit. This will generate revenue of about \$0.8 million (excluding GST) in 2009/2010.

The level of the CBD targeted rate will be reviewed for 2010/2011.

How the rate will apply over the long term

The CBD targeted rate in its current form will be increased for the CBD non-residential group over nine years (from 2004/2005 to 2012/2013) based on the reduction in that group's general rate over the same period. The level of the CBD targeted rate for CBD residential ratepayers over the same period will be determined as part of the council's annual financial planning process.

Having reached its peak in 2013/2014 the CBD targeted rate will remain around this level until 2015/2016. From 2016/2017, the CBD targeted rate will be reduced to a residual amount, which will cover only the additional depreciation and operating expenditure associated with the higher level of service and amenity required by Auckland's CBD into the future strategy.

Mainstreet targeted rate

Change

The council has extended the Newmarket, Heart of the City, and Karangahape Road Mainstreet boundaries after consultation with ratepayers and business owners in the new areas.

Background

The council values good working relationships with local businesses and communities, and will continue to be involved in 17 Mainstreet programmes across the city in 2009/2010. Mainstreet programmes build on the distinctive character of Auckland's town centres and business areas, as well as the energy and skills of people who have businesses there. The programmes, which are funded through a Mainstreet rate collected from local businesses, are an important element in sustaining Auckland's economic growth.

Activities to be funded

The main objectives of the Mainstreet programmes are to enhance the physical environment, promote business creation and development, and increase employment and local business investment in Mainstreet areas. The programmes also involve community development and heritage conservation, and are intended to identify and reinforce the unique identity of a place and to promote that identity as part of its development.

Land liable for the rate

The Mainstreet rates will be applied to non-residential land in defined areas in the following commercial centres: Avondale, Blockhouse Bay, Eden Valley, Ellerslie, Glen Innes, Heart of the City, Karangahape Road, Mt Eden village, Newmarket, Onehunga, Otahuhu, Panmure, Parnell, Ponsonby, Remuera, Rosebank business development community and St Heliers. The council has expanded the boundary for the Newmarket Mainstreet targeted rate.

For maps of the areas where the Mainstreet rates will apply (including the expanded Newmarket boundary), go to www.aucklandcity.govt.nz/rates, or visit any Auckland City Council library or service centre.

How liability will be assessed

The Mainstreet targeted rate will be assessed on the annual value of properties. The Mainstreet rate for each area will be applied as a rate in the dollar. There will be a different rate for each Mainstreet programme. The budgets and estimated rates for each Mainstreet area for 2009/2010 are shown in the table below.

Table G

Mainstreet area	Budgets for 2009/2010 (excluding GST)	Rate in the dollar for 2009/2010 (including GST)
Avondale	\$100,000	0.021240
Blockhouse Bay	\$40,263	0.025193
Eden Valley	\$97,500	0.017271
Ellerslie	\$91,850	0.032165
Glen Innes	\$156,248	0.026352
Heart of the City	\$3,371,000	0.007716
Karangahape Road	\$294,840	0.007103
Mt Eden village	\$68,035	0.017616
Newmarket	\$1,190,000	0.011082
Onehunga	\$367,416	0.027239
Otahuhu	\$370,000	0.031142
Panmure	\$366,025	0.027831
Parnell	\$281,416	0.013785
Ponsonby	\$220,000	0.009788
Remuera	\$235,587	0.033730
Rosebank	\$198,000	0.004639
St Heliers	\$131,890	0.032267
Total	\$7,580,070	

Other changes in 2011/2012

Rugby World Cup 2011

Background

Auckland City Council is leading the regional planning, and working together with other councils in the region, to plan for the 2011 Rugby World Cup.

The Rugby World Cup is the third largest sporting event in the world. Hosting the cup will foster Auckland's national and international reputation as an exciting arts, culture and sports destination, and will attract visitors and investment, helping to build local industries and strengthen the country's economy. The council believes there are significant economic, social, environmental and cultural benefits for the city from hosting the cup, both during the event, and after it has taken place.

The council is planning a \$28.8 million operating programme to successfully deliver the Rugby World Cup. The council will use the following sources to fund the programme:

- \$4 million of external revenue
- \$6.8 million reprioritised from within the council's current budget
- \$11 million operating surplus revenue from 2007/2008
- \$6.9 million from targeted rates.

The council intends to introduce two new targeted rates to help fund the \$6.9 million required to pay for tourism and events in 2011/2012 only, associated with the Rugby World Cup 2011. The two new rates are a citywide targeted rate and a targeted rate on the accommodation sector.

The citywide targeted rate will be applied on the following basis.

- A targeted rate charged to residential properties as a fixed amount of around \$23 per separately used or inhabited part of a property, to collect around \$3.4 million (49 per cent of the \$6.9 million), which is on average a 1.35 per cent increase for residential properties.
- The targeted rate will be charged to non-residential and CBD non-residential properties as a value-based targeted rate to collect around \$2.9 million (42 per cent of the \$6.9 million), which is around a 1.35 per cent average rates increase for these properties.

While the council believes that the benefits of hosting the Rugby World Cup 2011 will be community-wide, the event will benefit the accommodation sector in particular. The event is predicted to bring in over \$300 million in additional spending for the Auckland region, and the council estimates that nearly one quarter of international visitor spending will be in the accommodation sector. As a result, the council believes it is appropriate to charge the accommodation sector an additional value-based targeted rate to be used towards expenditure associated with the event.

In addition to the citywide targeted rate, the council plans to introduce an additional accommodation sector value-based targeted rate to collect around \$600,000 (9 per cent of the \$6.9 million), which is around a 6 per cent average rates increase for these properties.

At this stage, these amounts are only indicative and the proposed targeted rates will be included in the council's draft 2011/2012 annual plan for public consultation.

Definition of a separately used or inhabited part of a rating unit

The council defines a separately used or inhabited part of a rating unit as “any part of a rating unit that is separately used or inhabited by the ratepayer, or by any other person having a right to use or inhabit that part by virtue of a tenancy, lease, licence, or any other agreement.”

For the purposes of this definition, parts of a rating unit will be treated as separately used if they come within different differential categories, which are based on use. An example would be a rating unit that has a shop on the ground floor (which would be rated as either non-residential, CBD non-residential or Great Barrier Island non-residential) and a residence upstairs (rated as residential).

Rating units used for commercial accommodation purposes, such as motels and hotels, will be treated for rating purposes as having one separately used or inhabited part, unless there are multiple businesses within the rating unit or another rating differential applies. Examples of how this might apply in practice are as follows.

- A business operating a motel on a rating unit will be treated for rating purposes as a single separately used or inhabited part. If that rating unit also includes a residential unit, in which the manager or owner resides, then the rating unit will be treated for rating purposes as having two separately used or inhabited parts.
- A hotel will be treated for rating purposes as a single separately used or inhabited part, irrespective of the number of rooms. If, on the premises, there is a florist business and a souvenir business, then the rating unit will be treated for rating purposes as having three separately used or inhabited parts.

A similar approach applies to universities, hospitals and storage container businesses.

Vacant land will be treated for rating purposes as having one separately used or inhabited part.

Where two or more contiguous properties are owned by the same person or persons, and are used jointly as a single unit, they will be treated as a single property (in line with section 20 of the Local Government (Rating) Act 2002).

Rates assistance policies

Auckland City Council has various rates assistance schemes, which help to address affordability issues, promote particular land uses or address anomalies with the council's rating policy. The assistance schemes act through rates remissions, rates postponements, an extended rates rebate scheme and a rates discount policy.

The council currently offers the following rates assistance policies.

Rates remission policies

Remission of rates penalties

This policy allows the council to act fairly and reasonably in relation to penalties that have been applied because rates have not been received by the due date. The policy sets out the circumstances and criteria for when penalties can be remitted.

Remission of rates for Maori freehold land

The policy is a two-part remission policy for Maori freehold land (as legally determined by the Maori Land Court) to help meet the objectives outlined in Schedule 11 of the Local Government Act 2002:

- a full remission of rates on land that is undeveloped
- a remission on land that is developed and used by iwi members for non-commercial purposes, which caps the rates using a property value that corresponds to the lowest 20 per cent of land values in the city. Maori freehold land that has a land value less than this cap does not qualify for this remission.

The council has modified this policy to allow the council to apply on the owners' behalf if the property meets the qualifying criteria. The council believes this will make application of the policy easier.

Remission for private covenanted land

This policy acknowledges conservation efforts by providing a 100 per cent rates remission for any part of a private property that an individual has voluntarily placed under a conservation covenant under the QEII Trust. It also includes private land covenanted under the Reserves Act 1977, which has a management plan in place that meets the council's conservation objectives.

Remission of rates for an approved refuse service

The council currently remits a proportion of the refuse collection targeted rate, relating to the council's rubbish collection service, for large residential blocks that have their own approved alternative rubbish service. Ratepayers for these blocks are still liable for the refuse collection targeted rate and will have access to, and must contribute fairly towards, the cost of the council's waste minimisation initiatives. The council will also remit the cost of its recycling service for large residential blocks that have an approved recycling service. For 2009/2010, the council will remit \$115 for having an approved alternative rubbish collection service and \$63 for having an approved alternative recycling collection service.

Remission of rates on car parks

Where a car park on a separate title is used in conjunction with another rating unit (for example, an apartment or office) the policy provides relief from the uniform rates that are assessed on the car park (that is, the uniform annual general charge and the CBD targeted rate for residential properties). Ratepayers are still liable for all value-based rates assessed on the car park.

Remission of rates on remote island properties (previously known as rural 3)

The remote islands differential category relates to uninhabitable islands in the Hauraki Gulf. Remote island properties have a zero rate in the dollar for the value-based portion of their general rate. The uniform annual general charge is applied to all rateable properties in Auckland city. This policy remits the uniform annual general charge on remote island properties (previously the rural 3 ratepayer group).

Remission of rates in miscellaneous circumstances

This policy enables the council to remit rates in miscellaneous circumstances not specifically covered by the other policies noted above, but where it considers it appropriate to do so.

Rates postponement policies

Postponement for commercial farmland

This policy encourages farming activity by postponing 25 per cent of the value-based component of rates on land that is primarily used for commercial farming activities. The land must be greater than 12ha and be GST registered. The postponed rates will be written off after five years, provided the land's use does not change.

Postponement for Great Barrier Island businesses

This policy helps mitigate the effects on rates of other potential uses for the property, and provides financial support for those who use their properties on Great Barrier Island for business purposes. The council will postpone the difference between the rates based on rateable value and the rates based on 80 per cent of the actual commercial use of the property (annual rental). The postponed rates will be written off after five years if the property's use does not change.

Postponement of residential rates

This policy assists residential ratepayers who want to defer paying their rates by using the equity in their property. The qualifying criteria is based entirely on the ratepayer's equity in their property, which means most ratepayers who own their own home can access the scheme, as well as those in extreme financial difficulty. There is no means test or compulsory minimum payments.

Other assistance schemes

Extended rates rebate scheme

The extended rates rebate scheme is a top-up of the central government scheme (which aims to provide financial relief to ratepayers whose rates are disproportionately higher than their income by providing a rates rebate of up to \$550 for 2009/2010). The council's top-up, includes Metro Water Ltd's water-related charges in the rebate calculation and allows farms with a residence on them to apply for a rebate. The central government scheme does not include either water charges or farms in its rebate calculation.

For 2009/2010, the council has changed the extended rates rebate scheme to a remission policy. This is a purely technical change and does not affect the application of the policy, or affect ratepayers. The remission is essentially the difference between Auckland City Council's calculation of the rebate and the rebate as calculated under central government's scheme. The remission will be based on the government rebate thresholds for 2009/2010, as outlined in the policy.

Policy on early payment of rates in the 2009/2010 year (discount rate)

This policy provides a 1.50 per cent discount for early payment of rates to encourage ratepayers to pay their rates in full by the first instalment date.

Policy on remission of rates penalties

Objective

This policy enables the council to act fairly and reasonably in relation to penalties applied when rates have not been received by the due date.

Conditions and criteria

Penalties on rates may be remitted when one or more of the following criteria are met.

- (a) The ratepayer:
- is a beneficiary, earns a low income, or has recently been made redundant or unemployed, is without substantial other income and has exhausted other avenues of relief, and
 - makes acceptable arrangements for paying future rates instalments.
- (b) The ratepayer is experiencing significant family disruption, such as illness or accident of the ratepayer or a family member, birth, death, marriage, separation or divorce.
- (c) There are extenuating circumstances, such as the loss of records by fire or theft.
- (d) The ratepayer has paid after the penalty date, but has not received a rates penalty remission under this policy within the past two years.
- (e) The ratepayer has purchased the rating unit, but has not received a notice of instalment of rates, for example in the case of a cross-lease or subdivision where the rates notices continue to be sent to the previous owner until the end of the financial year.
- (f) The ratepayer can no longer manage his or her own affairs because of age or health issues, and another person has assumed responsibility for paying

the ratepayer's accounts. This criterion can only be used once by each ratepayer.

- (g) The ratepayer has advised the council before the penalty date that he or she will not have funds available to pay the rates instalment until after the penalty date, and the payment is then made within 14 days of the penalty date. This criterion can only be used once within any two-year period by each ratepayer.
- (h) The ratepayer has contacted the council within seven days of a penalty date requesting a copy of the instalment notice but did not receive the copy before the penalty date, as long as payment is made within 10 days after the date the request was made.
- (i) Where correspondence disputing the payment of rates on the rating unit has been sent to Auckland City Council but no record of receipt is found, and a copy of the correspondence together with proof that it was sent before the penalty date is supplied by the ratepayer.
- (j) Where circumstances are such that to not remit some or all of the penalties would be unfair or unreasonable and inconsistent when compared to the criteria in (a) to (i) above.

The remission will apply from the beginning of the rating period in which the application is approved and will not be backdated to prior years.

Treatment of penalties on small overdue balances

When a small balance is overdue, which it is uneconomical to collect, council officers may write off the balance in line with other council procedures. Penalties will not be applied in these circumstances.

Delegation of decision making

Decisions about remission of penalties will be made by council officers.

Policy on remission of rates for Maori freehold land

Background

Maori freehold land is land that has had its beneficial ownership determined by the Maori Land Court by freehold order. The Local Government Act 2002 requires councils to adopt a policy on the remission and postponement of rates on Maori freehold land (section 102(4)(f)). In developing this policy, the council must consider the matters set out in schedule 11 of the act.

There are a number of legal and cultural issues that distinguish Maori freehold land from other types of land, including:

- the land is generally in multiple ownership
- there are legislative and cultural constraints on the alienability of Maori freehold land
- there are often situations where the land is undeveloped and unoccupied for cultural, spiritual or practical reasons.

Objectives

This policy aims to support iwi to retain ownership of this land, and to use the land in a manner that aligns with their spiritual and cultural world view. It provides rates relief for Maori freehold land that is undeveloped, and land that is developed and used for non-commercial purposes for the benefit of iwi members.

The Local Government Act 2002 requires that, in deciding on a policy under section 102(4)(f), the council must consider the desirability and importance of the following objectives from schedule 11 of the act:

- a) supporting the use of the land by the owners for traditional purposes
- b) recognising and supporting the relationship of Maori and their culture and traditions with their ancestral lands
- c) avoiding further alienation of Maori freehold land
- d) facilitating any wish of the owners to develop the land for economic use
- e) recognising and taking account of the presence of waahi tapu that may affect the use of the land for other purposes
- f) recognising and taking account of the importance of the land in providing economic and infrastructure support for marae and associated papakainga housing (whether on the land or elsewhere)
- g) recognising and taking account of the importance of the land for community goals relating to:
 - the preservation of the natural character of the coastal environment
 - the protection of outstanding natural features
 - the protection of significant indigenous vegetation and significant habitats of indigenous fauna
- h) recognising the level of community services provided to the land and its occupiers
- i) recognising matters related to the physical accessibility of the land.

In addition to these objectives, this policy aims to:

- facilitate a fair and equitable contribution to rates
- build on the supportive treaty-based relationship that exists between Auckland City Council and the city's tangata whenua groups.

How the policy will help to meet these objectives

This policy is in two parts.

Part 1 provides relief to owners of Maori freehold land that is in multiple ownership and that is undeveloped and unoccupied. It will help to:

- enable a fair and equitable collection of rates by recognising situations where the particular features and ownership structures of Maori freehold land make payment impractical

- support and assist iwi to retain ownership of the land, and support the traditional Maori relationship of kaitiakitanga (guardianship) in cases where no income is derived from the land (see objectives a, b and c).
- support any wish of the owners to develop the land for economic or other purposes by removing the rates burden while they plan for this development (see objectives d and f)
- recognise situations where land has been set aside for cultural or natural heritage reasons and no income is derived from the land (see objectives e and g).

Part 2 provides relief to owners of Maori freehold land that is developed and used for non-commercial purposes for the benefit of iwi members (for example for papakainga housing, community facilities, marae and associated infrastructure). It will help to:

- recognise and support the relationship of Maori with their ancestral lands, and support the continued ownership and use of the land for traditional purposes by mitigating the effects on rates of the land's location (see objective a, b and c)
- support efforts to attract iwi members to the land and develop marae, papakainga housing and associated infrastructure (see objectives b, f and h)
- recognise situations where the cultural best use of the land does not align with its potential economic best use by providing some rates relief for non-commercial developments (see objectives a, b and f).

Conditions and criteria

This policy allows the council to remit the rates on Maori freehold land that is in multiple ownership. This policy is not available for land that is used for commercial purposes, including commercial farmland. However, farmland may be eligible for a postponement of rates under the farmland postponement policy.

The council encourages the ratepayer or the ratepayer's agent to apply to the council on the prescribed form and specify whether they are applying for remission under part 1 or 2 of the policy. For the rates to be remitted, the council

will require evidence each year, by way of statutory declaration, to confirm that the rating unit still complies with the conditions and criteria of the policy. The council can apply for the remission on behalf of the ratepayer, provided the property meets all the criteria.

The remission will apply from the beginning of the rating period in which the application is approved and will not be backdated to prior years.

Part 1 – Remission for undeveloped or unused Maori freehold land

A property is eligible for a remission under part 1 of this policy if the land, or part of the land, is undeveloped and unused. This means that no person:

- leases the land, or
- does one or more of the following things on the land, for profit or other benefit:
 - resides on the land
 - de-pastures or maintains livestock on the land
 - stores anything on the land
 - uses the land in any other way.

This category includes waahi tapu sites and land that has been set aside and protected for cultural, historic or natural conservation purposes.

A qualifying rating unit will be eligible for a 100 per cent remission of the rates (excluding the refuse collection targeted rate) on the portion of the rating unit that is undeveloped or unused.

Part 2 – Remission for land developed and used for non-commercial purposes for the benefit of iwi members

Part 2 caps the rates paid on land that is developed and used for non-commercial purposes for the benefit of iwi members, using a land value that corresponds to the lowest 20 per cent of land values in the city. Maori freehold land that has a land value less than this cap will not qualify for a remission.

A property is eligible for a remission under part 2 of this policy if the land, or part of the land, is developed and used for non-commercial purposes for the benefit of iwi members (including papakainga housing, community facilities, marae and associated infrastructure).

For eligible rating units, the council will calculate:

- the portion of the rating unit's rates that are attributable to its land value
- the rating unit's land value per square metre of land area
- a rates remission value.

The remission value per square metre will be set so that 20 per cent of land within the same geographical area as the rating unit has a value less than this. For properties on the isthmus, the value will be calculated on the basis of all fully rateable rating units on the isthmus, and for properties on the Hauraki Gulf islands, on the basis of all fully rateable rating units on the Hauraki Gulf islands.

The rating unit will receive a remission of rates under this policy if its land value

per square metre of land area is greater than the rates remission value.

The amount of rates that are remitted for any rating period will be based only on the portion of the rates that are attributable to the rating unit's land value. The remitted rates will be the difference between:

- the land value portion of the rates calculated using the rateable value of the rating unit, and
- the land value portion of the rates calculated using the rates remission value.

The value of the rates to be remitted will be calculated at the time of the initial application and will only be recalculated at the time of subsequent triennial property revaluations. A remission percentage, based on the amount of the initial remission, will be used to calculate the amount of the remission in the years between triennial revaluations, and will be reviewed at each revaluation. The council may recalculate the value of the rates to be remitted between property revaluations if there are significant changes to the property.

There will be no right of objection to any of the values or to the rates to be remitted as calculated under part 2 of this policy.

Delegation of decision making

Decisions relating to remission of rates payments under this policy will be made by council officers.

Policy on remission of private covenanted land

Objective

The council wants to encourage landowners to covenant their land for conservation purposes.

Criteria

The council may remit rates where:

- a rating unit is wholly or partly subject to a registered open space covenant under section 22 of the Queen Elizabeth II National Trust Act 1977
- private land has a conservation covenant under section 77 of the Reserves Act 1977 registered against its certificate of title.¹

To receive rates remission, land covenanted under the Reserves Act 1977 must have a council-approved management plan in place that meets the council's criteria, to ensure that the conservation area is protected and maintained.

The council will inspect the conservation area every two years to ensure that the conservation area is being maintained to the agreed standard in the management plan.

Conditions

The ratepayer or the ratepayer's agent must apply to the council on the prescribed form, which will include a council-approved covenant management plan. After the initial application has been approved, the council will continue to apply any remission until the rating unit ceases to qualify for a remission under this policy.

A qualifying rating unit will be eligible for a remission of 100 per cent of the rates (excluding the refuse collection targeted rate) on the part of the rating unit to which the covenant applies, as long as the conservation area is maintained to the standard agreed in the management plan.

If the conservation area is not maintained to the standard agreed in the management plan, the council may reduce the level of the remission, including the complete removal of the remission.

The remission will apply from the beginning of the rating period in which the application is approved and will not be backdated to prior years.

Delegation of decision making

Decisions relating to remission of rates under this policy will be made by council officers.

1 If a conservation covenant has been issued as part of a subdivision, property owners may still be eligible for a rates remission if the property owner has a management plan meeting council's conservation criteria and the property is maintained to that standard.

Policy on remission of rates for an approved refuse service

Objective

The council allows large residential blocks (such as apartment blocks and retirement villages) to arrange for their own approved alternative rubbish and recycling collection services, rather than using the services provided by the council.

However, rating units within these large residential blocks will be liable for the refuse collection targeted rate.

This remission policy provides rates relief in these circumstances by remitting the part of the refuse collection targeted rate that relates to the council's rubbish and recycling collection services. Such properties will still have access to, and will be expected to contribute fairly towards, the cost of the council's other waste minimisation initiatives, but they will not have to contribute towards the cost of the rubbish and recycling collection services that they have opted out of.

Under this policy, the part of the refuse collection targeted rate that relates to the cost of rubbish collection can be remitted for rating units in large residential blocks that have an approved alternative rubbish collection service. For rating units that are eligible for remission under this policy, \$115 of the refuse collection targeted rate can be remitted. In addition, the part of the refuse collection targeted rate that relates to the cost of recycling collection, a further \$63 can be remitted for rating units in large residential blocks that have an approved alternative recycling collection service.

The level of the remission for an approved refuse service and approved recycling service will be updated each year to reflect the council's costs in providing these services.

Conditions and criteria

\$115 of the refuse collection targeted rate may be remitted for rating units in a large residential block where:

- the block has 10 or more residential rating units
- the block provides an approved alternative rubbish collection and disposal service for all the rating units within it, as at 1 July 2009
- the rating unit is liable for the refuse collection targeted rate.

A further \$63 of the refuse collection targeted rate may be remitted for rating units in a large residential block where:

- the block has 10 or more residential rating units
- the block provides an approved alternative recycling collection and disposal service for all the rating units within it, as at 1 July 2009
- the rating unit is liable for the refuse collection targeted rate.

The remission will apply from the beginning of the rating period in which the application is approved and will not be backdated to prior years.

Delegation of decision making

Decisions relating to the remission of rates for large residential blocks with an approved alternative rubbish service will be made by council officers.

Policy for remission of rates on car parks

Objective

This policy provides relief from fixed uniform charges (these are the \$250 uniform annual general charge and the \$57 CBD targeted rate for CBD residential properties for 2009/2010), where they are applied to both a rating unit and any car park that is used with the rating unit.

Under this policy, the uniform annual general charge can be remitted on non-residential car parks that are eligible for remission. For residential car parks that are eligible for remission under this policy, both the uniform annual general charge and the \$57 CBD targeted rate for CBD residential properties can be remitted.

Conditions and criteria

The uniform annual general charge and the CBD targeted rate applied to CBD residential properties may be remitted on a car park where:

- both the car park(s) and the main property are owned by the same person or persons, and
- they are jointly used as a single unit, and
- no car parking is available on the main property.

The ratepayer or the ratepayer's agent must apply to the council on the prescribed form. The council has the final discretion about whether to grant a rates remission.

The remission will apply from the beginning of the rating period in which the application is approved and will not be backdated to prior years.

Delegation of decision making

Decisions relating to the remission of rates on car parks will be made by council officers.

Policy for remission of rates on remote island properties

Objective

This policy allows the council to remit the uniform annual general charge for rating units in the remote islands differential category. This is to recognise that these rating units are on islands that are uninhabitable or cannot be developed due to their geography or size.

Conditions and criteria

The council will automatically remit the uniform annual general charge in full on all rating units in the remote islands differential category.

Policy for remission of rates in miscellaneous circumstances

Objective

This policy enables the council to remit rates in circumstances that are not specifically covered by other policies, but where the council considers it appropriate to do so.

Conditions and criteria

The council may remit rates on a rating unit where it considers it just and equitable to do so because:

- there are special circumstances in relation to the rating unit, or the incidence of the rates (or a particular rate) assessed for the rating unit, which mean that the unit's rates are disproportionate to those assessed for comparable rating units, or
- the circumstances of the rating unit or the ratepayer are comparable to those where a remission may be granted under the council's other rates remission policies, but are not actually covered by any of those policies.

The council has the final discretion to decide whether to grant a rates remission under this policy.

The remission will apply from the beginning of the rating period in which the application is approved and will not be backdated to prior years.

Delegation of decision making

Decisions relating to remission of rates in miscellaneous circumstances will be made by council officers.

Policy for postponement of rates on commercial farmland

Objective

This policy aims to encourage owners of farmland to continue productive farming businesses, rather than subdividing or using their land for non-farming purposes. It recognises cases where the rateable value of a rating unit that is operated as a commercial farm is significantly attributable to the potential use that the land may be put to for residential, commercial, industrial or other non-farming development.

Criteria

For the purposes of this policy, farmland is land that is separately rated and is used exclusively or principally for agricultural, horticultural, or other pastoral purposes, or for keeping bees or poultry or other livestock, and farming has a corresponding meaning.

The council will postpone a portion of the rates if the rating unit meets the following criteria:

- it is farmland
- it is in either the farming or open space rating group, or the limited access rating group
- it is used solely or principally for the purposes of a farming business, and is GST registered
- it is not less than 12ha.

Conditions

- 1 The ratepayer or the ratepayer's agent must apply to the council on the prescribed form.

- 2 If the application is approved, the council will postpone 25 per cent of the value-based rates (that is all rates excluding the uniform annual general charge and the refuse collection targeted rate) on the rating unit for the relevant year or years.
- 3 Unless the postponed rates become payable in accordance with condition 4 of this policy, the council will write off the postponed rates, including any postponement fees and interest, after five years.
- 4 The rates that are postponed under this policy, and that have not been written off under condition 3, become due and are to be paid immediately if the rating unit ceases to qualify for rates postponement under this policy.
- 5 Where the ratepayer's interest in the land becomes vested in another person, the rates postponement will continue to have effect for the land, if the land continues to qualify for rates postponement under this policy.
- 6 The postponement will apply from the beginning of the rating period in which the rates postponement value is determined and will not be backdated to prior years.
- 7 Postponed rates will be registered as a statutory land charge on the title of the rating unit.
- 8 The council will add a postponement fee to the postponed rates, for the period between the date when they are due and the date that they are paid. This fee will not exceed the council's administrative and financial costs.
- 9 For the rates to be postponed, the council will require evidence each year, by way of statutory declaration, to confirm that the rating unit still complies with the conditions and criteria of the policy.

The postponement will apply from the beginning of the rating period in which the application is approved and will not be backdated to prior years.

Delegation of decision making

Decisions relating to postponement of rates payments under this policy will be made by council officers.

Policy for postponement of rates on Great Barrier Island

Objective

This policy aims to encourage and support owners of commercial properties on Great Barrier Island to continue to use their properties for this purpose, rather than pursuing non-commercial developments. It provides relief where the rateable value of a rating unit that is used for commercial purposes on Great Barrier Island is significantly attributable to the potential use that the land may be put to for residential or other non-commercial use.

Criteria

The rates will be postponed, to the extent specified below, where a rating unit comes within the Great Barrier Island non-residential differential rating group and is used principally for commercial purposes. If only part of the rating unit is used for commercial purposes, the rates postponement will apply only to that part of the rating unit.

Conditions

- 1 The ratepayer must apply to Auckland City Council on the prescribed form.
- 2 If the application is approved, the council will postpone a portion of the rates on the rating unit (or part of the rating unit) for the relevant year or years. The amount of rates that are postponed for any rating period will be equal to the difference between:
 - the rates calculated using the rateable value of the rating unit (or part of the rating unit), and
 - the rates calculated using 80 per cent of the rating unit's (or part of the rating unit's) gross annual rental as the rateable value.

- 3 Unless the postponed rates become payable in accordance with condition 4 of this policy, the council will write off the postponed rates, including the postponement fee, after five years.
- 4 The rates that are postponed under this policy, and that have not been written off under condition 3, become due and are to be paid immediately if the rating unit ceases to qualify for rates postponement under this policy.
- 5 Where the ratepayer's interest in the land becomes vested in another person, the rates postponement will continue to have effect for the land if it continues to qualify for rates postponement under this policy.
- 6 The postponement will apply from the beginning of the rating period in which the application is determined and will not be backdated to prior years.
- 7 Postponed rates will be registered as a statutory land charge on the title of the rating unit.
- 8 The council will add a postponement fee to the postponed rates, for the period between the date when they are due and the date that they are paid. This fee will not exceed the council's administrative and financial costs.
- 9 For the rates to be postponed, the council will require evidence each year, by way of statutory declaration, to confirm that the rating unit still complies with the conditions and criteria of the policy.

The postponement will apply from the beginning of the rating period in which the application is approved and will not be backdated to prior years.

Delegation of decision making

Decisions relating to postponement of rates payments under this policy will be made by council officers.

Policy for postponement of rates payments on residential properties

Objective

This policy assists residential ratepayers who want to defer the payment of rates by using the equity in their property.

Criteria

The ratepayer must meet the following criteria to be considered for rates postponement.

- a) The ratepayer must be the current owner of the rating unit.
- b) The rating unit must be used solely by the ratepayer as his or her residence.
- c) The postponed rates will not exceed 80 per cent of the available equity in the property. The available equity is the difference between Auckland City Council's valuation of the property (the capital value at the most recent triennial revaluation) and the value of any encumbrances against the property, including mortgages or loans, if the ratepayer has insured the property for its full value. Otherwise, the available equity will be the council's valuation of the land.
- d) The ratepayer or the ratepayer's authorised agent must apply to the council on the prescribed form.

Conditions

- 1 The council recommends that ratepayers considering postponing their rates seek advice from a financial adviser on the financial impacts and appropriateness of postponing their rates.
- 2 The council will postpone payment of the residual rates (what is left after any optional payment) if the ratepayer meets the above criteria.

- 3 The council may add a postponement fee each year to the postponed rates. The fee will cover the period from when the rates were originally due to when they are paid. The fee will not exceed the council's administrative and financial costs of the postponement.
- 4 The postponement will apply from the beginning of the rating year in which the application for postponement is made, although the council may backdate the postponement application, depending on the circumstances.
- 5 Once the postponed rates are equal to, or greater than, 80 per cent of the available equity in the property, no further rates will be postponed. Any postponement will apply until one of the situations listed below occurs, at which time the postponed rates (and any postponement fee) will be immediately payable:
 - the ratepayer's death
 - the ratepayer no longer owns the rating unit
 - the ratepayer stops using the property as his or her residence
 - a date set by the council in a particular case.
- 6 All or part of the postponed rates may be paid at any time.
- 7 The applicant can choose to postpone the payment of a lesser amount of rates than the full amount that they would be entitled to postpone under this policy.
- 8 Postponed rates will be registered as a statutory land charge on the rating unit's title.
- 9 For the rates to be postponed, the council will require evidence each year, by way of statutory declaration, of the ratepayer's property insurance and the value of encumbrances against the property, including mortgages and loans.

Delegation of decision making

Decisions relating to postponement of rates payments will be made by council officers.

Policy for rates remission top-up to the government's rates rebate scheme

Background

The central government's rates rebate scheme for ratepayers who have high rates in relation to their income does not include charges, such as Metro Water Ltd's water-related charges, in its rebate calculation. In addition, the central government rebates scheme does not allow farms with a residence to apply, even if they meet the same criteria as a residential property.

The council's extended rates rebate scheme allows farms with a residence to apply for a rates rebate, as long as they meet the same criteria as a residential property. The council's rebate calculation also includes Metro Water Ltd's water-related charges in its rebate calculation.

The council's rebate scheme is based on the same thresholds as the government's rates rebate scheme (the maximum allowable rebate, the allowable income, and the dependent income allowance).

Objective

This policy allows the council to remit the difference between Auckland City Council's extended rates rebate calculation and the government's rates rebate scheme.

Conditions and criteria

To be eligible for the top-up remission, the ratepayer must meet the following criteria:

- 1 be a residential ratepayer and reside on the property (includes farms with a residence)
- 2 have resided on the property at the beginning of the rating year (1 July 2009)

3 be an individual, rather than an organisation or trust.

The amount remitted will vary according to:

- the ratepayer's gross income, including any overseas income
- the amount of Auckland City Council rates payable by the ratepayer
- the amount of Auckland Regional Council rates payable by the ratepayer
- the amount of water-related charges payable by the ratepayer
- the number of children or other dependants that the ratepayer supports.

The remission will apply from the beginning of the rating period in which the application is approved and will not be backdated to prior years.

Central government's rates rebate scheme

From 1 July 2009 the central government will provide a rates rebate of up to \$550 for ratepayers who have rates that are disproportionate to their level of income.

Residential ratepayers with an income below \$21,910 who have rates and water-related charges that total more than \$161 will qualify for a top-up rates remission. Residential ratepayers with incomes greater than \$21,910 may still qualify for all or some of the council's top-up remission, depending on the level of the ratepayer's combined rates and water-related payments, their income and the number of dependents the ratepayer supports.

An additional income allowance of \$500 for each dependent is allowed.

Central government updates thresholds for its rates rebate scheme each year. The council's extended rates rebate scheme is automatically updated for the new thresholds.

Delegation of decision making

Decisions relating to remission of rates under this policy will be made by council officers.

Policy on early payment of rates in the 2009/2010 year (discount rate)

Objective

The council encourages ratepayers to pay their rates in full by the date that their first instalment is due by providing a discount, which will be applied on a consistent and fair basis.

Conditions and criteria

Ratepayers will qualify for the discount of 1.50 per cent on their rates for the 2009/2010 financial year if all their rates are paid in full, together with any outstanding prior years' rates and penalties, by 5.00pm on the day their first rates instalment for the 2009/2010 year is due.

Delegation of decision making

Decisions about applying the discount will be made by council officers.

Review process

If council wants to make any significant change to the discount policy, it must consult with the public using the special consultative procedure.

However, the council will review the rate of discount that ratepayers are eligible for on an annual basis, taking into account current market interest rate forecasts provided by financial institutions, and the council's cost of borrowing for the relevant period. The rate will be set at a level that reflects market interest rate forecasts. The reviewed discount rate will be adopted by a council resolution, and will coincide with other rates-related decisions that the council makes as part of its annual plan or long-term council community plan decision-making process.

Part 2

Appendices

Water and sanitary services plan	142
Waste management plan 2005	162
Fees and charges – licensing and consent	164
Maori contribution to decision-making processes	184
Glossary	185

Water and sanitary services plan

Explanatory note

In accordance with the requirements of the Local Government Act 2002, a copy of Auckland City Council's water and sanitary services assessment (WASSA) is attached. The WASSA is in two parts, one covering the Auckland city isthmus area and the other the Hauraki Gulf islands.

Auckland City Council completed the WASSA between 2004 and 2006. No further water and sanitary service assessments have been completed since that date, and the council considers that the public health assessments in the attached WASSA remain appropriate. The expenditure and development contributions information reflects the period when the assessment was made. See development contributions policy in this volume for more information.

Hauraki Gulf islands WASSA

The Hauraki Gulf islands section of the WASSA is to be updated as resolved by Auckland City Council's Works and Services Committee at its August 2006 meeting.

The committee approved a change in the dates contained in the note to section 3.2 as follows:

- i) Allowing time for the beneficial effects of (i) to be realised, undertake reviews of the following on/by end of March 2009:
- ii) water quality test results over the period mid 2005 to late 2008, to quantify any improvements over the current position vis-à-vis exceedances of Ministry for the Environment's freshwater quality health risk thresholds attributable to contamination from onsite wastewater effluent;

- iii) based on the findings from (ii) Council/Auckland City Environments to prepare a plan of recommended works, if any; this plan to be documented in the Auckland City Council Draft 10-year plan 2009-2019 for consultation with the affected communities.

Auckland city isthmus WASSA

The only significant change that is proposed for this 10-year plan is to reduce the capital works budget for stormwater. The reduction is in line with the council's general desire to keep rate increases within the council's rate of inflation.

The reduction will have the effect of extending the time taken to reduce flooding on the isthmus by 12 years. The time taken will now be 34 years (it was previously 22 years).

Update to WASSA

The council will next consider whether to update its WASSA in 2012.

Hauraki Gulf islands executive summary

Background

In early 2004, Auckland City Council prepared a water and sanitary services assessment (WASSA) for the Hauraki Gulf islands to meet its statutory requirement under part 7 of the Local Government Act 2002.

The majority of properties on the gulf islands are reliant on individual onsite wastewater systems. These systems have traditionally been conventional septic tanks feeding soakage fields. However, new developments often require installing modern, high-technology systems that produce better effluent quality.

The assessment also looked at the public health risks and environmental effects of wastewater and stormwater systems. The main high-risk areas on Waiheke Island were Hekerua, Palm Beach, Blackpool, Oneroa, and Surfdale and Kennedy Point.

Auckland City Council's Works and Services Committee heard the submissions received during the public consultation period in July 2004. The process finished in August 2004 where the council resolved the following.

1 Great Barrier Island

1.0 Policies on water supplies

- a) That the current policy of individual sites providing for their onsite collection and storage of water continue.
- b) That the Hauraki Gulf islands development code be amended to, and promote, optional installation of 'first flush' diversion systems for all new rainwater collection systems to reduce contamination.

1.1 Wastewater

- a) Council will continue with its policy of requiring onsite wastewater treatment and disposal.
- b) Council will carry out investigations to attempt to determine the source or sources of contamination in the various streams at Tryphena.

- c) Council's septage disposal site at the Claris landfill will continue to be monitored to detect its effects upon the ground water table.

1.2 Stormwater

There is no change to the existing policy of managing stormwater.

1.3 Cemeteries

The existing cemeteries on the island are considered to provide adequate levels of service for the medium term.

1.4 Public toilet facilities

The existing public toilet facilities on the island are considered sufficient for the medium term.

2 Rakino Island and other islands

2.1 Policies on water supplies

- a) That the current policy of individual sites providing for their onsite collection and storage of water continue.
- b) That the Hauraki Gulf islands development code be amended to, and promote, optional installation of 'first flush' diversion systems for all new rainwater collection systems to reduce contamination.

2.2 Wastewater

Council will continue with its policy of onsite wastewater treatment and disposal.

2.3 Stormwater

Council will continue with its policy of onsite stormwater management.

2.4 Cemeteries

There are no existing cemeteries on the islands. No new cemeteries are required.

2.5 Public toilet facilities

The existing public toilet facilities on the islands are considered sufficient for the medium term.

3 Waiheke Island

3.1 Policies on water supplies

- a) That the current policy of individual sites providing for their onsite collection and storage of water continue.
- b) That the Hauraki Gulf islands development code be amended to, and promote, optional installation of 'first flush' diversion systems for all new rainwater collection systems to reduce contamination.

3.2 Wastewater

- a) That the current policy of individual sites providing for onsite wastewater treatment and disposal continue.
- b) That where it can be proven that onsite disposal is no longer sustainable, the current policy of establishing small community-based wastewater reticulation and treatment systems continue. These systems will be constructed and operated by Metro Water Ltd or as a private cooperative arrangement.
- c) Any council-initiated wastewater system be funded on a 'user pays' basis by Metro Water Ltd.
- d) That Metro Water Ltd funds any expansion of the capacity of the Owhanake Wastewater Treatment Plant and any reticulation leading thereto, subject to the available treatment and disposal capacity and any required consents.
- e) Subject to available treatment and discharge consent capacity, Metro Water Ltd will give preference to reticulating properties in identified risk areas.
- f) Council will develop a trade-wastes bylaw if requested to do so by Metro Water Ltd.

Note:

Before proceeding to implement any works under the provisions of (e) above, the following procedure shall be applied.

- i) Auckland City Environments to actively monitor compliance with the wastewater bylaw (note: Waiheke wastewater officer employed, commenced inspections May 2004).

- ii) Allowing time for the beneficial effects of (i) to be realised, undertake reviews of the following on or by end of May 2007:
 - water quality test results over the period mid 2005 to early 2007, to quantify any improvements over the current position vis-à-vis exceedances of Ministry for the Environment's freshwater quality health risk thresholds attributable to contamination from onsite wastewater effluent
 - re-apply the draft Ministry of Health protocol, with more accurate field data, to identify the level of risk on an area-by-area basis
 - where existing onsite wastewater systems are proven to be unsustainable, explore various options such as upgrade of systems, alternative technologies, 'cluster' or 'centralised' wastewater collection, treatment and land application schemes.
- iii) Based on the findings from (ii) council/Auckland City Environments to prepare a plan of recommended works, if any, this plan to be documented in Auckland City's draft annual plan 2007/2008 for consultation with the affected communities.

3.3 Stormwater

- a) Flood hazard mapping exercises will continue to be carried out on selected catchments to determine the hazards posed to existing and future developments.
- b) All watercourses on the island are considered to be private property.
- c) Stormwater management using long-term detention storage for the treatment of contaminants will be a priority.

3.4 Cemeteries

The existing cemetery on the island is considered sufficient for the long term.

3.5 Public toilet facilities

The existing public toilet facilities on the island are considered sufficient for the medium term. This does not preclude council renewing and upgrading individual facilities on the island as part of its ongoing citywide public convenience renewal and upgrade programme.

4 Update on progress since completion of the WASSA

An update on progress since the completion of the Waiheke Island WASSA is as follows.

- a) Auckland City Council is monitoring onsite wastewater systems as required by the council's August 2004 resolutions on the WASSA and the wastewater bylaw provisions.
- b) Good progress is being made to date, with monitoring and pump-outs under the bylaw. However, it is unlikely that the May 2007 deadline for all wastewater systems to be pumped out will be met if large numbers of property owners wait until close to the deadline to take action.
- c) Auckland City Council has considered options for resolving problem systems, but more work will be required once improved information is available.
- d) Options to use some or all of the newly consented capacity increase at the Owhanake treatment plant are under review.
- e) Further work is needed to identify practical long-term solutions to providing disposal facilities for septic tank bio-solids.

The forthcoming Hauraki Gulf islands district plan review is a good time to consider provisions for wastewater (including bio-solids) reticulation treatment and disposal.

The December 2005 meeting of the Works and Services Committee resolved the following.

That the review of the Hauraki Gulf islands district plan consider:

- a) an ongoing need to provide for activities associated with bio-solids and septage disposal on Waiheke Island
- b) providing for wastewater reticulation treatment and disposal options such as 'cluster' or 'centralised' schemes and land application schemes in accordance with the council's water and sanitary services assessment of August 2004
- c) that briefings be held in 2006 to inform the elected representatives from Great Barrier and Waiheke islands community boards, Works and Services Committee and members of the Hauraki Gulf district plan working party on waste disposal options.

Auckland city isthmus executive summary

Purpose

To update the 2005 WASSA for stormwater and wastewater on the Auckland city isthmus.

1 Two-stage assessment

Under the provisions of part 7 of the Local Government Act 2002, territorial authorities were required to prepare their first WASSA by June 2005. The core focus was on the impact of water and sanitary services on public health and the environment. The assessments were to then undergo community consultation, by the special consultative procedure.

The WASSA is being carried out in two stages. The first stage was undertaken in 2004/2005, which for stormwater and wastewater involved the following.

- A description of the service provided.
- Identification of the significant issues related to each service.
- A discussion of the options available for potential service level improvements.

The first stage, for stormwater and wastewater services, did not evaluate future options for service level provision, as the council and Metro Water Ltd were jointly undertaking an integrated catchment study (ICS) to determine the relationship between costs and outcomes across a range of factors.

The second stage of the WASSA has involved taking the activities of the ICS and, through the process of a drainage strategic review, using them to provide a range of scenarios that:

- provide alternative levels of service
- provide alternative timeframes to achieve a defined level of service.

The scenarios, including the preferred option the council judges to best balance social, economic, environmental and cultural aspects, are to be consulted on through this draft long-term plan. The scenario adopted by the council following public consultation will then form the basis for the council and Metro Water Ltd to renew their network consents. These consents are required under the

Resource Management Act 1991 for the council to continue to discharge to the environment from stormwater and wastewater networks.

2 Summary of stage one of the WASSA

The assessment made the following conclusions.

Water

Water supply quantity and quality issues are adequately provided for the region up to 2025 through staged upgrades of the Waikato water supply source, together with programmed asset renewals and enhancements.

Wastewater

The Mangere treatment plant is expected to have sufficient capacity until at least 2028.

Options for network capacity upgrades are being considered to increase both dry weather flow capacity and to reduce wet weather overflows. These will be considered in conjunction with the stormwater options as part of the ICS. Outcomes will be considered as part of the second stage of the WASSA.

Stormwater

The public health impacts are the highest stormwater priority for the council. These are being addressed through the reduction of habitable floor flooding and the reduction of wastewater overflows into the environment, together with the significant reduction of contaminants reaching the receiving environment. It is proposed that the current strategic targets remain until completion of the ICS and the second part of this WASSA, scheduled for June 2006.

Growth generally leads to an increase in impervious surface coverage. This results in an increase in peak stormwater flows during storm events. These

increased peak flows can increase flood and erosion risk to downstream properties. If these increased flows are not adequately managed growth can be constrained.

At this stage preliminary investigations are under way on options available to manage these peak flows and fund any associated public works. One option intended for detailed study following completion of the above-mentioned ICS is to use onsite stormwater management techniques. These techniques involve items such as rain tanks and rain gardens.

New policies involving stormwater associated with growth management are expected to be put forward for consideration in 2006 as part of the second stage of the WASSA.

Sanitary services

Public conveniences: the council's asset management plan provides for an ongoing programme of upgrading and developing public toilet facilities. This programme is considered adequate to accommodate growth in demand over the medium term.

Cemeteries and crematoria: with very limited council involvement in these functions growth is expected to be entirely serviced by others operating in the wider Auckland region.

3 The council's role

The council will retain its current role as owner of stormwater and combined sewer assets, public conveniences, 100 per cent owner of Metro Water Ltd and part shareholder of Watercare Services Ltd. The council will continue with a very limited role in cemeteries and crematoria.

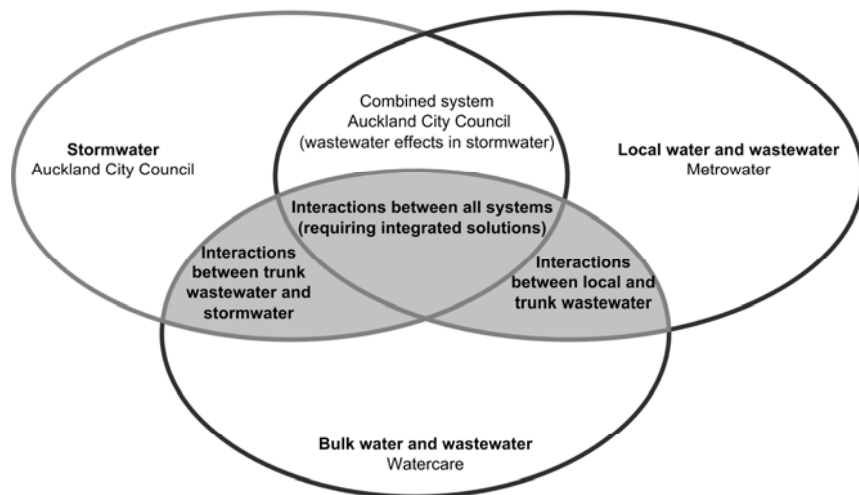
Activity	Public health risk assessment	
	Present	Future
Water	Adequate	Adequate
Wastewater	Generally adequate but undergoing further evaluation	Generally adequate but undergoing further evaluation
Stormwater	Generally adequate but undergoing further evaluation	Generally adequate except risk from flooding increasing from new development
Cemeteries and crematoria	Adequate, provided that continued use is made of other facilities in the Auckland region	Adequate, provided that continued use is made of other facilities in the Auckland region
Public conveniences	Adequate	Adequate

The public health risks for both present and future situations are assessed as generally adequate for all activities, with the proviso that a more detailed evaluation is to be undertaken related to wet weather overflows and for stormwater quality through the ICS.

In June 2005, following the hearing of public submissions, the council resolved as follows.

- a. That following the assessment of water and sanitary services on the Auckland city isthmus, as required by the Local Government Act 2002, there be no change to the existing policies, and role of the council, for managing water, wastewater, stormwater, public conveniences and cemeteries on the Auckland isthmus.
- b. That the Purewa Cemetery Trust Board be advised that further consideration by the council of extensions to the Purewa Cemetery be deferred until a report is received from the Purewa Cemetery Trust Board evaluating the full range of options that may be available to the Purewa Cemetery Trust Board.
- c. That the recommendations from the Auckland Regional Public Health Service be noted and referred to the manager Utility Planning for consideration in the development of the future water and sanitary services assessments.

4 Stage two of the WASSA



4.1 Description of services

The Isthmus is provided with a fully reticulated potable water supply and a fully reticulated waste water system. Part of the wastewater system comprises combined pipes which convey both wastewater and stormwater. Water supply and wastewater disposal services in Auckland isthmus are delivered through a structure that separates the wholesale and retail sections of the business, in which:

- Watercare Services Ltd provides the bulk wholesale services
- Metro Water Ltd provides the local retail services.

The Isthmus stormwater system comprises a combination of reticulated pipes, private and public watercourses and direct soakage to the ground. Stormwater services are the direct responsibility of Auckland City Council. The management of operational service delivery tasks is mostly contracted out to Metro Water Ltd.

Auckland City Council's water, wastewater and stormwater assets¹ have a book value of approximately \$1.8 billion². The annual operating expenditure is approximately \$122 million. For 2004, the annual expenditure was split as follows.

Annual expenditure \$millions				
Group	Water	Wastewater	Stormwater	
Metrowater, including Watercare charges	42.1	63.5		
Auckland City Council			16	
Total	42.1	63.5	16	Total 121.6

Watercare Services Ltd is owned by the councils of the Auckland region with the following shareholding:

- Auckland City Council 41.6%
- Manukau City Council 25.1%
- Waitakere City Council 16.7%
- North Shore City Council 11.5%
- Papakura District Council 3.7%
- Rodney District Council 1.4%

Watercare has a board of directors whose responsibility it is to achieve the objectives as set out in its statement of corporate intent, which is approved by its owners. The owners are represented through a shareholders' representative Group, comprising elected members from the shareholders.

¹ This includes Auckland City Council's and Metro Water Ltd's assets, but excludes Watercare Services Ltd's assets. Note Watercare's assets cover the whole Auckland region.

² Auckland City Council's Annual Report 2004/2005.

Watercare provides the following services within the Auckland city isthmus:

- bulk water supply, treatment and delivery
- bulk wastewater transport and treatment (including trade wastes).

Metro Water Ltd is a council-controlled organisation owned 100 per cent by Auckland City Council.

It also has a board of directors and operates under a statement of corporate intent, which is approved by its owners.

Metro Water Ltd is responsible for the following:

- local retail water supply
- local retail wastewater collection.

Stormwater assets and combined sewer assets are owned directly by Auckland City Council. Accountability for overall budget management on both operational and capital expenditure tasks is with the Utility Planning group within Auckland City Council. Within Utility Planning, service delivery is structured as follows.

Activity	Group responsible
Stormwater planning	Utility Planning group with aspects contracted to Metrowater
Operation and maintenance	Contracted to Metrowater
Capital works	Contracted to Metrowater (part) Contracted to BECA Ltd (part)

4.2 Issues

The significant issues facing the stormwater and wastewater functions are:

- flooding of residential housing
- contaminants from urban development and activities such as zinc and copper accumulating in the environment
- overflows of wastewater during wet weather resulting in potential public health risks in urban streams and for marine recreational activities
- growth, which places greater pressure on the above three issues
- funding growth through development contributions
- the need for a long-term regional bulk wastewater transport and treatment plan to efficiently plan local wastewater improvements
- the need for resource consents to continue to legally discharge from the stormwater and wastewater networks.

To address these issues in a cooperative way there needs to be a continuation of the current joint planning between the three bodies operating the stormwater and wastewater networks – Auckland City Council, Metrowater and Watercare.

4.3 Network consents and integrated catchment study (ICS)

In order to be in a knowledgeable position to specify how the stormwater and wastewater systems are expected to operate in the future as part of the network consent application, Auckland City Council and Metrowater have undertaken the ICS over the past four years.

The findings of the ICS include the following:

- Stormwater
 - 1250 residential houses are at high risk of flooding in the 50-year storm.
 - Volcanic aquifers are suitable for discharging more stormwater into without causing downstream problems.
- Environment
 - Contaminant sources, loads and fates have been assessed, with the main contaminants of concern being zinc and copper.
 - Most of the zinc comes from unpainted or poorly maintained galvanised iron roofs, particularly in industrial areas.
 - The control of contaminants at source (ie reducing the amount of zinc from galvanised roofing that makes its way into stormwater runoff) will result in the greatest reduction of zinc and have the greatest long-term environmental benefits. It will also significantly reduce the need for ongoing operational costs associated with stormwater treatment.
- Public health
 - Volumes of wet weather overflows have been quantified and a range of alternative reduction options have been costed based on different receiving environments.

Public Health – wet weather overflows

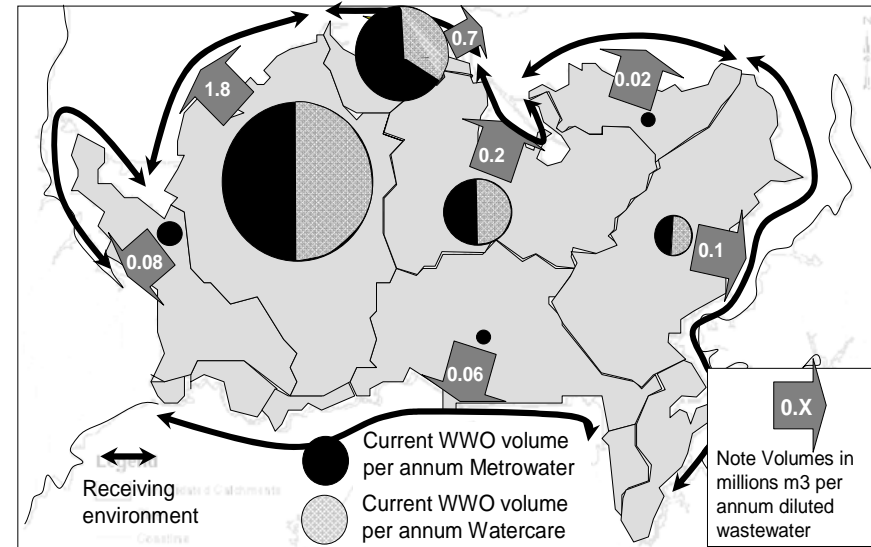
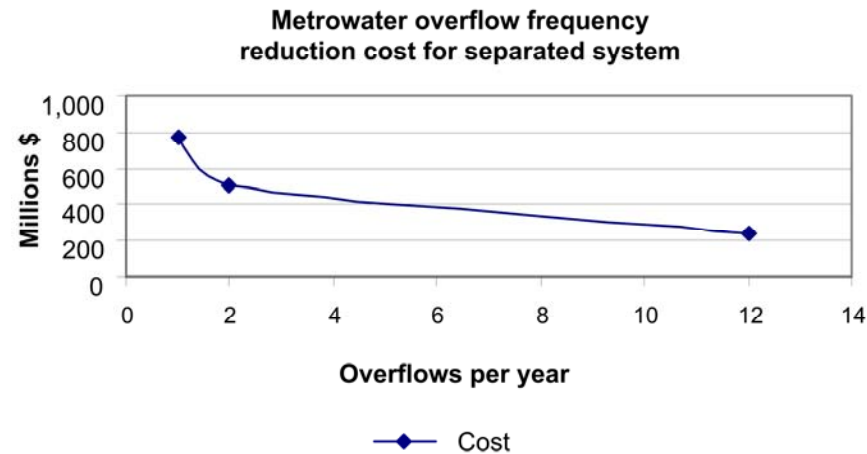


Figure showing annual volume of diluted wastewater discharging to the environment

- The Watercare trunk main wastewater pipes need increased capacity for future growth and environmental improvement, however their size and location will be dependent on where future wastewater treatment is provided. Thus, regional wastewater planning is now a priority issue.
- Growth
 - The defined growth nodes have been prioritised and the cost of infrastructure upgrades quantified for each node, dependent upon the strategic outcome adopted.

From the ICS study data, relationships have been developed for each of the above issues to quantify outcomes against cost. An example for reducing wastewater overflows is shown.



4.4 Options

4.4.1 Scenario development

To resolve the issues discussed under section 3.2, Auckland City Council has developed five scenarios for public consultation to compare a range of alternative outcomes against cost.

On the outcome side, the scenarios are based on setting appropriate environmental targets using a range of factors including the requirements of different environments (eg, urban streams, bathing beaches, estuaries) and priority areas for growth.

On the input (funding) side, the two income sources for stormwater are rates and development contributions, while the income sources for Metro Water Ltd are wastewater and network upgrade charges.

The strategy used to develop the scenarios was as follows:

Regional planning

Undertake joint investigations and planning with Watercare Services Ltd to develop regional solutions for wastewater transport and treatment, including dry weather capacity, overflow reduction and long-term wastewater treatment options.

Wastewater system

Work towards a citywide reduction in wet weather overflow volumes and frequency of occurrence in separate wastewater systems. Consider achieving a higher performance standard in designated bathing beach areas and other areas of high recreational use. Initial priorities for improving performance are as follows:

- catchments or areas that discharge to designated bathing beaches and major urban streams
- catchments or areas impacted by growth which require upgrades to avoid dry weather overflows
- catchments or areas largely independent of regional wastewater infrastructure solutions.

Combined system

Progressively reduce overflow volumes from the combined stormwater and wastewater system by:

- separating the combined system
- strategic storage, pipe upgrades or other overflow mitigation methods
- regional transport and treatment solutions (medium term).

Initial priorities for reducing overflow are as follows:

- catchments or areas which discharge to designated bathing beaches and major urban streams
- catchments or areas impacted by growth which require upgrades to avoid dry weather overflows
- catchments or areas that have high overflow volumes and which are largely unaffected by potential regional solutions.

Stormwater system

Flooding

Work towards a minimum citywide habitable floor flood standard of 1-in-50 years. Priority areas for improvement are:

- priority 1 and 2 growth areas with stormwater capacity issues
- other areas of significant habitable floor flooding.

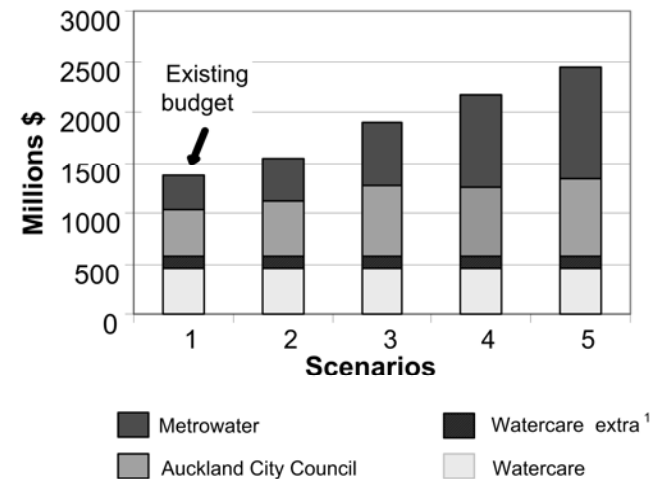
Quality

To minimise the discharge of contaminants of concern from the stormwater system by:

- supporting the Auckland Regional Council's planning initiatives to control roofing and other building materials
- developing district plan controls (where necessary) to complement regional controls
- specifically targeting stormwater quality treatment in areas with high ecological value or high loads.

The five scenario budgets developed are as follows, with scenario 2 representing existing funding.

Drainage scenarios 20 years capital



Note

¹ Watercare extra is increased wastewater capital in the 2005 asset management plan

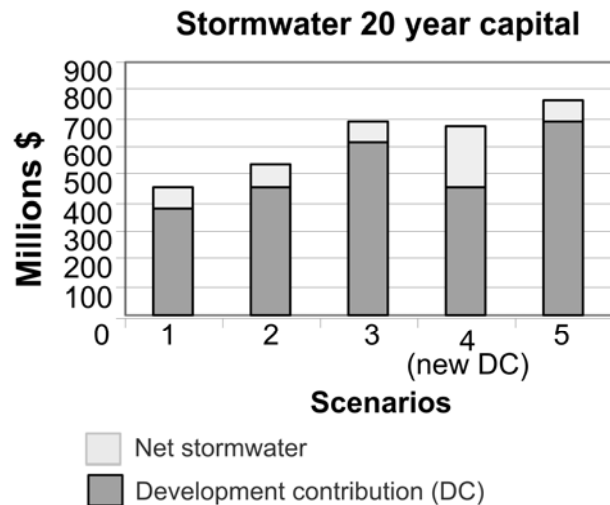
Watercare amount is shown as 47 per cent of Watercare total to represent Metrowater's share.

4.5 Development contributions for stormwater

The current development contribution charge for stormwater is based on 15 per cent of capital expenditure being related to growth and is expected to realise \$3.1m per year.

The strategic review has developed a methodology that determines the cost of growth at 46 per cent of capital expenditure. The reasoning for the increase is based on a philosophical approach of sharing the economies of scale between service level improvements and growth as well as reprioritising capital works into priority growth areas. The total expected income for stormwater from development contributions will move from \$3.1m per year to \$10.1m per year (\$1340 per household unit equivalent (HUE) to \$4380 per HUE excl GST).

The higher development contribution has been attached to scenario 4, as shown in the figure below.



4.6 Scenario outcomes

The outcomes associated with each scenario are listed in the following table:

Scenario stormwater	Flooding growth 1 and 2	Flooding	Stormwater quality	20 year \$m	+% exist
1	13,21	32 years	Source control	457	-14%
2 Existing	11,18	27 years	Source control	531	
3	9,13	20 years	Source control	692	+30%
4a New SW DC	7,10	21 years	Source control	672	+26%
4b New SW DC	10,14	21 years	Source control	672	+26%
5	7,9	12 years	Source control plus \$4mpa	846	+59%

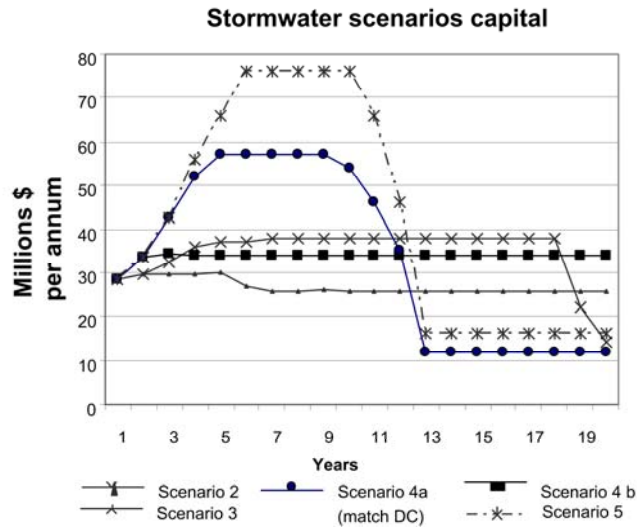
4.6.1 Stormwater outcomes

- Flooding growth 1 and 2: shows the time taken to service the priority 1 and 2 growth areas.
- Flooding: shows the time taken to reduce 1250 houses at high risk of flooding in the 1-in-50-year event
- Stormwater quality: proposes developing regional and district plan controls for all strategies to reduce contaminants at source. The focus is on the effects of stormwater on the environment rather than a total focus on removing sediment. Some expenditure would continue for priority areas to reduce sediment where there is a high benefit.
- The 20-year total shows Auckland City Council's total capital spending for that scenario.

Scenario 4 has been modelled with two options.

- 4a has accelerated expenditure over the first 10 years with a reduction in the last 10 years
- 4b has even expenditure over the 20-year period.

The gross capital spend profile for each stormwater scenario is shown below.

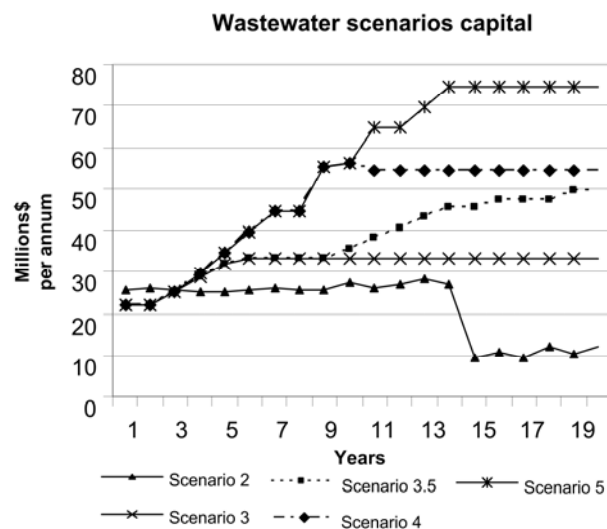


4.6.2 Wastewater outcomes

Scenario wastewater	Combined overflows	Wet weather overflows	20 year \$m	+% exist
1	32 years	not addressed	335	-22%
2 Existing	22 years (2028)	not addressed	432	
3	15 years	12 and 2 by 2036	626	+45%
3.5	15 years	12 and 2 and 1 by 2033	751	+74%
4	12 years	12 and 2 and 1 by 2027	919	+113%
5	12 years	2 and 1 by 2027	1094	+154%

- Combined overflows: shows the time taken to complete the equivalent of sewer separation.
- Wet weather overflows: shows the service level of the average number of overflows per year and the time taken to achieve this as shown in the maps in section 4.8.
- The 20-year total shows Metro Water Ltd's total capital spending for that scenario.

The gross capital spending profile for each wastewater scenario is shown below.



An additional scenario (3.5) has been introduced for wastewater following cost benefit analysis work.

4.6 Stormwater financial modelling

The scenarios have been modelled with the following outcome:

	Percentage increase on 2005/2006 rates
Scenario 1	-0.9%
Scenario 2 (current)	0.0%
Scenario 3	2.1%
Scenario 4a (new DC)	1.3%
Scenario 4b (new DC)	-0.1%
Scenario 5	4.5%

4.7 Stormwater preferred scenario

Scenario 4b is the preferred scenario as it:

- addresses priority 1 and 2 growth areas over 14 years
- is based on providing public infrastructure to reduce flooding
- has minimal impact on rates
- relies on increased development contributions of \$3.1m pa to \$10.1m pa
- proposes to have on site stormwater management (eg, rainwater tanks) available to developers as an option of their choice, with a \$1000 rebate off their development contribution
- addresses stormwater quality issues through a collaborative approach with the Auckland Regional Council to develop a framework for managing stormwater contaminants at source, with targeted stormwater treatment in priority areas.

4.8 Wastewater scenario analysis

4.8.1 Scenario 1

Combined system

Slow the rate of investment and do not complete the equivalent of sewer separation across the city until 2038.

Wastewater system

No investment in the reduction of wastewater overflows and flooding induced by wet weather.

Result

Wastewater overflows and flooding problems are not being addressed and will increase with population growth and the reduction in volume and frequency of combined sewer overflows to the harbours will not be adequately addressed for another 32 years.

4.8.2 Scenario 2 (existing)

Combined system

Continue with the current sewer separation projects in Pt Chevalier and Motions Road, targeted at reducing overflows to bathing beaches and recreational areas as a priority.

Complete further sewer separation, network upgrade and storage schemes across the city to address combined sewer overflows by 2028.

Wastewater system

Continue the current level of investment in inflow and infiltration reduction. No firm target set for the reduction of wastewater overflows and flooding induced by wet weather.

Result

Wastewater overflows and flooding problems are not being addressed and will increase with population growth. Reduced public health risk at bathing beaches and recreational areas affected by combined sewer overflows completed by 2028.

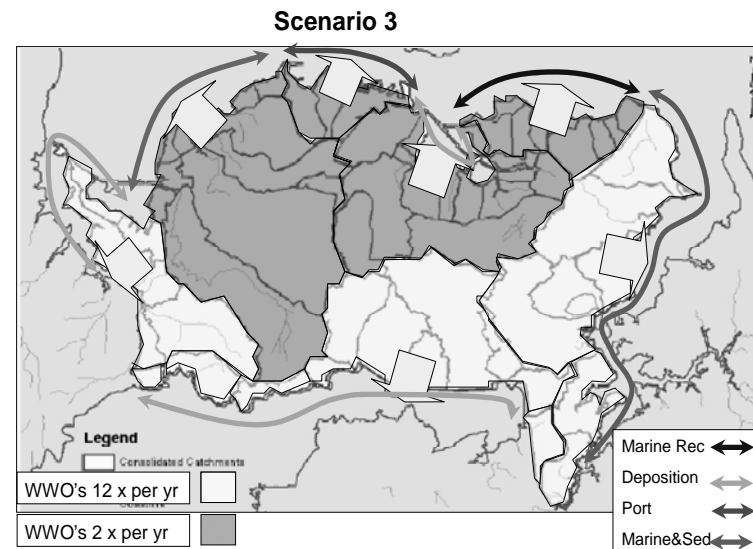
4.8.3 Scenario

Combined system

Speed up the current separation programme in Motions and subsequent catchments. Leverage off the results of the ICS and complete by 2021 the equivalent of sewer separation in the most cost effective manner using pipe upgrades, storage, I & I reduction and separation in appropriate areas across the city.

Wastewater system

Increase investment to reduce the frequency of wet weather overflows and flooding to two times a year in the eastern beaches, Hobson Bay and western beaches affected by the catchment areas shown below, and 12 times a year elsewhere by 2036.



Wastewater wet weather overflow annual frequency

Result

Reduced public health risks at bathing beaches and the main recreational areas of the Waitemata Harbour. Improved amenity in major urban streams and population growth catered for. Wastewater flooding of properties addressed as a priority and the impact of wastewater overflows on the marine environment reduced.

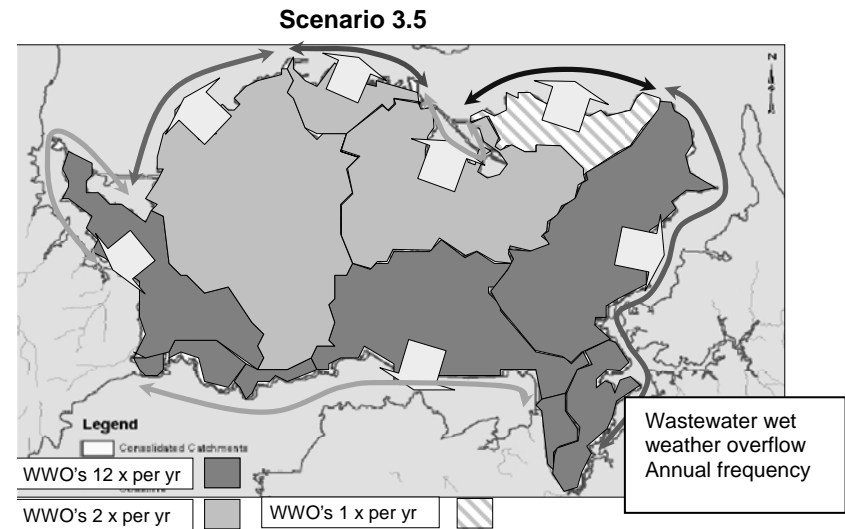
4.8.4 Scenario 3.5 and 4

Combined system:

Speed up the current separation programme in Motions and subsequent catchments. Leverage off the results of the ICS and complete the equivalent of sewer separation in the most cost effective manner using pipe upgrades, storage, I & I reduction and separation in appropriate areas across the city. Complete scenario 3.5 by 2021 and scenario 4 by 2018.

Wastewater system:

Increase investment to reduce the frequency of wet weather overflows and flooding to one a year in the more heavily used eastern beaches and two and twelve times a year in the areas shown below (by 2033 for scenario 3.5 and by 2027 for scenario 4).



Result

Minimal public health risks at the main eastern bays bathing beaches and improved amenity in major urban streams. Population growth catered for. Reduced public health risks at all other bathing beaches and the main recreational areas of the Waitemata and Manukau harbours. Wastewater flooding of properties addressed and overflows to Tamaki estuary reduced, improving the marine environment.

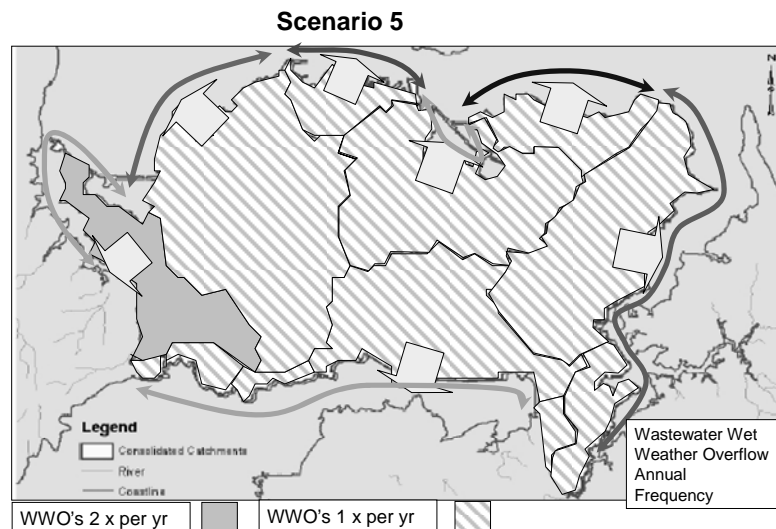
4.8.5 Scenario 5

Combined system

Accelerate the current separation programme in Motions and subsequent catchments. Leverage off the results of the ICS and complete by 2015 the equivalent of sewer separation in the most cost effective manner using pipe upgrades, storage, I & I reduction and separation in appropriate areas across the city.

Wastewater system

Vastly increased investment to reduce the frequency of wet weather overflows and flooding to one per year across most of the city and two times per year in the western Avondale area, shown below, by 2027.



Result

Wastewater flooding addressed and wastewater overflows into the marine environment and major urban streams reduced to a very low level.

4.9 Cost benefit analysis: wastewater

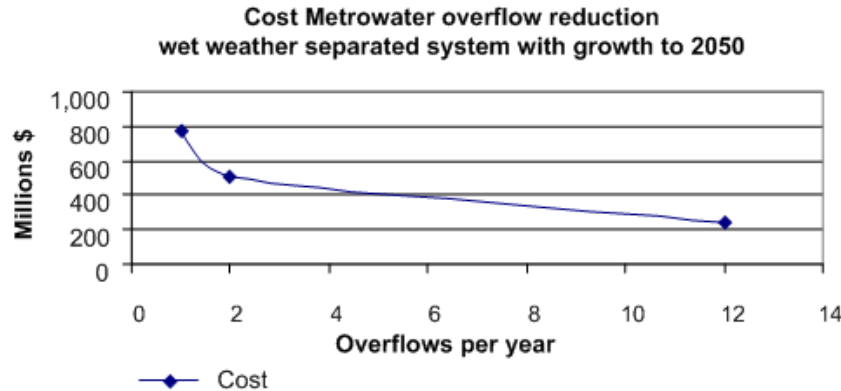
The overflow of wastewater during wet weather can be measured in a number of ways:

- volume discharged on an annual basis
- frequency of overflows.

A single significant overflow may cause potential health issues for marine recreational water users where contact recreation, such as bathing, occurs. The frequency of such overflow is often as important as the severity of the event. Variation 1 to the Auckland regional plan (coastal) seeks to establish a performance standard of no more than two separate events in any one calendar year, occasioned by wastewater overflows, that lead to public health risk advisory notices being issued.

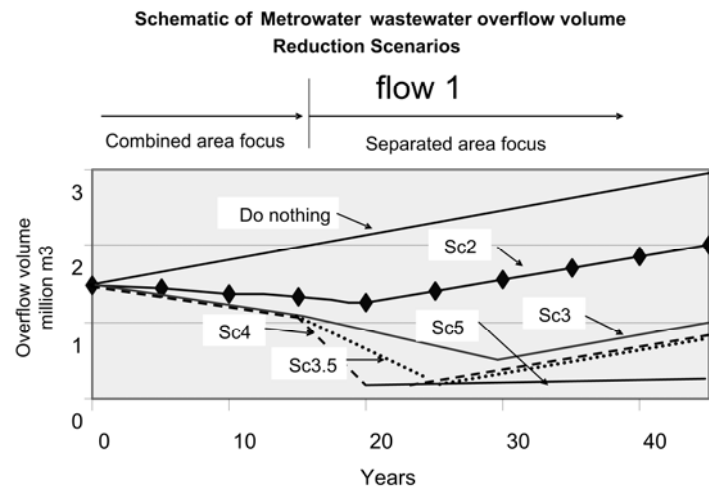
Although the prescriptive approach proposed by the regional plan is not supported by network operators, and has been appealed, it is generally accepted that the frequency of the overflow is more likely to affect the number of times warning notices for swimming may be required, and hence community acceptability. It is for this reason that the scenarios generated are based on overflow frequency.

The graph below shows the relationship between cost and overflow frequency. It clearly shows that trying to achieve an overflow frequency less than two times a year gets relatively more expensive.



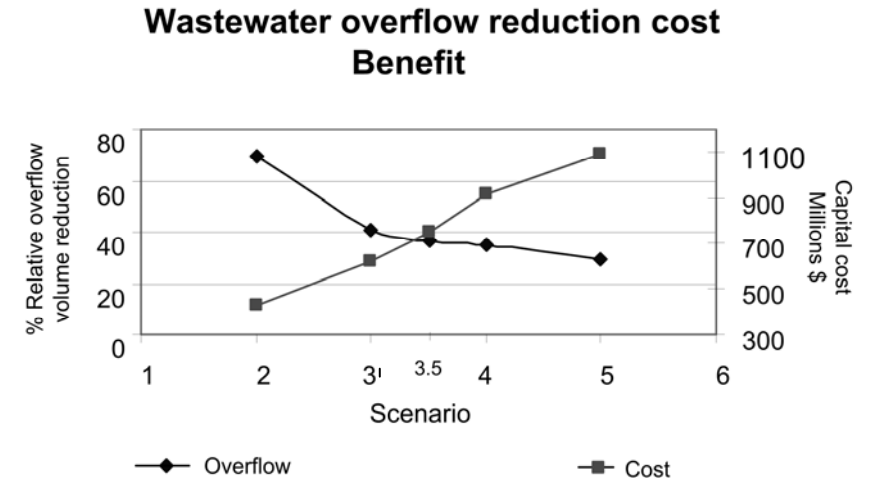
Metrowater overflow frequency reduction cost for separated system

For comparative purposes, set out below is a schematic representation of the reduction in wastewater overflow volume over time for Metro Water Ltd for the various scenarios.

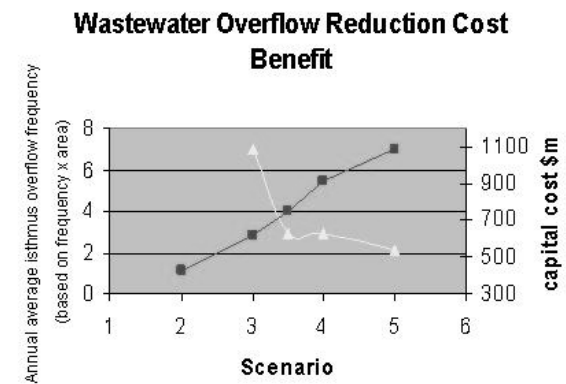


Based on the above reduction in wastewater overflow volume, the following cost benefit relationship has been developed.

This shows that, based on volume reduction, there is declining benefit after scenario 3.



However, based on the average frequency of overflows across the isthmus as shown in the figure below, scenario 3.5 is judged significantly better than scenario 3. Scenario 4 achieves the same outcome as scenario 3.5 but does it 6 years earlier.



4.10 Wastewater financial modelling

Modelling of the four capital works scenarios under consideration has identified four graduated price increase scenarios. These all ensure the substantive price increases required by these four scenarios occur during the periods of greatest capital expenditure.

The following table compares the capital works scenarios and sets out an option for the increases in Metro Water Ltd's prices which would be required to pay for each scenario.

Calculated Metro Water Ltd Pricing Increases – All Figures based on +CPI																				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
3.0	1	1	1	1	1	1	1	1	1	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
3.5	1	1	1	1	1	1	1	1	1	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
4.0	1	1	1	1	1	1	1	1	1	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
5.0	1	1	1	1	1	1	1	1	1	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4

Based on the above table, the payment for water and wastewater customers (using average residential consumption of 200m³ a year) would be as follows:

Calculated Metro Water Ltd annual charges for water and wastewater (based on 200m ³ per annum) before inflation																				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
3.0	670	677	684	691	698	704	712	719	726	737	748	759	770	782	794	806	818	830	842	855
3.5	670	677	684	691	698	704	712	719	726	744	763	782	801	821	842	863	884	906	929	952
4.0	670	677	684	691	698	704	712	719	726	752	779	807	836	866	897	930	963	998	1034	1071
5.0	670	677	684	691	698	704	712	719	726	772	822	874	930	990	1053	1121	1192	1269	1350	1436

Since 2001, Metro Water Ltd customers have enjoyed a 20 per cent real reduction in prices. Current annual charges represent about 1 per cent of the average household yearly income. Only an estimated 350 households (half of 1 per cent) have bills greater than five per cent of their average annual mesh-block household income. For Metro Water Ltd customers in financial difficulty the extended rates rebate scheme is available. This scheme helps Metrowater customers unable to access rates assistance through the rates rebate scheme because the Rates Rebate Act does not provide rebates for Metrowater charges

The projected annual charge increases associated with scenario 3.5 are modest in scope and are commensurate with the importance of the proposed wastewater capital works and the resulting environmental benefits.

4.11 Wastewater preferred scenario

Scenario 3.5 is the preferred scenario under which Metrowater would:

- provide for population growth over the next 20 years
- significantly reduce the incidence of wastewater overflows in both the combined wastewater and separated wastewater network into the environment over time, with a focus on areas of high public recreation use
- reduce environmental impacts of the combined and separate wastewater systems to meet community expectations and regulatory requirements at a reasonable cost.

4.12 Public health assessment

Activity	Present	Future
Wastewater	Generally adequate but increased risk at times of rainfall due to wet weather sewer overflows.	<p>Risk considered low for fully urbanised harbour side environments based on capital expenditure to reduce wet weather sewer overflows, and programmed main sewer interceptor upgrades by Watercare Services Ltd.</p> <p>During wet weather, there will likely be some level of continuing elevated health risks for urban streams and marine recreational waters. This is due to stormwater discharges from the land containing bacterial contaminants and intermittent, albeit reduced, wastewater overflows.</p>
Stormwater	Generally adequate but increased risk to some properties from flooding.	<p>Risk considered low based on capital expenditure to reduce flooding risk, targeting high priority growth areas.</p> <p>During wet weather, there will likely be some level of continuing elevated health risks for urban streams and marine recreational waters due to stormwater discharges from the land containing bacterial contaminants.</p>

The public health risks for the “present” situations for both quantity and quality are assessed as adequate for all activities. Based on carrying out capital expenditure programmes for scenario 4b for stormwater and scenario 3.5 for wastewater, future public health risks will be reduced and are assessed as adequate. (Note: during wet weather, there will likely be some level of continuing elevated health risks for marine recreational waters due to stormwater discharges from the land containing bacterial contaminants and intermittent, albeit reduced, wastewater overflows).

5 Appeals to Auckland Regional Council Regional Plan: Air, Land and Water

Appeals by Auckland City Council and other territorial authorities against decisions made by the Auckland Regional Council on policies and rules in the proposed Regional Plan Air, land and Water have yet to be resolved. Extra funding may be required or time scales to achieve specified outcomes altered during the 20-year term of the scenarios to meet final regional plan requirements.

Waste management plan 2005

Introduction

Approximately 400,000 tonnes of waste, generated in Auckland city, is sent to landfill every year. About 80,000 tonnes comes from the council-operated household collection. The remainder comes from businesses and other commercial activities. Currently around 50,000 tonnes is collected from households each year for recycling.

Purpose

Auckland City Council's Waste Management Plan sets out how waste within Auckland city will be managed. The current plan was developed in 2005, under the Local Government Act 1974. The act required councils to develop a waste management plan to achieve effective and efficient waste management that focuses on waste reduction.

The waste management plan covers all of the aspects of waste management in the city with which the council is involved. This includes:

- collecting domestic waste from households
- collecting recyclable materials from households
- collecting inorganic material from households
- managing hazardous wastes from households
- recycling, treating and disposing of all collected wastes and materials
- promoting and providing education about waste reduction measures, including home composting and education in schools
- promoting waste reduction amongst businesses
- collecting waste and recyclable materials from businesses in the CBD
- removing illegally dumped material, including vehicles
- clearing litter bins
- cleaning the city's streets.

For the management and operational purposes, the activities in the waste management plan are divided into three geographical areas: the Auckland isthmus, the central area, and Hauraki Gulf islands.

Vision

The vision for waste management in Auckland is that the city will become a society in which waste is treated as a resource.

Main targets

Auckland City Council's Waste Management Plan sets out a number of targets that the council aims to achieve, including:

- sending zero waste to landfill by 2015 (this is in line with the New Zealand Waste Strategy 2002)
- halving the 2005 levels of food and garden material in household rubbish bins by 2010.

The Waste Management Plan also adopts the key targets set out in the New Zealand Waste Strategy 2002 (as they apply to Auckland city), including targets relating to waste minimisation, organic wastes, special wastes, construction and demolition wastes, hazardous wastes, contaminated sites and waste disposal.

Key achievements

Auckland City Council has put in place a range of waste management initiatives with respect to the waste management plan. Recent achievements include the following:

- In July 2008, a recycling service was launched using wheelie bins, which collects all grades of plastics, tin, aluminium cans, glass, and paper and cardboard. While the service is still in its infancy, it has already reduced the amount of waste that households are putting out for landfill.
- Shared service arrangements have been entered into for the new materials recovery facility, which is being jointly procured with Manukau City Council.
- The composting based Create your Own Eden and Waste Wise Schools programmes have been continued and expanded.
- Existing avenues for reuse and recycling (such as charity collections, RENEW waste exchange and demolition yards) have been promoted.
- The council has worked with business to stop the practice of placing cardboard out on the streets for collection. Businesses are now encouraged

to have cardboard removed directly from their premises, reducing the amount of litter left on Auckland's streets.

- Regular waste audits have been conducted to sort the contents of household bins by category, and to measure the bins' weights.
- Guidance has been introduced for recycling and waste management for multi-occupancy dwellings
- A framework for zero waste events in the city has been developed.
- Food waste for composting continues to be collected from the council's own buildings.

Key actions planned or underway

In addition to the above achievements, a number of key actions from the plan are in progress. These include:

- redeveloping the Waiheke Island transfer station to improve waste management and increase waste minimisation
- working towards a region-wide waste survey to update the last survey carried out in 1997
- ongoing participation in the regional organic waste group to investigate options for composting (especially food waste)
- ongoing participation in the region-wide group to investigate and assess options for a future region-wide resource recovery network
- preparing to review the waste collection contracts for the inner CBD
- reviewing the council's waste management and recycling services on Great Barrier Island.

Reviewing the waste management plan

The Waste Minimisation Act 2008 was passed in October 2008 with the purpose of encouraging a reduction in the amount of waste generated and disposed of in New Zealand.

In order to comply with the new act, Auckland City Council has begun thoroughly reviewing its current waste management plan. The act has a number of important implications for how the council manages its waste, including how waste minimisation initiatives are funded, the need to more fully consider commercial and industrial waste, and how waste data is reported.

The new legislation also sets out requirements that councils must meet when reviewing their waste management and minimisation plans. Under the new act, the council must first undertake a waste assessment. The assessment takes stock of current services, provides forecasts for future demand for waste services, canvasses the key options available to meet the forecast demand, and provides a statement of proposals to meet the forecast demands.

Following the waste assessment, the plan must be reviewed to consider the following methods of waste management and minimisation (listed in descending order of importance):

- reduction
- reuse
- recycling
- recovery
- treatment
- disposal.

The review must also have regard to the New Zealand Waste Strategy 2002 and be completed by 2012.

Once the review is complete, the council is required to consult publicly before it can adopt a new plan. Consultation must follow the special consultative procedure set out in the Local Government Act 2002, which requires a minimum consultation period of one month.

Auckland City Council intends to use the framework set out in the Waste Minimisation Act 2008 to develop a forward-looking plan, which has the support of the community, and which will enable us to meet the waste management challenges of the future, including reducing the environmental impacts from waste in the most effective and efficient manner.

Fees and charges – licensing and consent

Schedule of fees and charges under the Building Act 2004, Resource Management Act 1991 and Local Government Act 2002

Under section 150 of the Local Government Act 2002 and section 36 of the Resource Management Act 1991, Auckland City Council may recover the reasonable costs it incurs in providing certificates, authorities, approvals, permits or consents, or undertaking inspections. Other acts, such as the Building Act 2004 (particularly section 219), also authorise the council to apply fees or charges for certain functions and activities.

Each year the council reviews those fees and charges that are not fixed by legislation to ensure they remain appropriate in light of any changes in the cost of providing the services. These changes may arise because the scope of the relevant service has altered, or because of changed costs to the council, or because of impacts such as increases in the council's suppliers' costs.

Summary of major changes

Animal control

A new class of dog registration has been added; Class H – working dog – kept principally or wholly for herding or driving stock. This class is exempt from micro chipping.

A new charge has been included to cover the cost of necessary veterinary care and medication. The actual cost will be charged.

With the exception of the new fees to cover necessary veterinary care and medication, other animal impoundment fees have not increased.

Building consents standard fees

An additional charge has been included for all applications lodged via consultants.

Building consents where standard fees do not apply

The deposits are based on estimated value of building work, and no longer differentiate between applications with or without a producer statement.

The costs for project information memoranda have been reviewed to reflect the actual cost.

The fee for a project information memorandum applied for with a building consent has decreased.

The fee for a project information memorandum applied for separately has increased to reflect the actual cost of providing the service.

Consents for installing solar powered hot water cylinders are no longer available in a book of 10. They are now only available on a per installation basis. This change has been based on feedback received from customers.

A pre-lodgement meeting fee has been included for all applications that meet pre-lodgement criteria.

Engineering

Deposits have been reviewed to more accurately reflect the likely costs.

Section 71-73 fees will increase to reflect the true costs of providing these services.

Environmental health

The structure of the fees and charges for all street trading activities has been reviewed and changed to provide for a wider range of activities, including a new fee for banners of \$6000 per annum.

The hazardous substances fees have been reviewed to reflect the actual cost.

The new premise application, camping ground new application, and brothel licence annual fee have been reviewed to reflect the actual costs Hauraki Gulf islands.

Standard fees and charges for the Hauraki Gulf islands are no longer specified separately, except for those that are specific to the islands, including fees and charges for grey water systems and interisland travel.

Land use

The definition and structure of land use consent deposits has been reviewed and simplified, and the cost changed to reflect the likely cost of the service.

The fee for a section 127 Resource Management Act 1991 variation or cancellation, and a section 125 extension of the period that a consent is valid for, has been changed to a deposit, with the final cost based on time.

The liquor planning certificate has been reviewed and increased to reflect the cost of the service.

A standard fee has been introduced for resource consents for roof-mounted solar heating panels, solar tubes, skylights, roof windows and sun tunnels.

A pre-lodgement meeting fee has been included for all applications that meet pre-lodgement criteria.

Plan change applications

Deposits have been reviewed to more accurately reflect the likely costs.

Property information

Two new property information packages have been created to provide additional options for customers:

- package one: non-urgent, LIM, CD and neighbourhood report
- package two: urgent LIM, CD and neighbourhood report.

Fees and charges relating to facsimile and microfilm have been removed as this service is no longer available.

Fees and charges for online ordering of site file CDs have increased to cover the cost of providing this service.

In addition to a certified copy of a valuation, extracts from the valuation are now available at less than the cost of a certified copy.

Staff charge-out hourly rates

The hourly charge-out rates are set at levels to recover the salaries of staff providing advice, plus costs directly related to providing the services and overheads.

Staff charge-out rates have increased by an average of 2.5 per cent to ensure the fees cover the cost of providing these services.

Subdivision

The deposit for variations and amendments (including under section 125 of the Resource Management Act 1991) has decreased to more accurately reflect the cost of this service.

Rationale

Where there is a significant degree of private benefit associated with Auckland City Council's statutory functions (such as providing certificates, authorities, approvals, permits or consents, or undertaking inspections), the council's policy is to set user charges at a level that recovers the proportion of the costs that reflects the private benefit associated with that service.

Where there is also a public benefit aspect to the service, then that component is normally met from rates. For example, the council considers that about 20 per cent of the costs of its resource management functions relate to providing public benefit for the wider community and the environment.

If the private costs are not covered by user charges, the only other practicable alternative is for the council to recover these costs from its rates revenue, which would amount to a charge on ratepayers.

Taking all relevant matters into account, including the costs and benefits of the two options, the council considers the most appropriate option is to pass on the proportion of the costs that can be attributed to the private benefit of individuals, to those who seek or require the certificate, authority, approval, permit, consent or inspection.

Fees and charges

The new fees and charges are set out in the detailed schedules that follow.

Schedule of fees and charges

Animal control fees

Fee type by category	Fee from 1 July 2009 (inc GST) \$
Animal control	
Application after 31 July	Plus 50%
National dog database levy – fee per registration	2
Class A – neutered dog with dog owner licence	64 (for renewal paid before 31 July – 42)
Class B – neutered dog	103 (for renewal paid before 31 July – 68)
Class C – un-neutered dog with dog owner licence	133 (for renewal paid before 31 July – 89)
Class D – un-neutered dog without dog owner licence	175 (for renewal paid before 31 July – 117)
Class E – special purpose dog	No fee
Class F – working dog	64 (for renewal paid before 31 July – 42)
Class H – working dog, kept principally or wholly for herding or driving stock	64 (for renewal paid before 31 July – 42)
Class M – dangerous dog	Fee plus 150% of fee
Class SU – super annuitant	64 (for renewal paid before 31 July – 42)
Permit to keep more than one dog	59
Replacement disc	7
Impounding fees	
Cost of necessary veterinary care	Actual cost
Cost of necessary medication	Actual cost
Small animal impounding (rabbits, ferrets, fowl)	26
Sustenance fee (small animal) per day	7
Sustenance fee per day (stock)	20
Impounding fees – dogs	
First impounding – registered dog	33
First impounding – unregistered dog	59
Second impounding – registered dog	59
Second impounding – unregistered dog	111
Third impounding – registered dog	111
Third impounding – unregistered dog	189
Sustenance for each day or part day of dog impoundment	18
Additional fees for after hours impoundment – registered dog	20

Fee type by category	Fee from 1 July 2009 (inc GST) \$
Additional fees for after hours impoundment – unregistered dog	33
Surrender fee	26
Return to owner fee (transport)	14
Impounding fees – stock	
Driving and leading fee (each)	40
Stock impounding fee	40
Traps	
Bond on traps	50
Possum and cat trap hire	5 per day

Bonds

Fee type by category	Note	Fee from 1 July 2009 (inc GST) \$
Land use		
Application fee for bond relating to a land use consent (base fee charge may be greater depending on legal inputs)		680
Administration of a bond relating to a land use consent, including release of the bond		660
Processing an application		
Processing an application to extend the time limit on an existing bond		120
Processing an application for the partial release of a bond		360
Subdivision		
Processing bond applications relating to subdivision consent, including return of money on satisfactory completion of work	Deposit	835
Additional costs		
Additional costs relating to a bond that is defaulted on		Actual time at staff charge out rate
From reporting to the appropriate council committee about bonds for works of over \$50,000		Actual time at staff charge out rate

Building consent standard fees

The fee for a building consent is calculated by adding the components of the application. Additional fees may apply where other checks are required. All fees are in dollars.

Project category*	Lodge	Admin	Planning check	Building processing	Records	BRANZ levy	DBH levy	Accreditation levy 20c per \$1000 work	Applications lodged via consultants	Drainage design	Building over public drain	Assess drainage video **	Flood report	Pump station	Structural engineering	Geo-technical engineering	Fire engineering	
1	90								216									
2	90		50	70	40				216	85	165	165	125	400	85	85	85	
3	90	90	155	140	60				216	165	165	165	125	400	85	85	85	
4	90	90	155	275	60				216	165	165	165	125	400	85	85	85	
5	90	90	155	70	60				216	165	165	165	125	400	165	330	85	
6	90	90	155	275	60	Levy applies above			216	158	165	165	125	400	330	330	330	
7	90	90	155	275	60	\$20,000			370	158	165	165	125	400	330	330	165	
8	90	90	155	410	80				370	158	165	165	330	400	665	330	330	
9	90	90	155	410	80				370	250	165	165	330	400	665	330	165	
10	140	90	155	550	80				370	250	165	165	330	400	830	330	330	
11	140	90	310	550	80				370	250	165	165	330	400	500	330	165	
12	140	90	310	685	80				370	250	165	165	330	400	665	330	165	
13	90	90	310	410	95				370	335	165	165	330	400	665	330	165	
14	140	90	310	820	115				370	415	165	165	415	400	830	330	500	
15																		
16	90		50	40					370									
17																		
18																		
19	90		40		25				370									
20	Excluded from standard fees and will be subject to an estimate or deposit plus invoice																	
21	Excluded from standard fees and will be subject to an estimate or deposit plus invoice																	
22	Excluded from standard fees and will be subject to an estimate or deposit plus invoice																	
23	Excluded from standard fees and will be subject to an estimate or deposit plus invoice																	

Notes to table:

*Project category

- | | | |
|---|---|---|
| 1 Minor consent | 9 Residential alterations and additions valued \$100,000 to \$250,000 | 16 House removals |
| 2 Building work up to the value of \$2000 | 10 Commercial building work valued \$100,000 to \$250,000 | 17 Certifiers – no exclusions |
| 3 Kitset carport and garages | 11 New dwelling (standard) | 18 Certifiers with exclusions |
| 4 Residential swimming pool and fencing | 12 New dwelling (executive) | 19 Temporary structures (exempt) |
| 5 All other building work valued \$2,001 to \$5,000 | 13 Attached dwellings | 20 Commercial buildings and residential alterations valued \$500,000 to \$1,000,000 |
| 6 All other building work valued \$5,001 to \$19,999 | 14 Commercial buildings and residential alterations valued \$250,001 to \$499,999 | 21 Buildings valued over \$1,000,000 |
| 7 Residential alterations and additions valued \$20,000 to \$99,000 | 15 Amendments to existing consents | 22 Change of use and earthquake-prone buildings |
| 8 Commercial building work valued \$20,000 to \$99,000 (BRANZ and BIA levy starts in this category) | | 23 Staged consents |

**Drainage video is for one line only. Subsequent lines cost \$80 per line.

Inspections – Standard (up to 40 minutes) \$110 and final or cladding \$180.

Building consents (where standard fees do not apply)

Fee type by category	Note	Fee from 1 July 2009 (inc GST) \$
Accreditation levy		20 cents per \$1,000 of work
Billboard		
Application and processing		260
Blasting		
Blasting permit		40
Building code certificate		
Liquor and brothel licence applications		310
Liquor and brothel licence applications – each additional inspection		80
Certificate of acceptance	Deposit	1,040
Certificate of compliance		
Where application does not fit within standard fees	Deposit	320
Certificate of public use		At cost
Code compliance certificate		
Code compliance certificate – where final inspection completed more than four years ago		445
Code compliance certificate – work < \$2,000		70
Code compliance certificate – work \$2,001 to \$20,000		180
Code compliance certificate – work \$20,001 to \$250,000		240
Code compliance certificate – work \$250,001 to \$500,000		575
Code compliance certificate – work > \$500,000		At cost
Compliance schedules		
Administration fee		175
Per feature		65
Set up – post-building		175
Set up – pre-building		175
Disconnection of fire alarm		
Disconnection fee		265
Estimated value of building work		
\$500,001 to \$1,000,000	Deposit	1,240
Additional for every \$500,000 increment over \$1,000,000	Deposit	320
Exempt building work		
Including temporary works		160
Extension of building consent		
Application to extend the time a building consent is valid		140

Fee type by category	Note	Fee from 1 July 2009 (inc GST) \$
Hoisting over footpath or public place		
Mobile crane or other hoisting device – half day		70
Mobile crane or other hoisting device – full day		140
Mobile crane or other hoisting device – per week		235
Mobile crane or other hoisting device – per month		470
Independently qualified person – application for acceptance as (three-year period)		
Base fee (also renewal fee)		75
Charge per system or feature for which acceptance is sought		90
Independently qualified person register		
Charge per copy		30
Lapsing a building consent		
		180
Liquor licence fees		
Liquor building certificate (building code certificate)		80
Notice to fix		
Fee applies irrespective of whether the notice to fix is associated with a live building consent or not		At cost
Plumbing consents		
Pre-paid plumbing consents, Enerco hot water cylinder installation	Book of 10	870
Pre-paid plumbing consents, solar-powered hot water cylinder installation		50
Pre-lodgement meeting		
Pre-lodgement meeting		210
Producer statements		
Work up to the value of \$1,000,000		195
Work over the value of \$1,000,000		310
Product assessments		
Product assessment or alternative solution	Deposit	450
Project information memorandum		
Project information memorandum		185
Application made with a building consent application		225
Illegal building work		225
Solid fuel and solar heaters		35
Section 72		
		165
Special inspections reports		
Special inspections reports		At cost
Safe and sanitary		265
Street damage – revenue		
Pre-construction street inspection		50
Street frontage inspection fees		50

Part 2: Appendices
Fees and charges – licensing and consent

Fee type by category	Note	Fee from 1 July 2009 (inc GST) \$
Swimming pools inspection – existing pools		
Swimming pool inspections (and re-inspections) – existing pools (from the second inspection)		210
Swimming pool exemptions		805
Swimming pools inspection – new pools		
Standard fees for building consents apply		
Temporary building work		
Including exempt work		160
Non-exempt work		Standard building consent fees apply
Tie backs		
Temporary tie backs per metre of frontage		95
Vehicle crossing permit		
Vehicle crossing permit		240
Extension of time		45
Waivers		
Application for waivers	Deposit	500
Warrant of fitness		
Receipt, processing and issue of building warrant of fitness (only one compliance scheduled item)		60
Receipt, processing and issue of building warrant of fitness (more than one compliance scheduled item)		115

Engineering consent fees

Fee type by category	Note	Fee from 1 July 2009 (inc GST) \$
Drainage		
Drainage	Deposit	1,590
Encumbrance (Building Act 2004)		
Encumbrance		165
Engineering approvals		
Up to two lots	Deposit	1,250
Three to five lots	Deposit	1,750
Six to 10 lots	Deposit	3,980
11 to 20 lots	Deposit	5,565
21 to 50 lots	Deposit	11,140
51 lots or over	Deposit	15,950
Engineering common access way		
Engineering design common access way	Deposit	650

Fee type by category	Note	Fee from 1 July 2009 (inc GST) \$
Producer statements		
Engineering related – per producer statement		55
Section 71–73 of the Building Act 2004		
Section 71-73 fee		155
Subdivision bond		
Subdivision bond	Deposit	835

Environmental health fees

Fee type by category	Fee from 1 July 2009 (inc GST) \$
All licences	
New premise application	150
Amusement gallery and amusement devices	
Amusement device permit – per device, per seven days	11.25
Per additional device, per seven days	2.25
Per device, per additional seven days or part	1.15
Brothel licence	
Annual fee	630
Building consent checks	
Minor consents	Hourly rate
Other consents	Hourly rate
Camping grounds annual	
Camping grounds – new application	400
Camping grounds	
Renewal	350
Fee for re-inspection	
	Charged at hourly rate
Food premises licence	
Re-grading	50% annual fee

Part 2: Appendices
 Fees and charges – licensing and consent

Fee type by category	Fee from 1 July 2009 (inc GST) \$
Food premise licence annual fee	
Small low – risk A grade	255
Small low – risk B grade	330
Small low – risk D grade	405
Small low – risk E grade	510
Large low – risk A grade	380
Large low – risk B grade	495
Large low – risk D grade	610
Large low – risk E grade	760
Small medium – risk A grade	505
Small medium – risk B grade	660
Small medium – risk D grade	810
Small medium – risk E grade	1,015
Large medium – risk A grade	760
Large medium – risk B grade	1,000
Large medium – risk D grade	1,220
Large medium – risk E grade	1,520
Small high – risk A grade	760
Small high – risk B grade	990
Small high – risk D grade	1,220
Small high – risk E grade	1,520
Large high – risk A grade	1,140
Large high – risk B grade	1,480
Large high – risk D grade	1,830
Large high – risk E grade	2,280

Fee type by category	Fee from 1 July 2009 (inc GST) \$
Food premise licence annual fee – Great Barrier Island	
Small low – risk A grade	127.50
Small low – risk B grade	165
Small low – risk D grade	202.50
Small low – risk E grade	255
Large low – risk A grade	190
Large low – risk B grade	247.50
Large low – risk D grade	305
Large low – risk E grade	380
Small medium – risk A grade	252.50
Small medium – risk B grade	330
Small medium – risk D grade	405
Small medium – risk E grade	507.50
Large medium – risk A grade	380
Large medium – risk B grade	500
Large medium – risk D grade	610
Large medium – risk E grade	760
Small high – risk A grade	380
Small high – risk B grade	495
Small high – risk D grade	610
Small high – risk E grade	760
Large high – risk A grade	570
Large high – risk B grade	740
Large high – risk D grade	915
Large high – risk E grade	1,140
Food stalls	
Market operator licence (blanket licence for low-risk food stalls, eg fresh fruit and vegetables)	135
Food stalls – one day only	40
Level one – 12 months	45
Level two – 6 months	100
Level two – 12 months	160
Level three – 6 months	190
Level three – 12 months	320

Part 2: Appendices
 Fees and charges – licensing and consent

Fee type by category	Fee from 1 July 2009 (inc GST) \$
Funeral directors – mortuary licence	
Annual fee	380
Hairdressers' fees	
Hairdressers all premises per annum	175
Hazardous substances – inspections	
Bulk tank demolished	150
Bulk tank for repair and maintenance	150
Bulk tank installed	170
Class 2 gas installation (other)	150
CNG storage cylinders installed	150
Inspection of any dangerous goods area	100
LPG storage tank installed	150
LPG or CNG equipment installed	100
Maintenance of pipe work	100
Oil burning equipment – installation	100
Oil burning equipment – maintenance	100
Pump installed and re-located	100
Pump removal	100
Pump replaced or fixed	100
Storage tank installed	150
Storage tank replacement	170
Tank removal	100
Test pipelines to bulk installations	110
Transfer or copy of any licence	55

Fee type by category	Fee from 1 July 2009 (inc GST) \$
Hazardous substances licence – set by statute	
0 to 1,000 litres	56.25
1,001 to 2,500 litres	112.50
2,501 to 5,000 litres	125.16
5,001 to 10,000 litres	137.81
10,001 to 25,000 litres	163.13
25,001 to 50,000 litres	187.88
50,001 to 100,000 litres	213.75
100,001 to 250,000 litres	251.71
250,001 to 500,000 litres	315.00
500,001 to 1,000,000 litres	441.56
1,000,001 to 10,000,000 litres	568.12
10,000,001 + litres	821.25
Transfer fee	56.25
Health and bathhouse annual	
Health and bathhouse annual	255
Health protection licence	
Basic (single process)	180
Health protection licence annual	
Multi basic (multiple processes)	255
High risk (involving skin penetration)	255
Health protection licence – half year	
Swimming pool	150
Hourly rate for festival events	
Hourly rate for festival events	155
Inspection fee	155
Mobile food	
Bun runner annual	40
Offensive trades	
Application – annual	350
Renewal	320

Part 2: Appendices
Fees and charges – licensing and consent

Fee type by category	Fee from 1 July 2009 (inc GST) \$
Street trading	
Banner	150
Cafe seating on pavement – fee per chair per annum	70
Charity and fundraising stalls	No charge
Coffee vendors	500 per six months
Display of goods	120 per month
Flower sellers	350 per month
Icecream vendors (fixed site)	800 per month
Icecream vendors (mobile)	800 per month
Long-term trading (over 12 months) – public place – permit plus monthly fee set within criteria and new application fee	270
Newspapers	100 per seller, per site, per annum
Outdoor seating, per chair per 12 months	70
Outdoor seating, per chair for less than six months	50
Pie carts, Newmarket	1000 per month
Pie carts, Commerce Street	1200 per month
Permanent banners	6000 per annum
Recycling bins	300 per bin per annum
Sausage sizzles	No charge
Short-term trading – public place (up to 12 months) – permit and monthly fee set within criteria	175
Sports services vendors	200 per month
Strawberry and vegetable vendors	350 per month
Street appeals	No charge
Transfer fee	
All licences and re-issue of lost permit	75
Seizures under bylaws	
	Staff time and disbursements associated with seizure
Bylaw dispensation (other than permanent signage)	
Temporary sign	115

Hauraki Gulf islands fees

Fee type by category	Fee from 1 July 2009 (inc GST) \$
Grey water	
Grey water system	250
Travel	
Inter-island travel	599

Land use consent fees

Fee type by category	Note	Fee from 1 July 2009 (inc GST) \$
Business zone		
All applications	Deposit	2,500
Central area		
Simple applications (non-notified)	Deposit	1,700
Standard applications but more complex, up to five residential units (non-notified)	Deposit	3,700
Certificate of compliance (section 139)	Deposit	1,000
Confirmation of compliance (signs bylaw)	Deposit	700
Dispensation and or exemptions or non-compliance with consolidated bylaw 1991	Deposit	2,000
Existing use rights assessment		
Section 139A – central area	Deposit	1,100
Section 139A – other areas	Deposit	1,000
Limited-notified land use consent – at lodgement (The council retains the right to require a larger deposit than specified in this schedule on a case-by-case basis)		
All zones, at lodgement	Deposit	5,500
All zones, prior to a hearing being scheduled	Deposit	5,500
Liquor licence fees		
Liquor planning certificate	Fixed fee	350
Monitoring fee		Hourly rate
Notified application (The council retains the right to require a larger deposit than specified in this schedule on a case-by-case basis)		
All zones and central area, at lodgement	Deposit	11,000
All zones and central area, prior to a hearing being scheduled	Deposit	11,000
Outline plans and drawings		
Lodged for consideration – total cost charged on a time-cost basis	Deposit	1,100
Overseas investment certificate		
Required by overseas investors to confirm the property meets the council's requirements		340
Pre-lodgement meeting		
Pre-lodgement meeting		210
Resource consents		
Roof-mounted solar heating panels, solar tubes, skylights, roof windows and sun tunnel		250

Part 2: Appendices
Fees and charges – licensing and consent

Fee type by category	Note	Fee from 1 July 2009 (inc GST) \$
Residential zone		
Additions and alterations to existing dwellings, accessory buildings	Deposit	1,700
Residential zone		
Four or more dwelling units, or change of activity	Deposit	3,700
Residential zone, open space zone, special purpose zone, unzoned land		
Residential zone – less than four dwelling units; other zones – all applications	Deposit	2,000
Section 357 Resource Management Act 1991 – lodging an objection under section 357		No charge
Section 125 Resource Management Act 1991 – to extend the period a consent is valid	Deposit	1,700
Section 127 Resource Management Act 1991 – variation or cancellation	Deposit	1,700
Special inspections reports		
Planning and building		At cost
Additions and alterations to existing dwellings, accessory buildings	Deposit	1,700

Liquor licence fees (set by the Sale of Liquor Act 1989)

Fee type by category	Fee from 1 July 2009 (inc GST) \$
Application	
Application under section 9	776
Application under section 9 of the act for an on-licence to be endorsed under section 28 of the act, or under section 16 of the act for the variation or cancellation of any condition of an on-licence endorsed under section 28 of the act	132
Application under section 24 of the act for the authority to carry on the sale and supply of liquor on any premises or conveyance, in respect of which an on-licence is in force	132
Application under section 31 of the act for an off-licence, or under section 39 of the act for the variation or cancellation of any condition of an off licence (except where the licence is endorsed under section 51 or 52 of the act)	776
Application under section 31 of the act for an off-licence to be endorsed under section 51 or 52 of the act, or under section 39 of the act for the variation or cancellation of any condition of an off-licence endorsed under section 51 or 52 of the act	132
Application under section 55 of the act for the grant of a club licence, or under section 62 of the act for the variation or cancellation of any condition of a club licence, or under section 64 of the act for the renewal of a club licence	776
Application under section 76 for a special licence	63
Application under section 118 of the act for the grant of a manager's certificate, or under section 123 for the renewal of a manager's certificate	132
Renewal	
Renewal of an on-licence under section 18 of the Sale of Liquor Act 1989	776
Variation or cancellation	
Variation or cancellation of conditions (section 16)	776

Plan change applications

Fee type by category	Note	Fee from 1 July 2009 (inc GST) \$
Pre-lodgement – all areas		
Prior to lodgement after first two hours		Hourly rate
On lodgement – all areas		
Single site complex and multiple site relatively simple	Deposit	11,000
Multiple site complex	Deposit	22,000

Property information fees

Fee type by category	Fee from 1 July 2009 (inc GST) \$
Aerials	
Black and white aerials – 1993 (negatives)	9
GIS plots – colour aerials – 2006	35
Building consent report	
Approved building consents (monthly list) – approved or lodged consents	295
Outline of the status of applications for a particular property	10
Courier	
Standard fee	9
Drainage plans	
Private drainage plans – subsequent copies	8
LIMS	
Standard LIM, five working days (10 days per legislation)	255
Urgent LIM (four hours)	330
Copy of LIM (at time of purchase of original LIM)	25
Map information	
Map information charge – one property map or one private drainage plan	13
Neighbourhood report	
Neighbourhood report	35
Online ordering	
GIS map simple	25
GIS map combined	44
GIS map selection	55

Part 2: Appendices
Fees and charges – licensing and consent

Fee type by category	Fee from 1 July 2009 (inc GST) \$
Packages	
Non-urgent LIM, CD and neighbourhood report	330
Urgent LIM, CD and neighbourhood report	415
Print and copy	
A2/A1 prints – EDMS and paper	10
A3 EDMS	6
A3 photocopies – paper records	1
A4 EDMS copies	1
A4 photocopies – paper records	0.50
AO prints EDMS and paper	15
Building warrant of fitness (copy)	7
Code compliance certificate (copy)	7
Coin-operated photocopier A3	0.50
Coin-operated photocopier A4	0.50
GIS viewing and print one plot	25
Site remediation report	8 plus copy charges
Soil reports	8 plus copy charges
Property maps	
Contours map, public drainage map and special features map on same map for the same property	55
Public drainage, water services and contours on one map	45
Site file CD	
Counter – non-urgent	60
Counter – urgent	70
Counter– while you wait (up to 30 minutes)	80
Internet – non-urgent	70
Internet – urgent	80
Site information charge	
For each site researched (self-service)	16
Valuations	
Certified copy	30
Additional data P3	15
Sales data P4	15
Valuation screen P1	15

Staff charge-out hourly rates

Fee by position	Fee from 1 July 2009 (inc GST) \$
Staff positions	
Building officers, building inspectors, incident investigators, resource consent monitoring officers, environmental health officers	133
Engineering, account or project managers	159
Planners (levels 1 and 2), assistant planners, subdivision, licensing, planning technicians, urban design assistants	112
Planners (levels 3 and 4), subdivision, licensing, environmental health specialists, arborists, urban designers	148
Secretarial and administration staff	83
Senior planners, senior subdivision officers, licensing, team leaders, senior urban designers, planning managers	164

Subdivision consent fees

Fee by consent type	Note	Fee from 1 July 2009 (inc GST) \$
Boundary adjustment	Deposit	665
Completion certificate (section 224C of the Resource Management Act 1991)		
Simple (no engineering input required)		250
Complex (engineering input required)	Deposit	700
Cross-lease		
First stage	Deposit	1,650
Any subsequent stage	Deposit	740
Freehold subdivision		
New vacant lots	Deposit	1,650
Existing or approved complying development	Deposit	995
Existing or approved development with development control modifications, eg height in relation to boundary, coverage etc	Deposit	1,650
Other consent type		
Deposit for combined application for land use consent and subdivision consent	Deposit	3,675
Removal of building line restrictions, creation of easement certificate, cancellation of easements, amalgamation of certificates of title, unit title (5(1)(g)) certificate		385
Right of way		430
Survey plan		290
Unit title	Deposit	1,065
Variations and amendments (includes section 125 of the Resource Management Act 1991)	Deposit	1,000

Maori contribution to decision-making processes

Auckland City Council recognises and supports its responsibilities to Maori under the Treaty of Waitangi. In accordance with the requirements of the Local Government Act 2002, Auckland City Council develops and fosters opportunities for Maori to contribute to its decision-making processes.

In doing so, the council works with the following three key groups:

- ahi kaa – people of enduring occupation and authority
- iwi with historical association – people with historical and spiritual connections to Auckland city
- taurahere – people who live outside their tribal territories or are urban based.

Auckland City Council's Consultation with Maori policy identifies who is in these groups and when they should be engaged or consulted.

- Ahi kaa comprises Ngati Whatua o Orakei, Ngati Paoa and Ngati Rehua. Ahi kaa are engaged or consulted on issues of governance, policy development and the Resource Management Act 1991.
- Tangata whenua consultative committee comprises Ngai Whatua, Ngati Paoa, Ngati Rehua, Ngati Maru, Ngai Tai, Kawerau a Maki, Ngaati Te Ata and Tainui (Huakina Development Trust). Other iwi who have yet to affirm their interests within Auckland city may also be consulted. Tangata whenua are engaged or consulted on issues surrounding the Resource Management Act 1991 (resource consents).
- Taurahere comprises community groups and individuals. Taurahere are engaged or consulted on policy issues and relevant projects.

Pae Herenga Tangata (bridge between people) is an Auckland City Council unit established in 2000 to develop treaty-based relationships between the council and Maori. This includes providing policy advice and support to the council, facilitating consultation and engagement with tangata whenua, fostering positive relationships with Maori communities and providing bicultural education, advice and support to council staff.

In consultation with ahi kaa and taurahere, Pae Herenga Tangata has developed various policies to guide staff in engaging appropriately with Maori. These include the:

- Ngati Whatua o Orakei communications protocols
- consultation with Maori policy
- treaty-based framework
- marae policy
- discovery of koiwi protocols.

In recent years, there has been an emphasis on ensuring that a wider representation of Maori people are able to contribute to the council's decision-making processes. In 2009/2010 there will be more emphasis on recognising Maori aspirations and how they contribute to those processes.

Glossary

activity: the goods or services the council provides.

AMETI: Auckland-Manukau Eastern Transport Initiative.

amortisation: the charge representing the systematic reduction in the value of an intangible asset over its useful life.

annual plan: the plan that sets out what the council will be working to achieve in a financial year, how it will spend its money, the level of service to be provided and the level of rates required to fund that spending.

asset: an item of value, usually of a physical nature, that has a useful life of more than 12 months and has future economic benefits over a period of time. Infrastructural assets provide the basic facilities, services and installations needed for a community or society to function, such as stormwater drainage pipes. Non-infrastructure assets are the organisation's other assets that provide either administrative or operational functions, such as computer software.

asset management plan (AMP): a planned capital and maintenance programme to provide a level of service that meets the growth and demands of the community.

Auckland City Council: the elected mayor and councillors who make policy, and the name of the organisation that carries out that policy.

capital expenditure: spending on buying or building new assets, and renewing current assets.

CBD: defined by the region's central motorway system and bounded by State Highway 1, the central motorway junction and State Highway 16. Its boundaries are roughly the edges of the Waitemata Harbour, Freemans Bay, the upper reaches of Symonds Street and Karangahape Road, and Grafton Gully.

community: refers to the people in Auckland city collectively and includes smaller community groups and individuals, as well as other groups and organisations that comprise part of that collective.

community outcomes: the things the community thinks are important for its current or future social, economic, environmental or cultural well-being. These outcomes are used to help set priorities in the council's 10-year plan. These outcomes were identified by the Future Auckland consulting process, which included a range of organisations and community groups.

council-controlled organisation (CCO): a company or other entity under the control of local authorities through their shareholding of 50 per cent or more, voting rights of 50 per cent or more, or right to appoint 50 per cent or more of the directors. Some organisations may meet this definition but are exempted as council-controlled organisations. Section 6(4) of the Local Government Act 2002 details these exceptions.

council's rate of inflation: the council's rate of inflation reflects the increase in costs that council faces to fund the current activities it provides at existing service levels.

deferred capital projects: capital projects originally planned in prior years, the timing of which has been delayed.

depreciation: the charge representing consumption or use of an asset, assessed by spreading the asset's value over its estimated economic life. Depreciation includes amortisation of intangible assets unless otherwise stated.

development contributions: contributions from developers, collected to help fund new infrastructure required by growth, as set out in the Local Government Act 2002. Development contributions include financial contributions.

general rates: includes the uniform annual general charge and the value-based general rate used to fund the council's general services, but not services funded by targeted rates, fees or charges. The value-based general rate uses the rateable value of property to determine the amount of rates for the property.

grants and subsidies: revenue received from an external agency to help fund an activity or service that the council provides.

gross operating expenditure: total without deductions of depreciation and finance costs.

isthmus: the area under the council's authority that excludes the CBD and the Hauraki Gulf islands.

Local government act: refers to the Local Government Act 2002 (LGA) that defines the powers and responsibilities of territorial local authorities such as the council.

Local Government (Rating) Act 2002 (LG(R)A): defines how territorial local authorities such as Auckland City Council can assess and apply their rating policy.

Mainstreet programme: based on a partnership between local government, the business community and other stakeholders. The basic objectives of the programme are business creation and development; increased employment and local business investment; an enhanced physical environment and heritage conservation.

measures: a method for gauging progress towards the meeting of objectives. Measures usually relate to agreed levels of performance and types of services provided.

Metrowater: Metrowater, legally known as Metro Water Ltd, is a water and wastewater utility company 100 per cent owned by Auckland City Council.

net operating expenditure: gross operating expenditure less revenue from activities and other revenue. It does not include capital revenue.

new works: spending on new assets (but not the renewal of current assets), or to increase the capacity of current assets beyond their original design capability or service potential.

NZ Transport Agency: the NZ Transport Agency (NZTA) is a Crown entity established to bring together the functions of Land Transport New Zealand and Transit New Zealand to provide an integrated approach to transport planning, funding and delivery.

NZ Transport Agency subsidy: a subsidy provided by Land Transport New Zealand for road projects or maintenance.

objectives: describes the day-to-day services that each business area carries out that contribute to achieving the long-term plan's outcomes.

open space: is the city's streets and squares, parks and green spaces (including sports parks, cemeteries and playgrounds), beaches and coastline, waterways, volcanoes and natural habitats on the isthmus and the Hauraki Gulf islands.

passenger transport: (also referred to as public transport) includes buses, trains and ferries.

policy: refers to a plan of action and process that outlines the approach taken by the council to achieve a strategy.

rate differential: where a rate is applied at a different level to different types or categories of property, eg, residential, non-residential, CBD or rural land.

rates: a charge against the property to help fund services and assets that the council provides for the city.

renewals: activities required to upgrade, refurbish or replace current facilities or assets, with facilities or assets of equivalent capability or service potential.

revenue: income received by the council to fund its services. Revenue sources include rates; fees and charges for using a particular service, such as the entrance fee to the zoo; penalties and fines, such as parking fines; and grants (including charitable donations) and subsidies.

revenue and financing policy: looks at how the council funds its operational and capital expenditure.

Royal Commission on Auckland Governance: the government set up this commission to enquire into Auckland's local government and how it is working. Visit www.royalcommission.govt.nz for further details on the commission.

strategy: refers to the council's seven strategies which are used to establish our priorities and allocate resources

Tamaki Edge: encompasses Glen Innes, Panmure, Mt Wellington, Sylvia Park and Otahuhu, and has been identified by the council as a key area for future growth.

targeted rate: a rate that is raised to fund a particular service or facility such as the Mainstreet rate, or to provide dedicated funding for a particular activity such as rubbish collection. A targeted rate can be applied in several ways, including a fixed amount per property or according to property value.

targets: set quantifiable standards that are compared to actual results over a period of time to measure performance.

The Edge[®]: the trading name of the Aotea Centre Board of Management. The Edge[®] venues are Aotea Square, the Auckland Town Hall, the Aotea Centre and The Civic.

uniform annual general charge (UAGC): part of the general rate that is levied as a flat rate on all rateable properties. It represents the minimum contribution each property contributes to the services provided by the council.

vested assets: infrastructural assets transferred to the council by developers.

ward: an administrative and electoral area of the city. There are seven in Auckland: Avondale/Roskill, Eastern Bays, Eden/Albert, Hauraki Gulf Islands, Hobson, Tamaki/Maungakiekie and Western Bays.

well-beings: the four well-beings refer to the social, economic, environmental and cultural well-being of communities in the present and for the future.

FIN- 0104-04/09