Te Tahua Pūtea Tau 2021-2031

Te Tahua Pūtea Whakarauora

The 10-year Budget 2021-2031

Long-term Plan

Our Recovery Budget

Volume 1

Overview

Auckland Council
Te Kaunihera o Tāmaki Makaurau

Mihi

Noho mai rā Tāmaki Makaurau,
moana waipiata,
maunga kākāriki.
Mai i ngā wai kaukau o ngā tūpuna,
ki ngā puke kawe i ngā reo o te tini,
i puta ai te kī mōu.
Tū ana he maunga,
takoto ana he raorao,
heke ana he awaawa.
Ko ō wahapū te ataahua,
ō tāhuna te mahora,
te taiao e whītiki nei i a koe he taonga tuku iho.
Tiakina kia meinga tonu ai koe
ko 'te tāone taioreore nui o te ao,
manakohia e te iwi pūmanawa'.
Tāmaki Mākaurau tirohia te pae tawhiti
he whakairinga tūmanako
mō ngā uri whakaheke ō āpōpō,
te toka herenga mō te hunga ka takahi ake
mā ō tomokanga,
te piriti e whakawhiti ai
tō iwi ki ngā huarahi o te ora.
Tāmaki Mākaurau e toro whakamua,
hīkina te mānuka.
Tērā te rangi me te whenua te tūtaki.
Maranga me te rā, he mahi māu me tīmata,
ka nunumi ana ki te pō,
whakatārewahia ō moemoeā ki ngā whetū.
Ko te oranga mutunga mōu
kei tua i te taumata moana.
Tūwherahia ō ringa, kūmea mai k i tō uma.
Tāmaki Makaurau
he tāone ūmanga kurupounamu koe;
tukua tō rongo kia rere i te ao.

Tāmaki Makaurau
who bestrides shimmering seas,
and verdant mountains.
From the bathing waters of our forebears,
and hills that echo with voices
that acclaim.
Your mountains stand lofty,
your valleys spread from them
and your streams run freely.
Your harbours are majestic,
your beaches widespread,
the environment that surrounds you is a legacy.
Take care of it so that you will always be known
as 'the world-class city
where talent wants to be'.
Tāmaki Makaurau looking to the future,
repository of our hopes
for generations to come,
anchor stone for those who venture
through your gateway,
and the bridge that connects
your citizens to life.
Tāmaki Makaurau moving on,
accepting all challenges.
Where even heaven and earth might meet.
Rise with the sun as there is work to be done
and when evening comes,
allow your dreams to glide among the stars.
Perpetual health and growth
is beyond the horizon of cresting waves.
Open your arms and pull them to your embrace.
Tāmaki Makaurau, you are a city
where valued business and enterprise thrives;
let your good name traverse the world.

About this document

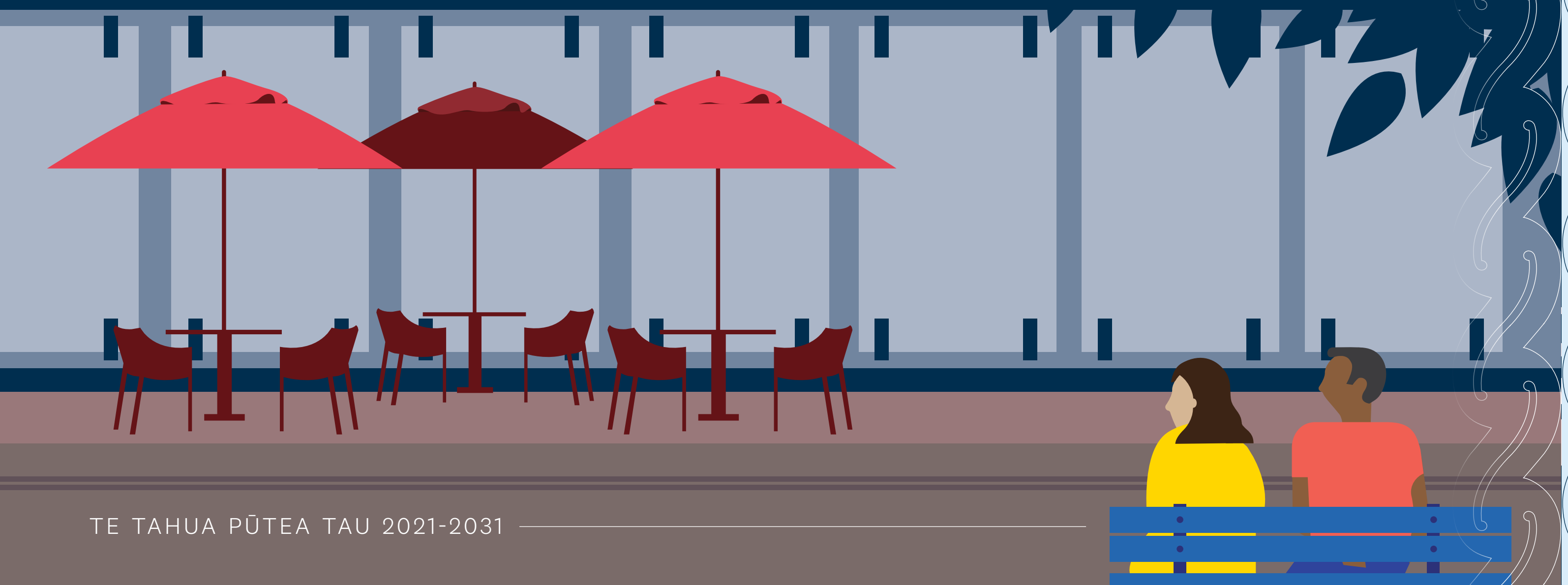
This Recovery Budget is our 10-year Budget for 2021-2031, otherwise known as our Long-term Plan for that period. The Local Government Act 2002 requires each council to publicly consult on and adopt a long-term plan every three years.

It has been prepared under a very different set of circumstances to any previous Long-term Plan for Auckland Council. Each time we prepare a 10-year Budget we face a range of challenges, this year all of the usual challenges still exist but have been added to by the uncertainty and revenue loss created by the COVID-19 pandemic.

That uncertainty means we based our financial projections on a set of key assumptions about the health restrictions and economic impacts associated with the COVID-19 pandemic. These assumptions were informed by a range of internal and external sources. We also undertook sensitivity analysis to understand the impact if the situation became better or worse than we assumed.

From 22 February to 22 March 2021 we sought feedback from the community on our key proposals for this budget. It was an extensive consultation process with both written submissions and in person interactions and nearly 20,000 pieces of feedback were received. We carefully considered that feedback, alongside information from a Colmar Brunton survey on some of those key issues.

The result is this 10-year Budget which will tackle the challenges we have outlined and, despite the difficulties, keep Auckland moving forward.



How this 10-year Budget 2021-2031 is arranged

Finding your way around the volumes:

Volume 1

Volume 1: An overview of our 10-year Budget

Section 1: An introduction to our 10-year Budget including a brief overview of the plans, strategies and budget that form the rest of this document.

Section 2: Our prospective financial statements for 2021-2031 and other key financial information.

Section 3: Report from the Auditor General.

Section 4: Supplementary Information including contacting the council, its structure and people. Glossary of terms and key word index.

Volume 2

Volume 2: Our detailed budgets, strategies and policies

Section 1: Our key strategies.

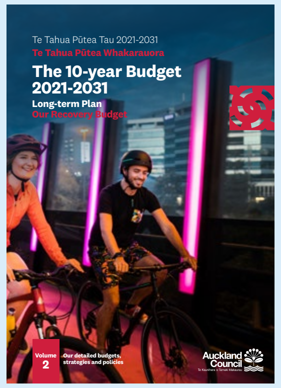
Section 2: Our Activities – summary information on the services Auckland Council delivers, performance measures and budget.

Section 3: Our key policies.

Section 4: Summary of the Tūpuna Maunga Authority Operational Plan 2021-2031.

Section 5: Our Council-controlled organisations.

Section 6: Supplementary information – Glossary of terms and Key word index.



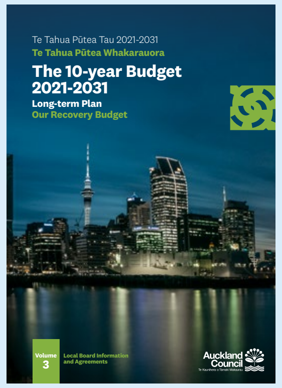
Volume 3

Volume 3: Local Board information and agreements

Section 1: An overview of local boards, and their expenditure for 2021-2031.

Section 2: Specific information for each of the 21 local boards, including the local board agreements.

Section 3: Supplementary information – Glossary of terms and Key word index.



Rārangi kōrero
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Volume 1: Overview

He karere nā te koromātua

Message from the Mayor

Auckland Council's 10-year Budget 2021-2031 invests $31.8 billion into our city and its infrastructure. It's the single largest infrastructure package in Auckland's history and a 21 per cent increase on our previous 10-year Budget in 2018.

This budget is a continuation of the Emergency Budget struck in 2020, and responds to the unprecedented loss in council income caused by the COVID-19 pandemic.

While the impacts of COVID-19 are less severe than had initially been projected, council is still facing an estimated revenue loss of more than $750 million over 2021 and the first three years of this 10-year Budget. Rather than taking an austerity approach in the face of this challenge, we have opted to maintain our investments in critical infrastructure builds and renewals, as well as the key services and facilities that Aucklanders rely on.

Funding decisions we have made will enable an additional $900 million of capital projects to proceed over the next three years despite the impacts of COVID-19. This maintains the planned pipeline of work – and brings forward important infrastructure projects that will help stimulate the recovery from the economic downturn.

Funding for renewals and maintenance has also been increased by 50 per cent over the previous 10-year Budget. This includes Watercare's infrastructure budget over the 10 years increasing from $5.7 billion to $9.7 billion. These funding increases will help ensure that future generations of Aucklanders are not left with the consequences of a failure to invest in vital infrastructure, such as we have seen in other cities.

While this budget aims to drive the recovery from COVID-19, we are also looking towards future challenges—in particular those posed by climate change.

Consequently, our package of new climate action adds a further $152 million over 10 years to reduce greenhouse gas emissions and to adapt to the impacts of climate change. This will allow us to immediately cease the purchase of diesel buses and ensure that all new buses in Auckland are low-emission electric or hydrogen vehicles. Millions more trees will be planted as carbon sinks and, with government help, 50 per cent of council's vehicle fleet will be non-carbon emitting by 2030.

We know we will have to do more on climate change, and this budget lays the groundwork for further action in future annual budgets.

To ensure that we can continue to protect and enhance our natural environment and native species, we are extending our Natural Environment and Water Quality targeted rates to 2030/31. We will also increase the Water Quality Targeted Rate in line with general rates rises. This will enable us to extend our focus on improving water quality to areas including the Eastern Isthmus and Manukau Harbour catchments, and extend and increase regional work programmes supported by the Water Quality Targeted Rate.

To fund our record investments in Auckland (including the additional $900 million in the first three years), we will lock in $90 million a year of savings from cost efficiencies, raise $70 million a year for vital assets through the sale of surplus properties, increase borrowing within prudent limits, and maintain our long-term annual average general rates increase at 3.5 per cent, but with a one-off increase of 5 per cent next year.

This is an effective middle ground that finds a balance between the $750 million loss of income due to COVID-19, while ensuring that we maintain the investment necessary to stimulate recovery and make progress to build a world-class city.

The billions invested in this budget will help Auckland and New Zealand pull out of the COVID-19 crisis while addressing transport and traffic congestion, sustaining and enhancing the environment, improving water quality and the resilience of our water supply, building more infrastructure for housing and tackling the threats posed by climate change.

It is a Recovery Budget that will keep Auckland moving.

Hon Phil Goff

Mayor of Auckland

He karere nā te tumu whakarae

Message from the Chief Executive

Aucklanders' needs are continuously changing as the city becomes more diverse. We are living and working in dynamic times and significant trends and impacts are still emerging, many as a result of the impacts of COVID-19. We have learnt through the last 18 months that the implications of COVID-19 won't be limited to 2020 or 2021. That as a consequence of COVID-19, the impacts on the business community and on communities generally will ripple on for potentially many years to come. Auckland is also experiencing impacts that are different to many other parts of the country.

A year ago, we prepared the Emergency Budget based on the immediate impacts of COVID-19 on revenue, public transport, tourism and reduced demand for some of our community and regulatory services. Through that budget, and across the council and Council Controlled Organisations, we took significant steps to reduce costs as well as levels of service in some areas (for example in the activities that support the tourism sector). Together we achieved our $120 million savings target while also delivering more efficiently important community and council services. While some of the COVID-19 impacts on service demand have continued, other areas, such as demand for regulatory services, rebounded to exceed pre-COVID-19 levels reflecting the large number of infrastructure and housing developments still shaping our city. This has put pressure on our services.

Our communities, partners and businesses are also under unprecedented pressure. There's an expectation on council to make sure we are doing the things that are necessary for our communities, doing them well, and not encumbering ourselves with services for which there are better providers and solutions in the market. Understanding current and future service demands is also timely given the significant government reform programme.

Central government policy including three waters reform, the framework replacing the RMA, Local Government reforms, the climate agenda and multiple national policy statements – will escalate the need for councils to consider what we need to focus on, what activities may be shifted away from local government, and what that means for our services, partnerships, and workforce.

In every challenge is an opportunity. Our opportunity is to reset our approach and focus on the things that matter most to Aucklanders, and in doing that, look at the systemic change that is needed to deliver those things.

In preparing this 10-year Budget we have struck a balance between the demands created by our growing region, climate change, the impacts of the COVID-19 pandemic on our communities, changing community needs and our ability to finance those demands.

Embedded in the 10-year Budget is an expectation to take more deliberate action to get our family of organisations aligned more effectively and delivering more effective outcomes in the aggregate.

We are very conscious of the role that our services, capital development projects, investments and spending plays in the economic recovery of Auckland. The increased investment of $31.8 billion in capital projects, will not only keep building the infrastructure that current and future Aucklanders will need, but will help create jobs and stimulate the local economy.

We will increase our focus on climate action. While we already have many programmes that tackle our carbon footprint, another $152 million is provided in this budget, along with the acknowledgement that we need to continue to consider the climate change impacts of everything we do.

The way we provide customer and community services is also part of our response to the needs of Aucklanders. The expectations our customers and communities have of us have changed. Providing more choice for people by increasing our digital services, prioritising investment in assets to areas that need them most and putting more focus on supporting Māori-led and community-led services and local partnerships means we have a range of responses that can adapt to local community needs.

We are operating in an environment where there is more economic pressure on us to be sharper and better at delivery of services that support the local government wellbeings than at any other time in our history. We are committed to ensuring our organisation is in the best possible shape to respond to the challenges of this changing environment and the services we provide are effective, efficient and relevant to the needs of Aucklanders.

There is strength in our diversity. By working together, we can continue to leverage Tāmaki Makaurau's potential and create an Auckland we can all be proud of.

Jim Stabback

Chief Executive

Wāhanga tuatahi: He rārangi ō ta mātou Tahua Pūtea Whakarauora

Section one: An outline of Our Recovery Budget

1.1 A snapshot of Our Recovery Budget

OUR STRATEGIC LENSES...

Recovery
Focus on supporting communities and stimulating jobs and economic recovery

Climate Change
Focus on considering climate impacts in everything we do

Māori Outcomes
Focus on opportunities to achieve better outcomes for Māori

Development
Focus on supporting growth in a few key areas

WE NEED TO BALANCE...

Rising investment demand

Rapid growth

Changing community needs and transport demand

Ageing assets

Need to respond to climate change

Need to support recovery

COVID-19 revenue impacts

Existing commitments

Keeping borrowing at responsible levels with enough headroom to deal with future shocks

Considering the overall impact of our proposals on our community

Reduced investment capacity

OUR 10-YEAR PLAN

KEY ISSUE 1

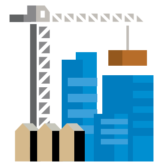
A $32 billion package of capital investment that will enable continued delivery of key services and strong investment in new and renewed assets as well as helping stimulate the economic recovery of Auckland - supported by a mixture of funding mechanisms including rates, borrowings, costs savings and asset recycling. — *see page 8-15 for more info*

KEY ISSUE 2

A climate action package that contributes to the reduction of greenhouse gas emissions and adapting to the impact of climate change.
— *see page 12 for more info*

KEY ISSUE 3

Focusing our **infrastructure support for housing and growth** to a few key areas.
— *see page 13 for more info*

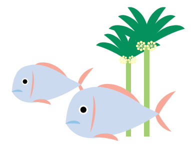


KEY ISSUE 4

Changing the way we deliver **community services to better meet the needs** of our diverse and changing communities.
— *see page 14 for more info*

KEY ISSUE 5

Continuing to make progress with **protecting and enhancing our natural environment** through extension of the Natural Environment Targeted Rate and Water Quality Targeted Rate to 2031 plus increasing the Water Quality Targeted Rate in line with the general rate increase. – *see page 15 for more info.*



OUR FUNDING LEVERS...

$70 million asset recycling target per year

$90 million of ongoing savings

Increased council borrowing in the short term

A one-off 5 per cent increase in average general rates

Ngā take matua
1.2 Key issues

1.2.1 Key issue 1 — Finding the balance

In this 10-year Budget we have had to find a balance between all of the pressures that need addressing and would require us to make more investment, and all of the financial pressures that limit our ability to make these much needed investments.

A bit more detail on these challenges follows:

a) Rising investment demand

Auckland continues to rapidly grow and change. We face some major challenges in relation to climate change and the degradation of our natural environment. We also need to look after all Aucklanders and ensure that we provide assets and services fairly.

i. Rapid growth
Auckland's population continues to increase and is expected to reach over 1.9 million by 2031. This means we need to provide services to more people.

More people also puts pressure on housing supply and housing affordability. While we do not build houses, we need to do our part to ensure there is enough infrastructure (such as roads, water pipes, public transport, parks, and community facilities) to accommodate growth.

We also need enough infrastructure to support new business developments, as more people will need places to work and do business. As Auckland grows, we will also need to spend more to mitigate the impacts of growth on the natural environment and the health of our waterways.

ii. Changing needs
Auckland is one of the most diverse cities in the world. It is a mix of different ethnicities, sexualities, gender identities and age-groups. It includes those that face accessibility issues.

Many community services and facilities that we currently provide were introduced when our communities were less diverse. We need to continually adapt our services to meet the changing needs of our communities.

iii. Transport demands
Traffic congestion has a big impact on the Auckland economy. The benefits of decongesting Auckland's transport network have been estimated to be between $900 million and $1.3 billion per year (approximately 1 to 1.5 per cent of Auckland's GDP). A recent business survey found that 33 per cent of respondents now view traffic congestion as the main obstacle to growth and operations, up from just 5 per cent four years ago.

Auckland has a serious problem with road deaths and injuries. In 2020 alone, 37 people died and 489 people were seriously injured on our roads.

At the same time, transport related emissions accounted for about 44 per cent of Auckland's total emissions in 2016. Between 2007 and 2017, on-road transport emissions increased by about 9 per cent.

Substantial investment is needed in Auckland's transport network to address these issues and continue to provide more transport choices for Aucklanders.

Auckland's diversity:

180 = approximate number of ethnicities and **175 languages**

Almost a quarter of Māori live in Auckland (26.9% increase in the number of Māori living in Auckland)

28.2% (proportion of Aucklanders who identify with an **Asian** ethnicity) up from 23.1%

15.5% of Aucklanders who are of **Pacific** ethnicity (25.1% increase)

The number of older Aucklanders (those aged 65 and over) continues to increase over time, **up 13.0 per cent since 2013**. This is expected to approximately double in the two decades from 2018, reaching a total of 400,000 by 2038.

Disability – one in five Aucklanders were identified as disabled in the 2013 Disability survey.

Source: 2018 Census of Population and Dwellings, Statistics New Zealand

iv. Looking after our assets
Updated information on our existing infrastructure has identified the need to increase spending to maintain, repair or replace many of these assets. This additional investment is important to protect our assets and reduce the risk of infrastructure failure.

The timing of this spending is important. If we wait too long, the risks may become unacceptable and long-term costs could rise dramatically.

v. Responding to climate change
In June 2019 we declared a climate emergency reflecting the threat that climate change poses to our economy, environment, and way of life.

This was followed in June 2020 by Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan, which sets out a plan for the region to:

- reduce greenhouse gas emissions by 50 per cent by 2030
- reach net zero emissions by 2050
- create a pathway to prepare for the impacts of climate change.

While we are already doing a lot of work tackling emissions, more investment will be needed to play our part to help meet these regional goals. More investment will also be needed to make our infrastructure more resilient to the effects of climate change such as rising sea levels and more frequent extreme weather events.

vi. Supporting recovery
Investing in capital projects is a major way that we can support the local economy. Making sure we put our money in the right places at the right time is key to providing jobs and economic stimulus for our recovery.

b) Reduced investment capacity

While responding to the above challenges is important, our financial ability to respond is limited. The key factors that limit our ability to spend additional money are set out below.

i. COVID-19 revenue impacts
COVID-19 is having a significant impact on our revenue. This includes revenue reductions from Ports of Auckland, public transport, conventions and stadiums, and dividends from Auckland International Airport Limited. This has been made worse by reduced revenue from water use due to drought related water restrictions and other reductions in revenue from across the council group.

While the situation with COVID-19 and its economic impacts is still highly uncertain, the latest projections are that cash revenue for the council group will be around $750 million less over the four-year period from July 2020 to June 2024, compared to the pre-COVID projections. Our latest scenario modelling has indicated that if the COVID-19 impacts are more severe and last longer than currently projected, the revenue reduction could be as large as $1 billion during that same period.

Because our ability to borrow is dependent on our income, this projected reduction in income has a substantial impact on our ability to invest in Auckland over the next few years.

ii. Existing commitments
In April 2019, we decided to budget for an additional $500 million of investment in the City Rail Link to future- proof growth and allow an appropriate level of contingency. In July 2020, we had to fund $224 million of new water supply spending to respond to Auckland's drought.

These commitments have reduced our flexibility to spend in other areas. Other contractual commitments we have made to large, multi-year projects like the Central Interceptor and Eastern Busway have also contributed to this.

iii. Need to keep borrowing at responsible levels
We use debt to fund new capital investment as a fair way to spread the cost over future Aucklanders who will benefit from that investment.

Our debt limit ensures that our financial position stays prudent and sustainable over time. We need to be careful that we don't increase debt to a level that overly burdens future ratepayers, or adversely affects our credit ratings. A lower credit rating would reduce our ability to borrow money when we need it and increase the cost when we do.

While the debt limit ensures we stay prudent, it constrains our ability to invest in our strategic projects. The impact of COVID-19 has made this worse in the short-term due to the impact on our revenue.

In May 2020 we agreed that it would be prudent, under the circumstances, to temporarily depart from our normal financial policy settings. Our rating agencies have indicated that we have some capacity for higher debt levels, they have also indicated that if we moved to those higher settings we would need to be careful with our interest cost levels, annual cashflow and the flexibility in our capital programme. We also need to consider how much headroom we should retain to be able to respond to any future shocks.

iv. Impacts of our decisions on the community
We are very conscious of the costs of our decisions on ratepayers and the community as a whole. While there is ongoing pressure to spend more and little appetite to reduce service levels, we know we cannot impose significant costs on the community through large rate increases and major increases to fees and charges.

c) Finding the right balance

In finalising this 10-year Budget we have worked to balance the pressures to spend more with the reduced capacity to fund those pressures. This budget provides for a $31.8 billion capital expenditure programme, which will not only keep Auckland running at the level people have

		10-YEAR BUDGET 2018-2028	10-YEAR BUDGET 2021-2031
Transport	▲	$11.97b	$12.65b
Water, wastewater and stormwater	▲	$7.08b	$11.14b
Parks and community	▲	$3.70b	$4.56b
City centre and local development	▼	$1.28b	$1.17b
Economic and cultural development	▲	$0.40b	$0.55b
Environmental management and regulation	▲	$0.15b	$0.18b
Council support	▼	$1.63b	$1.57b
TOTAL INVESTMENT ($ BILLION)		$26.20b	$31.80b

become used to but will also continue to build for the future. This level of investment is greater than ever before despite the difficult financial circumstances that we face in the short term.

In order to maintain a high level of investment in the face of the impacts of COVID-19 on our revenues we have had to utilise four key funding levers:

- Average general rates will increase by 5 per cent in year one of the 10-year Budget. Without this increase, $900 million of capital expenditure would have had to be deferred from the first three years of the budget. The average general rates increase will return to 3.5 per cent for subsequent years.
- Council debt will increase in the short term but then gradually reduce to below the 270 per cent debt to revenue ratio which we consider to be a more prudent level.
- We will recycle around $400 million of surplus assets to reinvest in more critical infrastructure.
- As well as increasing our revenue and debt, a target of $90 million per annum of cost savings have been included in this budget.

For more information about our 10-year Budget package see Section 1.3 of this Volume and the Financial Strategy found in Section 1.3 of Volume 2.

d) Our recovery budget

This 10-year Budget and, in particular, the level of investment will also play an important part in Auckland's recovery from the COVID-19.

Stimulating jobs through capital investment
COVID-19 has led to considerable job loss and displacement of workers and already disadvantaged groups are disproportionately impacted. Council's capital programme is our best means of creating jobs and we have a supporting role in helping our communities upskill, working alongside others.

Over the 10 year period we will be spending $31.8 billion on capital projects, with $8.8 billion of this in the first 3 years This is a huge injection into the Auckland economy, creating significant direct and indirect employment as new assets are created and existing assets are renewed. This investment will not only ensure that we keep providing assets and services to Aucklanders as the city grows but will also significantly assist Auckland's economic recovery from the pandemic.

Supporting our communities to be strong and resilient
Key impacts of COVID-19 on our communities include increased levels of stress, physical and mental health challenges, and increasing deprivation in areas that are already worse off in comparison to other parts of Auckland. Council's strength is our ability to create opportunities for communities to come together through the services and physical spaces we provide. We are focusing on tailoring services to communities of greatest needs and building community resilience, so we recover stronger together.

Assisting businesses to recover and grow
Many businesses are struggling from the disruptive impacts of COVID-19, including border closures and the loss of revenue. We are now looking to the future to enable more sustainable business models through attracting investment and the right skills into Auckland. We will also continue to support the economy through our town centre programmes and visitor attraction activities.

1.2.2 Key issue 2 Climate Change action

As indicated in Section 1.2.1, climate change is one of our major challenges and has resulted in Council declaring a climate emergency and adopting a climate plan (Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan). The regional goals set out in this plan are to:

- Reduce greenhouse gas emissions by 50 per cent by 2030
- Reach net zero emissions by 2050

Many of our existing programmes play a role in reducing our emissions e.g. investment in walking and cycling infrastructure, increased support for public transport, planting in parks, wetlands and on roadsides, reduction in waste to landfill.

In addition to these ongoing commitments, in this 10-year Budget there has been specific recognition of the need to focus on our role in reducing emissions and adapting to climate change, so funding ($152 million) has been provided for a specific package of actions. This package will include;

- planting 200 hectares of native forest in our regional parks
- all new buses will be electric or hydrogen powered from 2021
- planting 11,000 more street trees
- progressing towards making Queen Street valley a zero-carbon zone
- increasing our zero-waste resource recovery network.

As well as trying to reduce our impact on climate change through reducing emissions, we also have to prepare for the consequences of existing changes in weather patterns and rising sea levels driven by climate change. As we build new assets, or renew existing ones, we are ensuring that resilience is built into our infrastructure networks. Work is underway to improve the planning for coastal change and to respond to natural hazards and extreme weather events.

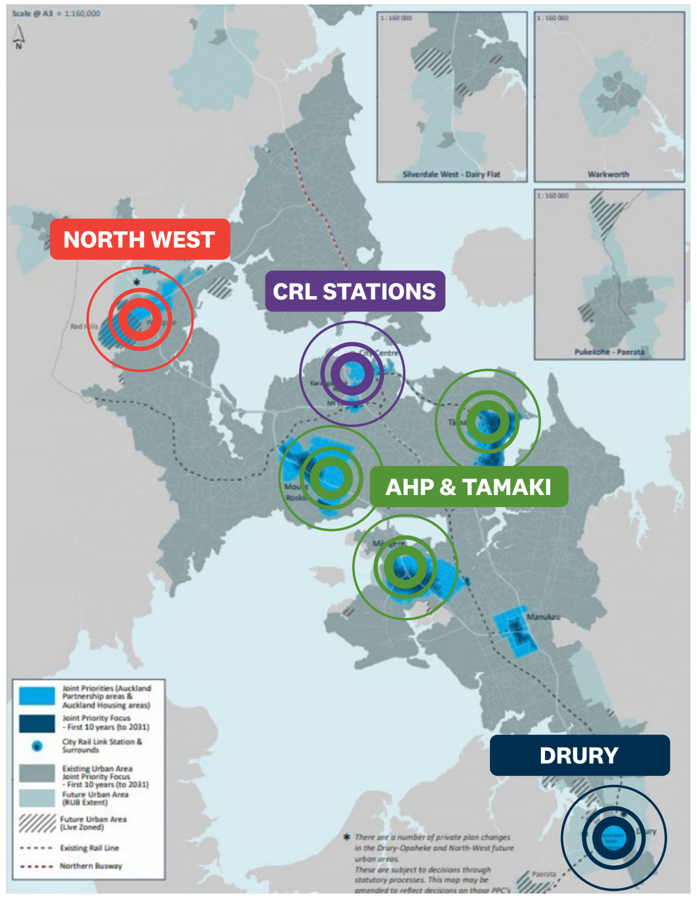
While we are making progress to tackle climate impacts through these investments, we recognise there is much more we need to do to help meet the regional emission goals and build resilience to the climate change impacts on our infrastructure. Council has an important role to play in both of these areas, but we cannot do it alone. Reducing emissions and building resilience are goals that we need to work towards in partnership with government, businesses and communities.

1.2.3 Key issue 3 Focus on supporting growth in a few key areas

Despite the uncertainty arising from COVID-19, Auckland's population continues to grow rapidly. The demand for new infrastructure is rising while there is a growing need to look after our existing roads, water pipes, public transport, parks and community facilities. The Development Strategy and Auckland Unitary Plan encourages a more compact city which uses infrastructure more efficiently.

The council has major and smaller projects underway across the region to support the ongoing growth of Auckland. However, the capacity to support growth is not unlimited and in this 10-year Budget we had to prioritise. We have identified a few key locations to focus our limited resources. These are all joint priority areas agreed with government and include:

- Auckland Housing Programme (Mt Roskill, Oranga, Mangere, and Northcote) & Tamaki
- North West (including Red Hills, Whenuapai and Westgate)
- Drury (a new community providing housing and employment opportunities)
- CRL Stations (Mt Eden and Karangahape).



Over $2 billion of infrastructure spend will go into supporting these growth areas (excluding CRL) and, based on our modelling, we expect this to help support growth over the next 10 years as follows:

	HOMES	JOBS	PEOPLE	COUNCIL INVESTMENT
AHP and Tamaki	9,300	2,800	27,400	$733m
Northwest	5,100	8.100	13,600	$981m
Drury	4,000	1,500	10,500	$475m

1.2.4 Key issue 4 Providing community services differently

Councils have traditionally provided community services through building community assets and delivering services through those. This means that Auckland now has a large network of community facilities, many of which are aging and require significant renewal investment. Auckland's population continues to grow and become increasingly diverse. The needs of our communities are changing over time. We need to become more adaptable in how we provide community services to keep up with these changing needs.

This 10-year Budget has provided an additional $900 million of investment in community facilities, with a significant proportion of this being for renewals. However, our ageing asset base will demand increasing levels of investment and this is not financially sustainable. We have decided to do more in using alternative ways of delivering services, through partnerships and digital channels and multi-use facilities. These are less dependent on having a large number of community assets.

Over time, implementation of this new approach will see us sell aging community assets that are not fit for purpose and reinvest in services and facilities that better meet the needs of our communities. We propose to do this by working with our local boards who understand the specific needs of their local communities. Moving fully to this new approach will take time. In the next three years users of our services will not see any significant changes to existing services but we will be adding improved and integrated digital services.

In the meantime, $65 million of the extra funding is provided in the first three years to address the highest priorities for community services and facilities. This would provide a level of renewals to safeguard our facilities from asset failure and will support high-priority growth projects such as the Scott Point sustainable sports park and the Flatbush combined library, community and arts centre at Ormiston. It will also:

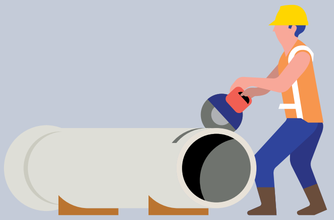
- provide new neighbourhood space in greenfield areas
- support Kāinga Ora developments, sports park investments in areas of greatest need
- allow for progress on coastal protection areas such as the Orewa Seawall.

1.2.5 Key issue 5 Natural environment and water quality programmes

In 2018 we introduced two new targeted rates to enable us to provide additional, specific funding addressing concerns with our degrading environment and poor water quality in our streams and harbours. These targeted rates would have expired in 2028 so we have extended them to 2031 to enable us to keep working on the programmes and projects that are already making a difference. In addition, we have increased the water quality targeted rate in line with the general rate increase to enable major construction projects to commence six years earlier. The additional funding provided by these targeted rates will:

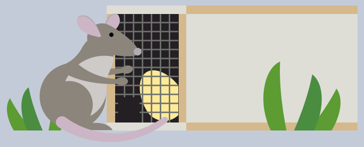
WATER QUALITY TARGETED RATE (ADDITIONAL $256 MILLION)

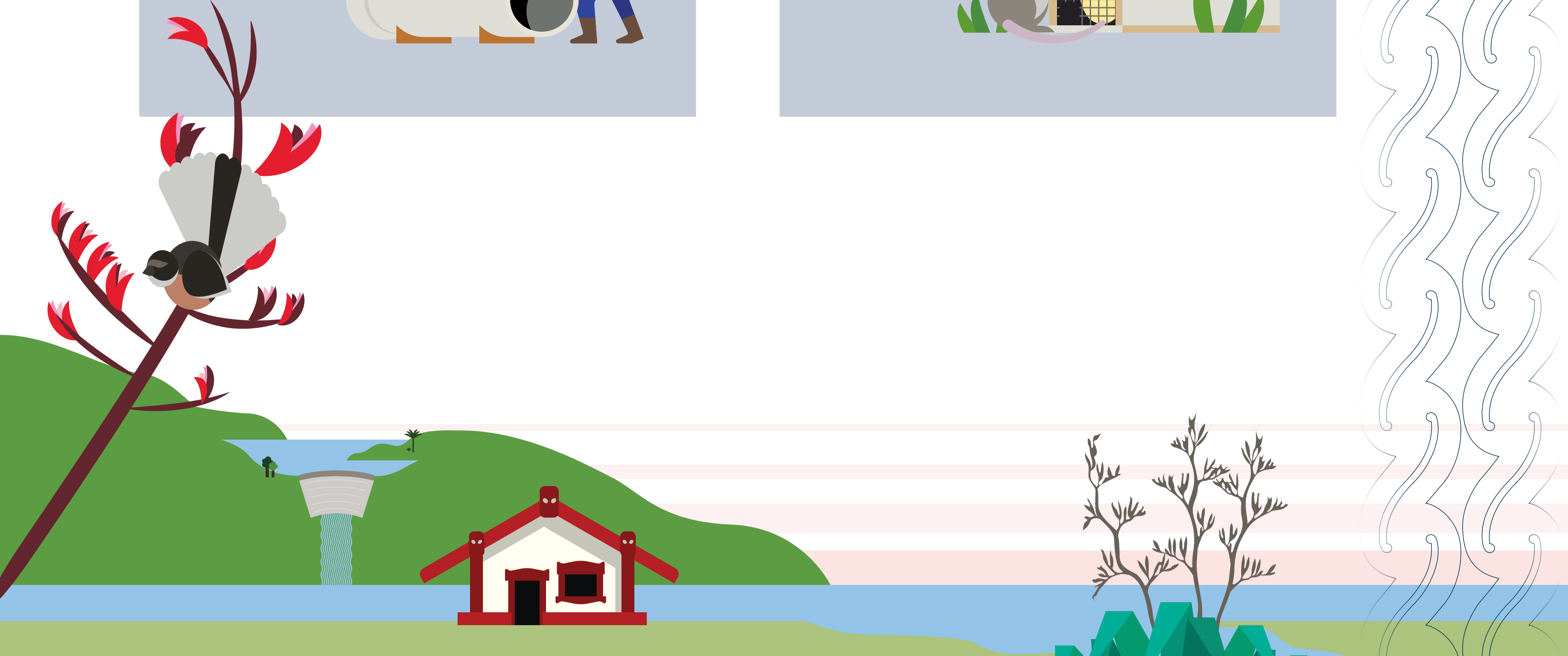
- Deliver improved water quality in:
  - Manukau Harbour
  - Tamaki Estuary
  - Beaches between Parnell and Glendowie
  - Wairau Estuary.
- Fund additional litter trap projects across the region to:
  - Remove contaminants
  - Improve water quality.



NATURAL ENVIRONMENT TARGETED RATE (ADDITIONAL $107 MILLION)

- Maintaining momentum with existing programmes to protect native species
- Further funding to continue to address kauri dieback
- Continue to deliver programmes addressing predator and weed control.





1.2.6 Focusing on better delivery of Māori Outcomes

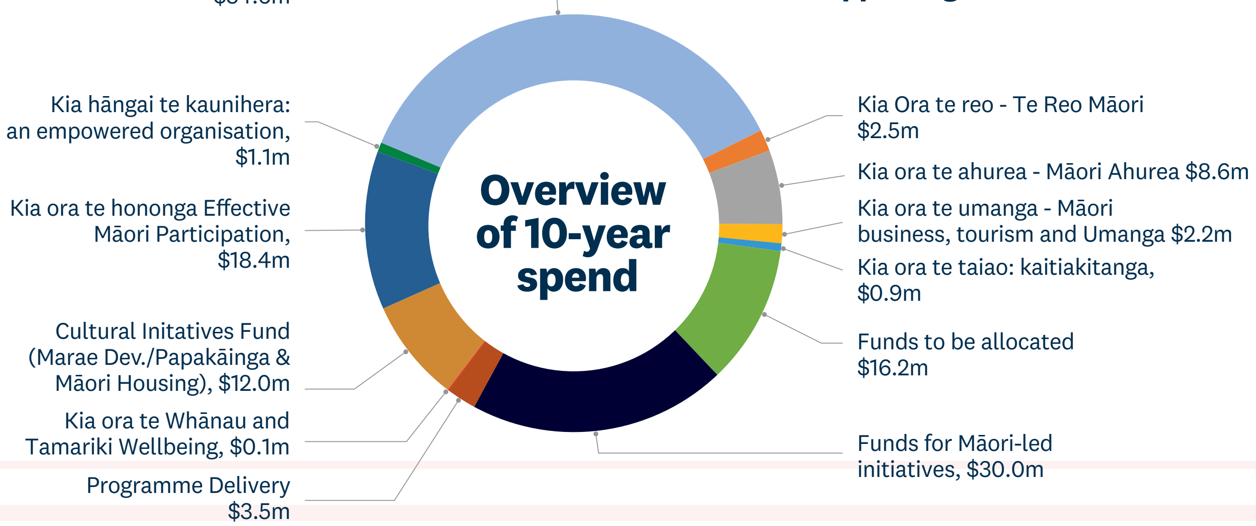
Kia Ora Tāmaki Makaurau is the framework we use to measure our delivery performance on the strategic priorities that have been identified by Māori. We focus on opportunities to achieve better outcomes for Māori through our investment decisions, with the involvement of mana whenua, iwi and Māori community entities.

The ongoing effects from the COVID-19 pandemic and potential changes to the operating environment for local government will require us to adapt how we deliver these outcomes. Underpinning the approach going forward will be working in partnership across all levels of government and the community to access funding and support for new ways of delivering. Our commitment to delivering for our Māori communities is with a 'by Māori for Māori' approach and opportunities to do that will be a focus. Specific funding has been identified across the 10 years to deliver on Māori outcomes within the key activity areas of council. Focusing funding on Māori-led initiatives supports the development of new and innovative ways to deliver outcomes.

Our long-term priorities and **mana outcomes**

Papakāinga and Māori Housing **Kia Ora te Kāinga**	Māori Business Tourism and Employment **Kia Ora te Umanga**
Whānau and Tamariki Wellbeing **Kia Ora te Whānau**	Realising Rangatahi Potential **Kia Ora te Rangatahi**
Marae Development **Kia Ora te Marae**	Kaitiakitanga **Kia Ora te Taiao**
Te Reo Māori **Kia Ora te Reo**	Effective Māori Participation **Kia Ora te Hononga**
An Empowered Organisation **Kia Hāngai te Kaunihera**	Māori Identity and Culture **Kia Ora te Aurea**

In this 10-year Budget $150 million has been allocated to supporting Māori Outcomes



Ō mātou mahere
1.3 Our plan

1.3.1 Our strategic lenses

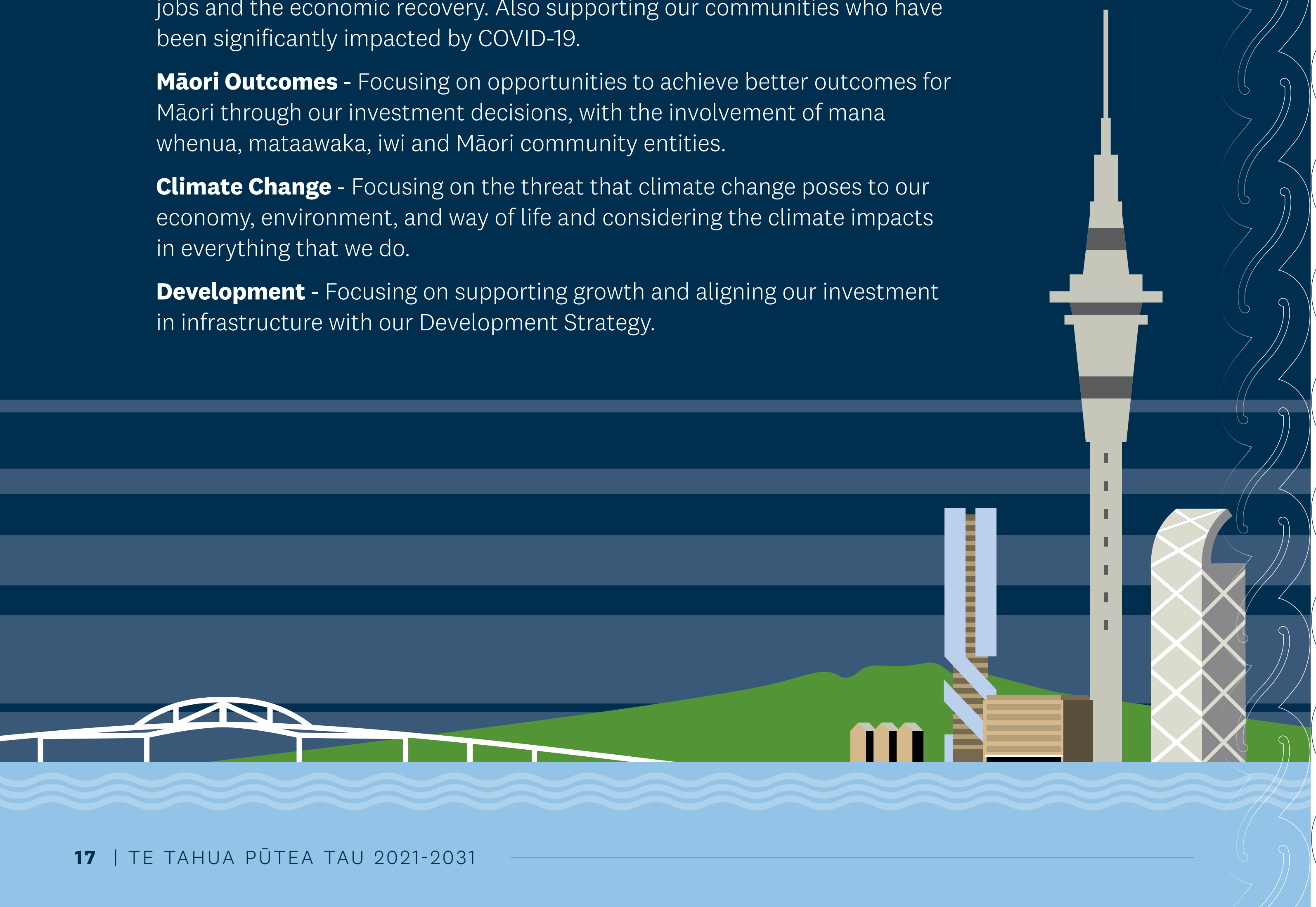
Finding the right balance in this 10-year Budget was difficult and it was important that we focused in on what we were trying to achieve in the next 10 years, with a particular view on the current environment. We came up with four focus points, or "lenses", through which we could view every part of our plan and all our decisions to ensure that they were addressing these critical issues and leading to the longer term outcomes we want to achieve.

Recovery - Focusing on supporting communities and stimulating jobs and economic recovery through our capital investment to stimulate construction, jobs and the economic recovery. Also supporting our communities who have been significantly impacted by COVID-19.

Māori Outcomes - Focusing on opportunities to achieve better outcomes for Māori through our investment decisions, with the involvement of mana whenua, mataawaka, iwi and Māori community entities.

Climate Change - Focusing on the threat that climate change poses to our economy, environment, and way of life and considering the climate impacts in everything that we do.

Development - Focusing on supporting growth and aligning our investment in infrastructure with our Development Strategy.



1.3.2 What we will deliver

Following is a high-level snapshot of what we will be delivering under each of our activity themes. The key challenges for each activity theme along with the main responses included in our 10-year Budget are outlined. More detail on these activities can be found in Volume 2 Section 2 – Our Activities.

Transport

KEY AREAS OF SPEND	CAPITAL SPEND	OPERATING SPEND	HOW OPERATING COSTS ARE FUNDED	RATES VALUE PER $100
	$12,645m	$19,635m	55% Other, including fees and charges; 45% Rates	31

What we do:
Auckland Transport is responsible for building and managing our network of local and arterial roads, footpaths, cycleways, bridges, carparks and culverts. They also provide public transport services across the rail, bus and ferry networks.

The challenges:

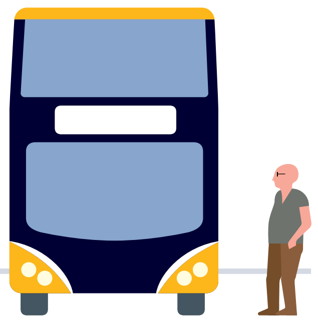
- **Growth** – transport infrastructure is a key enabler of growth and there is major pressure for investment in both greenfield and brownfield development areas
- **Congestion** - The benefits of decongesting Auckland's transport network have been estimated to be between $900 million and $1.3 billion per year (approximately 1 to 1.5 per cent of Auckland's GDP)
- **Safety** - Auckland has a serious problem with road deaths and injuries. In 2020 alone, 37 people died and 489 people were seriously injured on our roads.
- **Climate change** – Transport-related emissions accounts for about 44 percent of Auckland's total emissions.

Our plan:

- **Focus areas for growth** – as outlined in Section 1.2, we are focusing our support for growth into a few key areas and new transport infrastructure will align with this.
- **Improving network capacity and performance** – we are working to look after and improve the existing network including projects such as traffic light optimisation, improvements to significant traffic corridors and freight network improvements
- **Improving public transport** – significant investment is planned for the 10 years across the bus, rail and ferry networks
- **Investing in safety** – reducing transport related harm is a key focus for the 10 years with a number of projects targeted at safety improvements.
- **Increasing active transport** – our transport investment will include ongoing expansion of the walking and cycling network.
- **Reducing emissions** – all new buses purchased from 2021 will be electric or hydrogen powered.

Regional Fuel Tax:

In 2018 we introduced a Regional Fuel Tax (RFT) of 10 cents per litre (plus GST) on sales of petrol and diesel in the Auckland region. This funding, along with matching Waka Kotahi funding is enabling a significant ramping up of investment in transport in Auckland. Some minor changes are forecast for the projects supported by the RFT following government announcements of other funding sources for previously included projects.



Water, wastewater and stormwater services

KEY AREAS OF SPEND	CAPITAL SPEND	OPERATING SPEND	HOW OPERATING COSTS ARE FUNDED	RATES VALUE PER $100
	$11,136m	$10,407m	83% Other, including fees and charges; 17% Rates	9

What we do:
Watercare Services Ltd is responsible for delivering high quality drinking water to households and businesses, and the removal and safe discharge of wastewater. They build and maintain significant infrastructure assets to provide these services. The Healthy Waters department of Council builds and maintains the infrastructure and services that manage the stormwater runoff entering our streams and harbours.

The challenges:

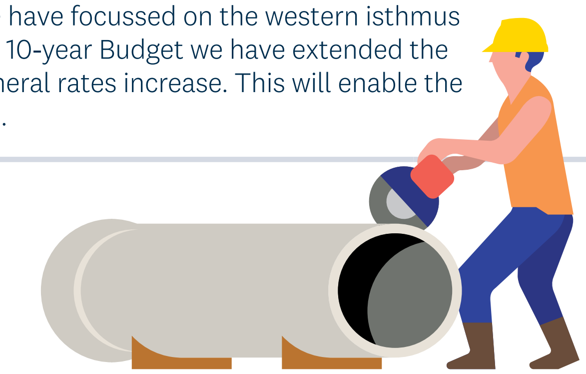
- **Growth** – water infrastructure is a key enabler of growth and there is major pressure for investment in both greenfield and brownfield development areas.
- **Drought impacts on water supply** – lower than average rainfall when added to population growth has meant ongoing water supply was restricted for several months. Existing supply levels need to be supplemented to provide resilience.
- **Contamination of streams and beaches** – storm events result in contamination of streams, beaches and harbours across Auckland.
- **Climate change** – droughts and severe storms create issues for both water supply in drought conditions, and for our wastewater and stormwater infrastructure in heavy rainfall events.

Our plan:

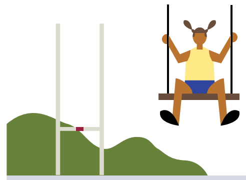
- **Focus areas for growth** – as outlined in Section 1.2, we are focusing our support for growth into a few key areas and new water infrastructure will align with this.
- **Investing in additional water supply** – Watercare has brought forward its plan for supplementing Auckland's water supply with additional take from the Waikato River as well as upgrading some local reservoirs.
- **Improving water quality** – Major projects such as the Central and Northern Interceptors will see sewage removed and treated that would otherwise flow into the harbours. A range of other projects will remove contaminants from stormwater and restore streams and surrounding environments to improve water quality.
- **Building resilience** – improving the reliability of our network and ensuring that as new infrastructure is built it will take into account the changing impact of weather events and the need to provide resilience during natural disasters.

Water Quality Targeted Rate:

The previous 10-year budget accelerated actions to improve our water quality funded by the Water Quality Targeted Rate. It has already funded work such as contributing $10 million towards a six-year clean-up of the Kaipara Harbour and has allowed us to re-open five beaches that were previously closed because of public health concerns. We have focussed on the western isthmus where the worst wastewater overflows have been. In this 10-year Budget we have extended the targeted rate to 2031 and increased it in line with the general rates increase. This will enable the water quality projects to extend further across Auckland.



Parks and Community

KEY AREAS OF SPEND	CAPITAL SPEND	OPERATING SPEND	HOW OPERATING COSTS ARE FUNDED	RATES VALUE PER $100
	$4,561m	$10,176m	10% Other, including fees and charges; 90% Rates	33

What we do:
Auckland has a significant network of parks, libraries, swimming pools, recreation centres, arts and culture facilities and other community spaces. Council builds and maintains these facilities and provides a wide range of activities and events to communities. Council also works to maintain coastal assets and prevent beach erosion. We also support a number of co-governance entities, including Tūpuna Maunga o Tāmaki Makaurau Authority.

The challenges:

- **Growth** – community facilities are not typically an enabler of growth but tend to be built as the community grows and expects a wider range of services. The ongoing growth of Auckland is creating more demand.
- **Ageing assets** – we have approximately $4.7 billion of buildings and built assets across our network. Many of these are ageing and utilisation is declining. Maintaining the full network of these facilities is not financially sustainable.
- **Changing needs** – Auckland's communities are not only growing but those communities, and their needs, are becoming more diverse.
- **Climate change** – our parks network has an important part to play in the mitigation of emissions from other activities. We need to make sure that the way we manage our parks promotes the best climate outcomes.

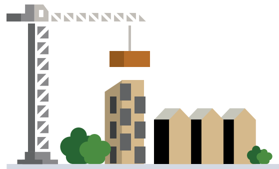
Our plan:

- **Focus areas for growth** – as outlined in Section 1.2, we are focusing our support for growth into a few key areas and our expenditure on new community facilities, as well as some renewal expenditure, will support that approach.
- **Changing delivery** - we are planning to do more with alternative ways of delivering services, through partnerships and digital channels and multi-use facilities. These are less dependent on having a large number of community assets.
- **Additional investment in the short term** – an additional $65 million has been provided over the first three years to address the highest priorities for community services and facilities. This safeguards our facilities from asset failure and supports high-priority growth projects
- **Divesting ageing assets in the long term** – over time we will sell aging community assets that are not fit for purpose and reinvest in services and facilities that better meet the needs of our communities.
- **Increased plantings in regional parks** – a key action in our climate change package is the planting of 200ha of native forest in our regional parks.

Implementing the change in service delivery:

The change in delivery approach with more on-line services and working in partnership with others will be piloted in the first three years of this 10-year Budget. While the delivery mechanism may be different there are no planned changes to levels of service.

Centres development

KEY AREAS OF SPEND	CAPITAL SPEND	OPERATING SPEND	HOW OPERATING COSTS ARE FUNDED	RATES VALUE PER $100
	$1,165m	$1,485m	34% Other, including fees and charges; 66% Rates	4

What we do:
Planning and delivering the development of Auckland city centre and town centres across the isthmus is the focus of this activity. Panuku Development Auckland is our key delivery agency but we also work with in partnership with central government agencies and private developers.

The challenges:

- **Growth** – Auckland's population continues to grow rapidly. The demand for new infrastructure is rising while there is a growing need to look after our existing roads, water pipes, public transport, parks and community facilities. In this 10-year Budget there is not enough investment capacity to support all of the potential growth areas.
- **Climate change** – transport contributes 43.6 per cent of Auckland's production emissions and travelling around the region for work and recreation are significant contributors to this.

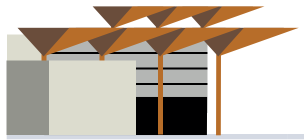
Our plan:

- **Focus areas for growth** – we have prioritised a few key locations to focus our limited resources:
  - Auckland Housing Programme &Tamaki (joint priority areas agreed with government)
  - North West (growth around Red Hills, Whenuapai and completion of the Westgate business and residential land)
  - Drury (a new community – centres and residential close to employment opportunities and rail)
  - CRL Stations (Mt Eden and Karangahape)
- **Compact city** – the Development Strategy and Auckland Unitary Plan encourages a more compact city which in turn reduces the need to travel. We also ensure that provision for walking and cycling is incorporated in our planning.
- **Queen Street valley** – our climate change action package provides funding for progressing towards creating a zero-carbon zone in the Queen Street valley.

City Centre Targeted Rate:

The City Centre Targeted Rate has been extended to 2031 which will provide an extra $157.7 million to redevelop and enhance the city centre.

Economic and Cultural development

KEY AREAS OF SPEND	CAPITAL SPEND	OPERATING SPEND	HOW OPERATING COSTS ARE FUNDED	RATES VALUE PER $100
	$554m	$2,746m	41% Other, including fees and charges; 59% Rates	6

What we do:
Auckland Unlimited supports the economic and cultural development of Auckland by making it an attractive place to visit and do business. They are responsible for the management of our major regional facilities such as the zoo, art gallery, sports stadiums and the Aotea Centre. They also support the visitor economy through major events and, working in partnership, the wider economy through business attraction, skills development and job creation.

The challenges:

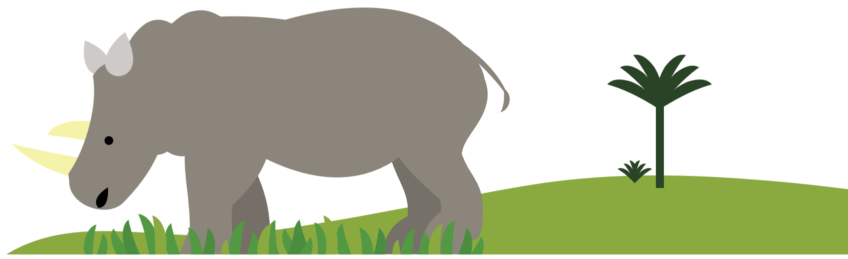
- **Growth** – COVID-19 has led to considerable job loss and displacement of workers and already disadvantaged groups are disproportionately impacted. Many businesses are struggling from the disruptive impacts of the pandemic, including border closures and the loss of revenue.
- **Ageing infrastructure** - A key issue in the 10-year budget has been the level of investment required to maintain our regional facilities. Previous under investment has meant that without an injection of additional funding many of these facilities could face closure due to health and safety concerns.

Our plan:

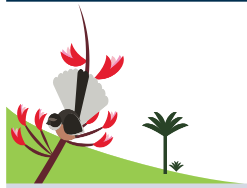
- **Focus areas for growth** – in addition to council's $31.8 billion capital programme, which will stimulate the economy and create jobs, Auckland Unlimited will continue its activities in stimulating the visitor economy with major events such as the FIFA Womens World Cup. Work will also continue at the local level to build business confidence and opportunities and skills development
- **Additional investment in renewals** – an additional $182 million of renewal funding has been provided to ensure the ongoing viability of key regional facilities.

Accommodation Provider Targeted Rate:

The Accommodation Provider Targeted Rate (APTR) recovers a proportion of visitor attraction and major events spending from owners of properties such as motels, hotels and Airbnb properties. In the Emergency Budget 2020/2021, we decided, in light of the impact of COVID-19, to reduce our spending on visitor attraction and major events and suspend the APTR until 31 March 2021. That suspension of the targeted rate and reduction in expenditure has been extended to 30 June 2022, and will be further considered in the Annual Budget 2022-2023.



Environmental management and regulation



KEY AREAS OF SPEND	CAPITAL SPEND	OPERATING SPEND	HOW OPERATING COSTS ARE FUNDED	RATES VALUE PER $100
	$177m	$5,425m	52% Other, including fees and charges; 48% Rates	10

What we do:
We seek to manage the impacts of human activity on both the natural and urban environments. Our regulatory division consents land development and building activities and monitors compliance with those consents. They also protect the community from health, safety and nuisance hazards. Environmental services work with the community and a range of agencies to protect and restore the natural environment. The waste service operates in both the removal and safe disposal of waste as well as continuing to focus on reducing waste to landfill through reduction, reuse and recycling.

The challenges:

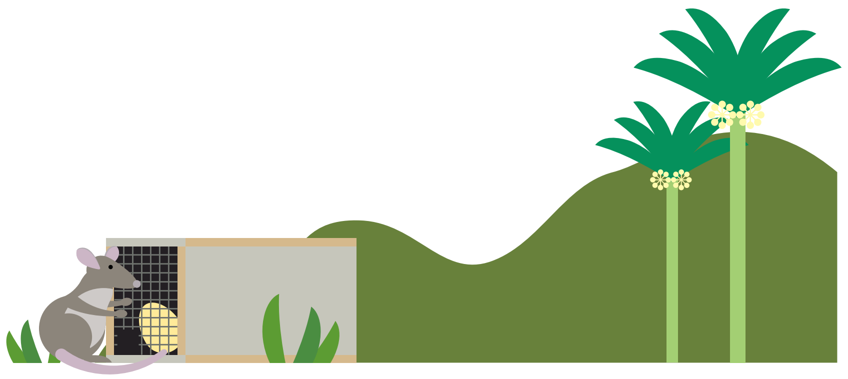
- **A degrading natural environment** – our rapid growth is putting pressure on our environment, along with the spread of pests, weeds and diseases threatening many of our native species. Approximately two-thirds of Auckland's local native species are under threat of extinction.
- **Climate change** – Further pressure will be put on our indigenous species as the effects of climate change are increasingly felt.

Our plan:

- **Investing more in environmental protection** – additional investment in environmental protection has been enabled by the extension of the Natural Environment Targeted Rate. With this funding we can double the number of threatened species we are managing and actively manage pests across 72 per cent of the prioritised eco systems. Protection from pests assists native species in resilience to climate change.
- **Zero waste Auckland** – during this ten-year period we will continue to roll out our food waste service and increase the network of community recycling centres.

Natural Environment Targeted Rate:

The Natural Environment Targeted Rate has funded work to address the spread of kauri dieback disease and tackle pests that are killing our native birds and trees. So far we have opened 60 km of kauri-safe tracks, undertaken pest control on 88,000 ha of reserve and park land and set more than 1,500 traps to eliminate stoats on Waiheke Island. We are extending the duration of the Natural Environment Target Rate from 2028 to 2031. This will provide an additional $107 million allowing us to continue our work in this area.



Council Support

KEY AREAS OF SPEND	CAPITAL SPEND	OPERATING SPEND	HOW OPERATING COSTS ARE FUNDED	RATES VALUE PER $100
	$1,567m	$5,866m	67% Other, including fees and charges; 33% Rates	7

What we do:
A range of other council activities are covered in this area – Mayor, councillor and local board support, corporate functions and Auckland Emergency Management. It also includes the operations of the Ports of Auckland Limited and grants to third parties including Auckland War Memorial Museum, MOTAT and the Auckland Regional Facilities and Amenities.

The challenges:

- **Managing costs** – the escalating costs of a growing Auckland along with reduced revenue as a result of the COVID-19 pandemic have resulted in further pressure to reduce costs.
- **Climate change** – the future impacts of climate change related weather events require the council to take a leadership role in responding.

Our plan:

- **Ongoing review of services, assets and efficiency** – Organisational efficiency and cost savings have been a focus for many years and this 10-year budget has continued with a further $90 million per annum of savings included. We are also recycling some of our assets to improve our ability to invest in new or upgraded infrastructure.
- **Enhancing Auckland's readiness for natural disasters** – Auckland Emergency Management will continue to work with communities to increase their resilience to both natural disasters and the impacts of climate change.

Recycling of assets:

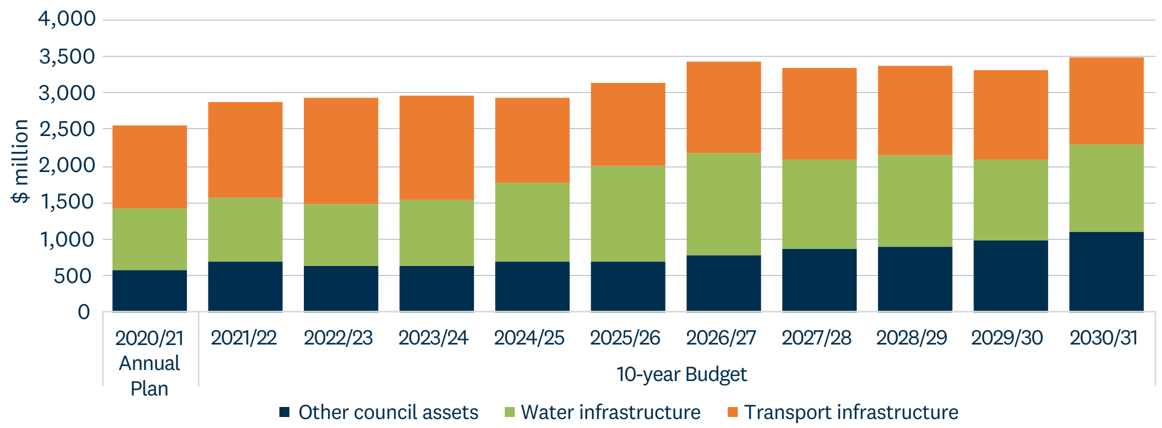
In this 10-year budget we have included increased targets for asset recycling to assist the funding of more critical assets. This means releasing value from surplus, non-strategic assets by selling or entering into long-term lease arrangements for these assets.

FINANCIAL YEAR ENDING 30 JUNE ($ MILLION)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Net proceeds from asset recycling	70	70	70	70	70	60	20	0	0	0

1.3.3 How we will manage our finances

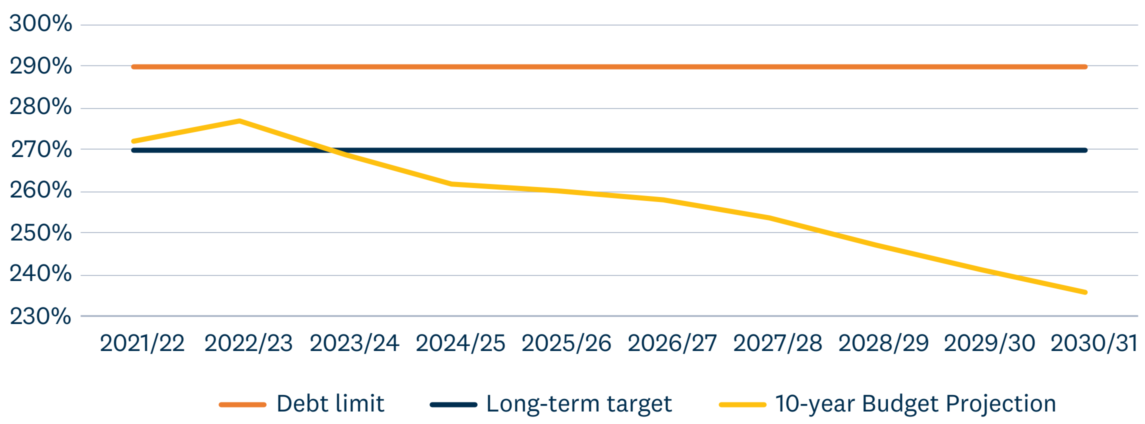
The **capital programme** in this 10-year budget is the largest in the history of Auckland Council. It provides for $31.8 billion to be invested in new and existing assets. Much of this spend is in key infrastructure – transport and the three waters.

Capital investment for Auckland



Debt is a primary source of funding for our capital programme. Debt spreads the cost of assets that have long lives over the generations that will benefit from those assets. Managing the level of our debt is a key consideration and to do this we use a “debt to revenue” ratio to assess how much we can responsibly borrow. The limit we have set for this ratio is 290 per cent, but with a long-term target of being below 270 per cent. Impacts of COVID-19 disruption on our revenue streams have a dual impact on our debt-to-revenue measure, both directly through less cash in the door, and through the impact on our debt levels. In the face of these revenue impacts, we have decided that it is prudent to be above 270 per cent but below 290 per cent in the short term.

Debt to revenue ratio



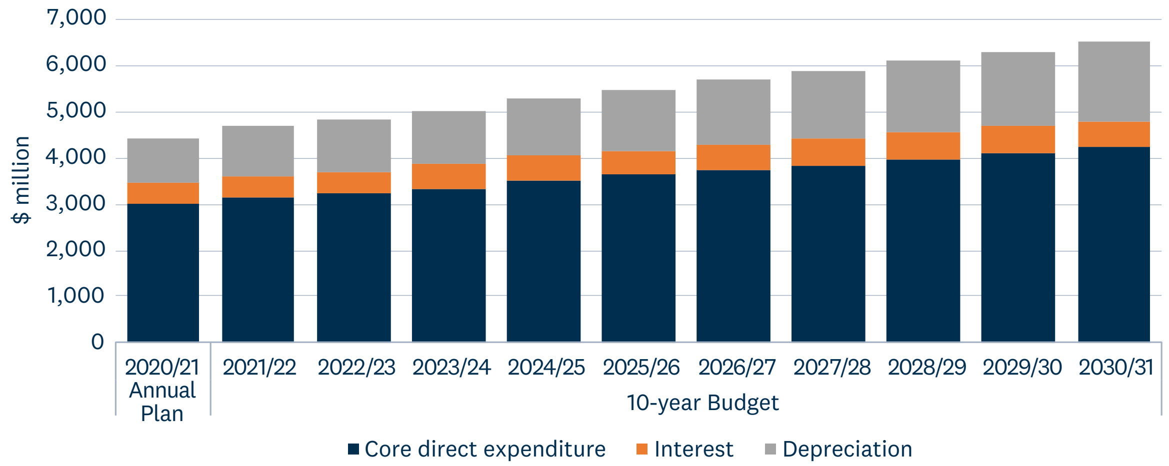
Funding depreciation is another mechanism which enables us to deliver the renewal part of our capital programme. Fully funding depreciation from rates and current revenue would mean that on average, over the long run, we are not relying on borrowing to fund asset replacement expenditure. This represents a sustainable approach.

The legacy councils only funded 63 per cent of depreciation and our previous policy was to progressively move to 100 per cent by 2025. The impacts of COVID-19 disruption on our revenue streams for the first three years of this 10-year Budget have caused us to revisit our existing policy for funding depreciation.

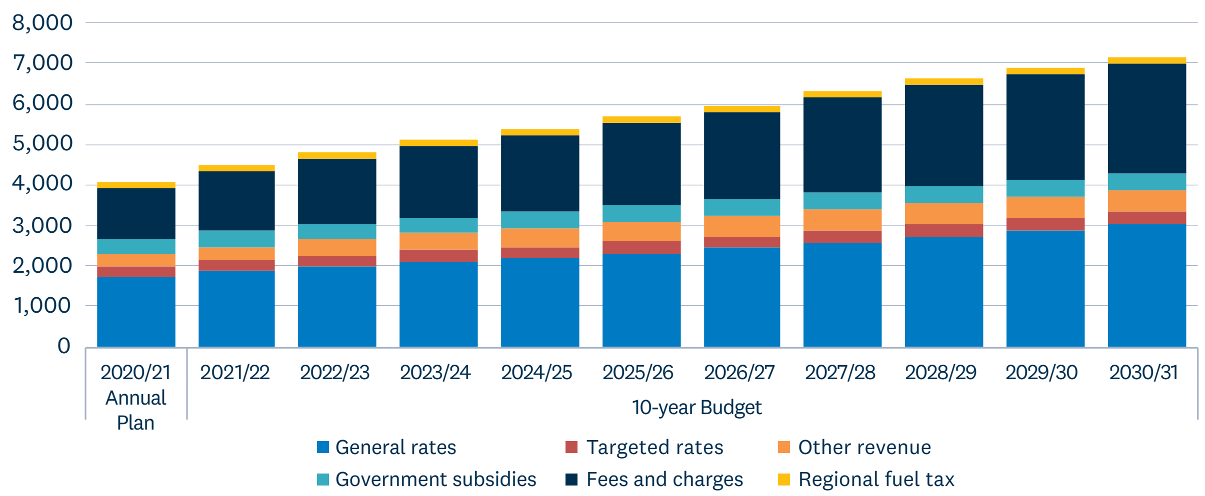
We consider the revenue settings required to achieve 100 per cent funding of depreciation by 2025 would have an unacceptable impact on the community. Given this, we have amended the policy to take three additional years before we are fully funding depreciation (i.e. 2028).

The planned level of capital investment will drive continued growth in our **operating expenditure** from $4.7 billion in 2021/2022 to $6.5 billion in 2030/2031. This includes the interest and ownership cost of new assets. The following charts show the make up of this spend over the next 10 years and the forecast growth in the revenue streams that fund this spend.

Operating expenditure by type



Council's sources of operating funding



Rates (both general and targeted) will continue to be a significant revenue stream and in this 10-year Budget we had to grapple with keeping Auckland moving forward while balancing the overall impact of rates on the community. This was made difficult by the impact that the Covid-19 pandemic had on our other revenue streams. To manage this, we decided to increase general rates by an average of 5 percent as a one-off in 2021/22 and then return to 3.5 per cent thereafter.

We also made changes to our rating policy in areas such as:

- expanding the urban rating area (the area that pays urban rather than rural rates) to reflect city growth with the change in rates for properties moving from rural to urban to be phased in over 3 years
- Suspending the Accommodation Provider Targeted Rate until 30 June 2022 and making a commensurate reduction in visitor attraction and major events expenditure
- Introducing an Electricity Network Resilience Targeted Rate - a targeted rate of $10.5 million per year (plus annual inflation) on Vector to fund enhanced management of trees around the Vector overhead power lines improving safety around power lines and the security of supply.

Full detail on rating changes can be found in Volume 2 Section 3.0 Policy Overview.

1.3.4 An uncertain future

This 10-year Budget has been prepared in a period of high uncertainty. It is based on the best information and assumptions we had available at the time. However, given this uncertainty it is important that we continue to closely monitor the wider environment and our own financial settings.

One of the highest uncertainties is the ongoing COVID-19 pandemic and its impact on our revenues. How the economy responds and the potential impact on inflation and interest rates all contribute to this uncertainty.

Other potential major impacts will come from the government's programmes of reforms in the areas of the three waters (drinking water, wastewater and stormwater), urban development, resource management and the general review of the future of local government. The government also plays a significant part in funding support for our investment programme in Transport. Any change in the future to this level of funding could result in us having to revisit our capital programme.

In addition to these uncertainties in the wider landscape, we need to carefully manage our financial parameters. Both our debt and revenue settings are finely balanced.

Our debt is towards the upper level of what we consider prudent, and while we have left some headroom for any future shock, this is something we need to very conscious of. We continue to work with central government to find ways to increase and accelerate investment in crucial infrastructure for the city that are not constrained by our borrowing limits.

Unlike many councils, a significant proportion of our revenue is not from rates (approximately 60 per cent). However, there is little opportunity to grow that revenue, which means any increases in costs are likely to fall to ratepayers. The major investment in assets has ongoing cost associated with both servicing and maintaining the debt and operating those assets. Cost saving programmes have meant that we have managed to keep rate increases at relatively low levels, however moving forward, this will become more difficult and some more challenging trade-off discussions may become necessary.

Any significant changes in the future to the way we operate, the services we provide or our financial settings, will be the subject of public consultation.

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1.4 Your rates

Your rates pay for a wide range of day-to-day activities and support investment in Auckland's assets.

The 10-year Budget 2018-2028 included average general rates increases for existing ratepayers of 3.5 per cent in each year from 2021. For 2021/2022, there will be a one-off increase of 5 per cent to help support the investment Auckland needs. This is planned to reduce to 3.5 per cent from 2022/2023 onwards.

To ensure cost recovery of our waste activity there will also be a small increase to the base waste management rate.

We are also increasing our investment in improving the quality of water in Auckland harbours and waterways by raising the Water Quality Targeted Rate each year in line with the projected overall increases in average general rates (see Section 3.0 of Volume 2 for more detail).

We consider that business rates are too high compared to residential rates and we have an existing policy to address this. This policy will mean the average increase in rates for residential ratepayers will be slightly higher at 5.33 per cent, and the average increase in rates for business ratepayers will be slightly lower at 3.53 per cent. The overall increases for the average value residential and business properties are $150 and $587 respectively.

The makeup of these increases is shown in the following table:

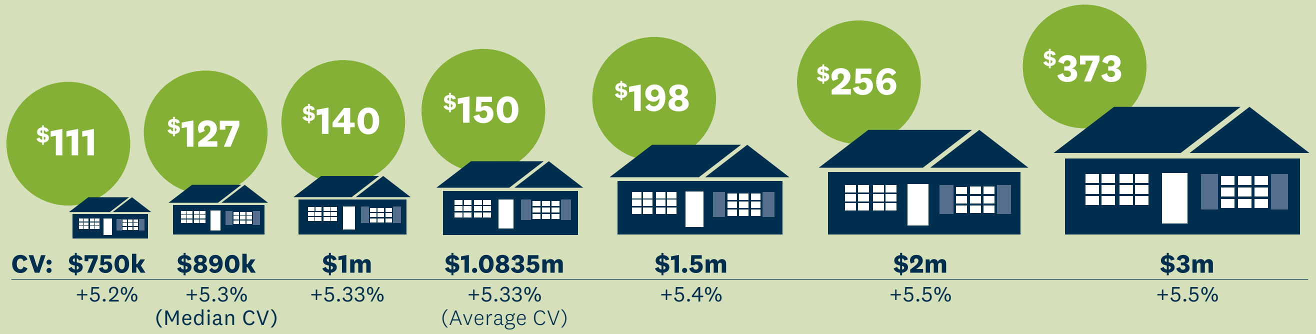
	RESIDENTIAL $	BUSINESS $
Average CV	**1,083,500**	**2,864,500**
Total rates 2020/2021	**2,810**	**16,598**
General rates increase	144.83	569.61
WQTR	3.29	15.30
NETR	0.00	0.00
Base waste increase	1.67	1.67
Total rates 2021/2022	**2,960**	**17,184**
$Annual change	150	587
$Weekly change	2.88	11.28
Annual change per cent	5.33%	3.53%

Supporting notes:

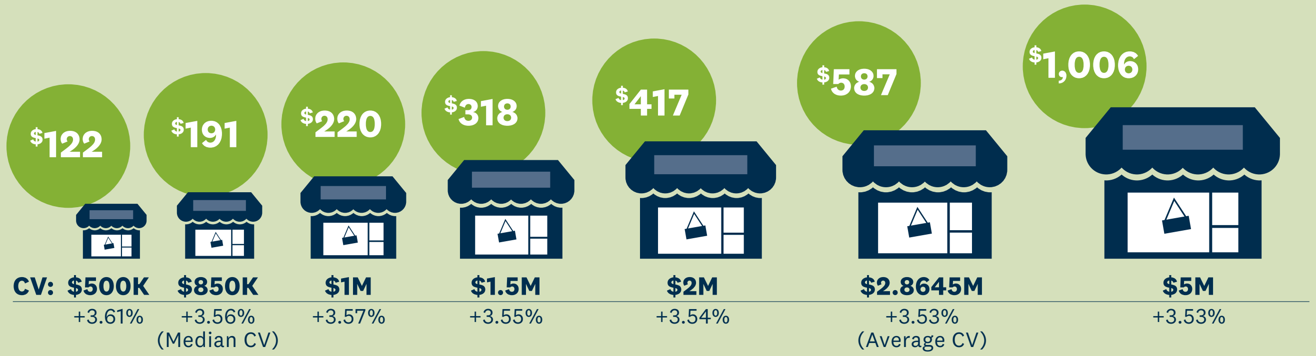
1. To recover the cost increases as a result of the rise in the Government levy on waste sent to landfill we are increasing the waste management standard refuse and large refuse rates that fund kerbside refuse collection in the former Auckland City Council and Manukau City Council areas. The prices for rubbish bin tags and rubbish bags for the council's kerbside collection in the remainder of the city will rise by an equivalent amount.
2. Watercare is also raising its prices to fund investment in enhancing water supply security. You can see more information on the Watercare website **www.watercare.co.nz**

The following graphic sets out the overall rates increase for residential and business ratepayers for a range of property values. To find out what your rates are for 2021/2022 please visit **aucklandcouncil.govt.nz/recoverybudgetrates**

Estimated increases for residential ratepayers 2021/2022



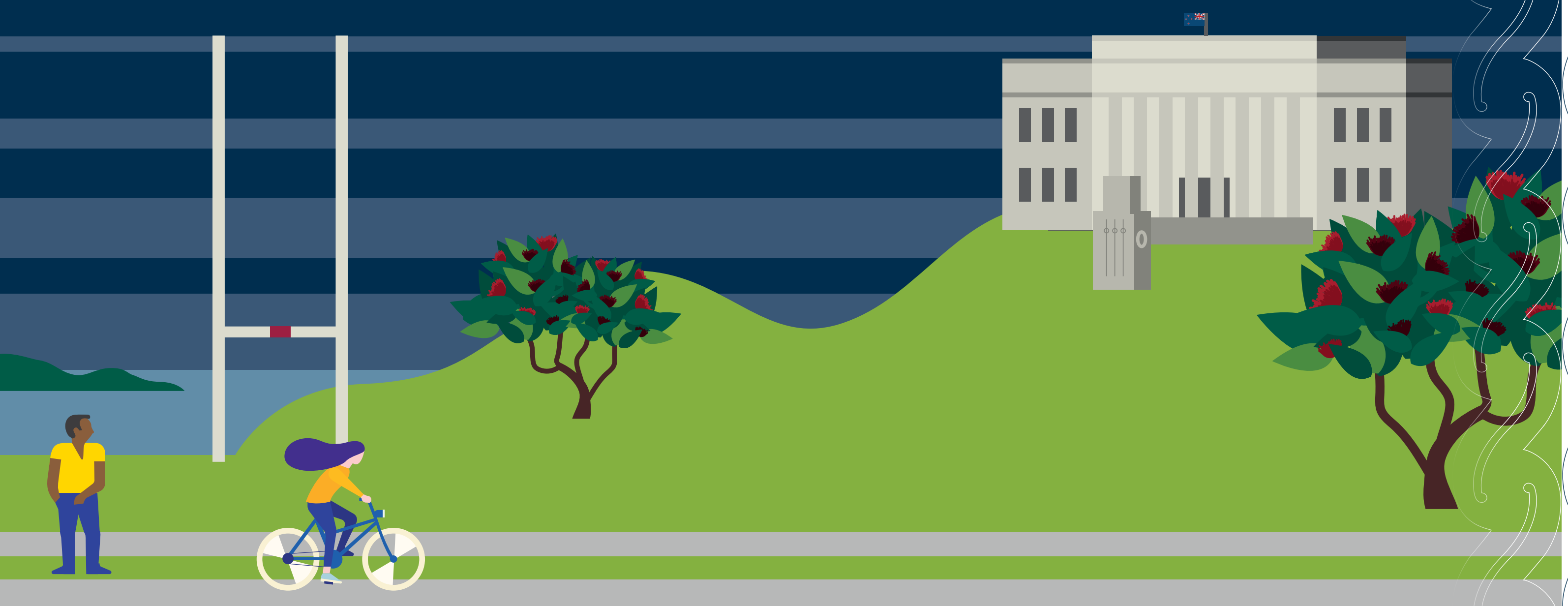
Estimated increases for business ratepayers 2021/2022



Supporting notes:

1. The rates shown above do not include water charges which are set by Watercare. To support a significant increase in capital investment over the next 10-years, Watercare's board of directors have resolved to increase water and wastewater tariffs by 7 per cent on 1 July 2021 and 1 July 2022, followed by annual increases of 9.5 per cent for six years and then increases of 3.5 per cent for the last two years of this plan.
2. The rates calculated above include general rates, the Water Quality Targeted Rate, the Natural Environment Targeted Rate, and the Waste Management Base Service Rate that nearly all properties pay. A number of other changes have been made to our rates and may affect individual properties (see Volume 2 Section 3.0 Policy Overview for more detail).

Wāhanga tuarua: Ō mātou tahua pūtea
Section two: Our finances



2.1 Financial overview

Introduction

This section provides a high-level overview of our key financial information and explains how we fund our activities. The detail of how we fund our activities is set out in our prospective funding impact statement found in Section 2.2 of this volume. This should also be read in conjunction with the prospective financial statements in Section 2.3.

Key proposed financial parameters for 2021-2031

$MILLION	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	TOTAL
Total capital investment	2,871	2,942	2,977	2,936	3,142	3,435	3,340	3,362	3,314	3,486	31,806
Total operating expenditure	4,673	4,808	5,008	5,269	5,465	5,685	5,899	6,121	6,301	6,511	55,741
Average general rates increase	5.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	
Rates revenue	2,122	2,253	2,385	2,479	2,605	2,737	2,877	3,023	3,177	3,334	26,991
Total operating funding sources	4,498	4,798	5,125	5,385	5,672	5,970	6,291	6,619	6,873	7,160	58,390
Total assets	61,067	63,891	67,467	70,381	73,967	77,970	80,322	84,419	89,363	91,595	
Total borrowing	11,745	12,783	13,340	13,828	14,292	14,966	15,518	15,945	16,179	16,343	
Total equity	43,883	45,651	48,188	50,435	53,324	56,094	57,737	61,181	65,209	66,989	
Debt to revenue ratio*	272%	277%	269%	262%	260%	258%	253%	247%	241%	236%	

*This is calculated using adjusted revenue and adjusted debt figures using the Standard and Poors methodology

Capital investment and debt levels

Capital expenditure is for purchasing, building, replacing or developing the city's assets (for example roads, libraries, parks and sports fields).

Over the next 10-years, our total capital expenditure programme is planned to be $30.5 billion, in addition we plan to invest $1.3 billion in City Rail Link Limited. The total capital investment for Auckland over 2021-2031 is projected to be $31.8 billion.

DELIVERED BY:	$ BILLION
Auckland Council	7.4
Auckland Transport	11.4
Watercare	9.7
Auckland Unlimited	0.5
Ports of Auckland Limited	0.7
Eke Panuku Development Auckland	0.8
Total capital expenditure	30.5
Investment in City Rail Link Limited	1.3
Total capital investment	31.8

The following table shows how we plan to fund our capital expenditure and other capital outflows in 2021-2031.

Capital expenditure and other outflows $ BILLION	10-year Budget 2021-2031
Growth	8.9
Service level improvement	9.2
Renewals	12.4
Investment in City Rail Link Limited	1.3
Capital investment:	**$31.8**
Weathertightness claims	0.2
Other	-0.6
Total	**31.4**

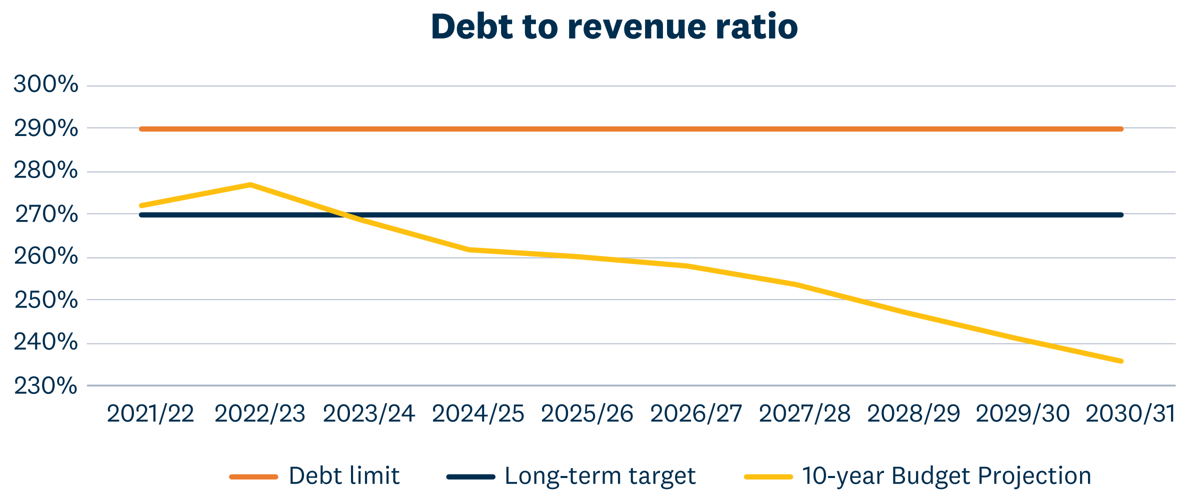
Funding sources $ BILLION	10-year Budget 2021-2031
Capital subsidies	6.0
Development contributions	2.7
Asset sales	0.9
Operating cash surplus	16.3
Borrowings	5.5
Total	**31.4**

The continued investment in Auckland will see us increasing council debt from $11 billion to $16 billion.

Our Financial Strategy sets a limit on the council's borrowing, to maintain debt at a prudent and sustainable level. Previously, this limit was set to 270 per cent of revenue.

The primary financial impact for council of the COVID-19 pandemic is a projected revenue shortfall of around $750 million over four years compared with updated projections pre-COVID-19. This has a direct impact on our debt to revenue ratio through lower revenue and an indirect impact through increased borrowing to cover the shortfall. To attempt to maintain a ratio below 270 per cent for all years of the plan would require cuts to services and investment that we think would have an unacceptable impact on the community.

We consider that, after working with our credit agencies, we can prudently raise our debt to revenue ratio limit to 290 per cent for the next ten years. However, we need to keep a careful eye on our interest cost levels, annual cashflow position and the degree of flexibility in our capital programme.



To help mitigate the impact on debt, the council considered its asset portfolio. Asset recycling was a key lever as changing asset ownership has minimal impact on jobs and employment compared to spending reductions.

We plan to increase our asset recycling target over the next 3 years from $20 million to $70 million each year, while also rephasing some of the 2020/2021 asset recycling target into the middle years of this plan. This is on top of other asset sales programmes across the group including those undertaken by Eke Panuku's Transform and Unlock programme and Corporate Property's optimisation strategy.

In the middle and outer years of the plan, our debt to revenue ratio is projected to move downwards as we recover from COVID-19 revenue impacts and move towards fully-funding depreciation. These factors result in higher revenue figures and lower debt figures leading to the ratio dropping over time.

Operating expenditure and revenue sources

It is forecast that the Auckland Council group will spend $55.7 billion in operating expenditure over the next 10 years. This covers the council's day-to-day operations and services, from collecting rubbish to maintaining parks and issuing building consents. It includes costs related to the capital expenditure programme such as interest, maintenance and depreciation (a non-cash cost).

The $58.4 billion of operating revenue sources covers $42.1 billion of cash operating expenditure, leaving a surplus of $16.3 billion to fund capital expenditure.

Operating expenditure $ BILLION	10-year Budget 2021-2031
Staff	11.2
Interest	5.4
Other	25.5
Sub-total	**42.1**
Depreciation and amortisation	**13.6**
Total	**55.7**

Funding sources $ BILLION	10-year Budget 2021-2031
Rates	27.0
Fees and user charges	21.1
Subsidies and grants	**4.1**
Other	**6.2**
Total	**58.4**

Balanced budget and funded depreciation

The Local Government Act 2002 requires that each local authority ensures that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses. Additionally, however, it provides that a local authority may set projected operating revenues at a different level if it resolves that it is financially prudent to do so.

Our approach to the balance budget requirement is set out in our Financial Strategy found in Section 1.2 of Volume 2.

As shown in Section 3.3 in Volume 2 of this 10-year Budget, we plan to balance our budget under this measure for each year of the plan.

We are also moving towards a long-term policy of fully funding depreciation. Fully funding depreciation from rates and current revenue would mean that on average we are not relying on borrowing to fund asset replacement expenditure over the long run. This represents a sustainable approach, as it ensures that operating expenditure is covered by operating revenues and borrowing is only used to finance investment that will deliver enduring benefits. The legacy councils only funded 63 per cent of depreciation and our previous policy was to progressively move to 100 per cent by 2025.

The impacts of COVID-19 disruption on our revenue streams for the first three years of this 10-year Budget have caused us to revisit our existing policy for funding depreciation. Given the projected short-term nature of this revenue shock and our intention to maintain existing key service levels through this period, we consider that this is a prudent and sustainable approach. Given this, we have amended the Revenue and Financing Policy (refer to Section 3.1 of Volume 2) to reflect that it will take three additional years before we are fully funding depreciation (i.e. 2028).

2.2 Prospective Funding Impact Statement

Auckland Council group consolidated

$000 Financial year ending 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Sources of operating funding:											
General rates, UAGCs, rates penalties	1,744,032	1,868,537	1,972,160	2,082,551	2,197,295	2,318,768	2,447,473	2,581,533	2,720,126	2,864,704	3,015,921
Targeted rates	237,294	253,885	280,944	302,291	281,724	285,996	289,142	295,685	303,124	311,798	318,047
Subsidies and grants for operating purposes	411,109	405,773	402,250	382,151	388,515	404,521	407,931	411,050	415,494	417,082	416,916
Fees and charges	1,218,626	1,467,912	1,602,827	1,781,236	1,900,412	2,038,371	2,175,901	2,333,092	2,499,132	2,608,511	2,725,339
Interest and dividends from investments	9,078	5,721	29,209	50,834	61,463	66,173	70,079	73,089	72,862	72,900	76,210
Local authorities fuel tax, fines, infringement fees and other receipts	435,986	496,371	510,484	525,852	555,899	558,469	579,140	596,759	607,927	598,014	607,109
Total operating funding	**4,056,125**	**4,498,199**	**4,797,874**	**5,124,915**	**5,385,308**	**5,672,298**	**5,969,666**	**6,291,208**	**6,618,665**	**6,873,009**	**7,159,542**
Applications of operating funding:											
Payment to staff and suppliers	2,940,043	3,162,558	3,225,022	3,340,367	3,512,522	3,624,048	3,718,847	3,826,598	3,973,829	4,091,118	4,220,140
Finance costs	451,619	445,758	476,842	510,238	523,976	539,999	567,589	591,106	598,191	597,554	587,662
Other operating funding applications	0	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	**3,391,662**	**3,608,316**	**3,701,864**	**3,850,605**	**4,036,498**	**4,164,047**	**4,286,436**	**4,417,704**	**4,572,020**	**4,688,672**	**4,807,802**
Surplus (deficit) of operating funding	**664,463**	**889,883**	**1,096,010**	**1,274,310**	**1,348,810**	**1,508,251**	**1,683,230**	**1,873,504**	**2,046,645**	**2,184,337**	**2,351,740**
Sources of capital funding:											
Subsidies and grants for capital expenditure	453,638	474,305	529,247	649,339	621,711	634,157	667,801	650,390	604,395	607,120	586,818
Development and financial contributions	136,698	247,898	265,251	268,546	274,922	280,249	277,886	277,837	276,115	273,436	272,897
Increase (decrease) in debt	909,694	910,637	1,037,939	557,523	487,183	464,916	673,958	551,397	426,933	233,907	164,492
Gross proceeds from sale of assets	390,013	132,283	106,238	173,666	135,785	102,948	84,250	37,773	15,800	43,993	64,720
Lump sum contributions	0	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding	**1,890,043**	**1,765,123**	**1,938,675**	**1,649,074**	**1,519,601**	**1,482,270**	**1,703,895**	**1,517,397**	**1,323,243**	**1,158,456**	**1,088,927**
Application of capital funding:											
Capital expenditure:											
- to meet additional demand	747,930	678,911	724,427	724,629	831,705	908,230	935,242	968,907	1,070,741	1,009,453	1,047,813
- to improve the level of service	926,654	798,850	894,857	1,007,038	910,614	909,771	1,017,015	1,006,855	889,538	927,291	864,940
- to replace existing assets	497,121	903,435	867,034	1,001,508	1,111,537	1,323,867	1,483,161	1,363,918	1,402,059	1,377,337	1,573,358
Increase (decrease) in reserves	91,010	24,557	108,048	14,115	34,876	9,493	10,899	9,961	9,138	8,291	6,999
Increase (decrease) in investments	291,791	249,253	440,319	176,094	(20,321)	(160,840)	(59,192)	41,260	(1,588)	20,421	(52,443)
Total applications of capital funding	**2,554,506**	**2,655,006**	**3,034,685**	**2,923,384**	**2,868,411**	**2,990,521**	**3,387,125**	**3,390,901**	**3,369,888**	**3,342,793**	**3,440,667**
Surplus (deficit) of capital funding	**(664,463)**	**(889,883)**	**(1,096,010)**	**(1,274,310)**	**(1,348,810)**	**(1,508,251)**	**(1,683,230)**	**(1,873,504)**	**(2,046,645)**	**(2,184,337)**	**(2,351,740)**
Funding balance	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

2.3 Prospective financial statements

Prospective statement of comprehensive revenue and expenditure

Auckland Council group consolidated

$000 As at 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Revenue											
Rates	1,976,293	2,117,084	2,248,525	2,380,967	2,475,776	2,602,081	2,734,674	2,876,110	3,022,865	3,176,498	3,333,970
Fees and user charges	1,218,627	1,467,911	1,602,825	1,781,236	1,900,412	2,038,370	2,175,900	2,333,093	2,499,133	2,608,514	2,725,338
Grants and subsidies	864,747	880,078	931,498	1,031,491	1,010,226	1,038,678	1,075,731	1,061,439	1,019,889	1,024,201	1,003,734
Development and financial contributions	136,698	247,897	265,252	268,545	274,922	280,249	277,887	277,836	276,114	273,435	272,897
Other revenue	435,564	496,267	533,985	571,093	611,853	619,217	643,770	664,361	676,498	666,584	678,954
Vested assets	409,921	449,821	453,660	458,917	462,032	475,340	479,738	484,515	487,930	491,665	495,528
Finance revenue measured using effective interest method	4,866	2,807	2,424	2,081	1,808	1,561	1,445	1,371	81	67	69
Other finance revenue	2,152	673	749	820	871	920	976	1,036	1,090	1,134	1,170
Total revenue	**5,048,868**	**5,662,538**	**6,038,918**	**6,495,150**	**6,737,900**	**7,056,416**	**7,390,121**	**7,699,761**	**7,983,600**	**8,242,098**	**8,511,660**
Expenditure											
Employee benefits	958,546	1,021,277	1,038,329	1,062,822	1,084,955	1,101,750	1,125,207	1,152,217	1,183,295	1,213,918	1,246,180
Depreciation and amortisation	1,051,289	1,062,891	1,105,449	1,156,803	1,232,195	1,300,641	1,398,124	1,481,033	1,548,286	1,612,167	1,703,498
Grants, contributions and sponsorship	158,640	170,463	166,101	172,906	175,825	176,601	179,797	183,157	184,251	187,703	190,721
Other operating expenses	1,822,533	1,970,816	2,020,594	2,104,642	2,251,741	2,345,694	2,413,842	2,491,224	2,606,283	2,689,498	2,783,246
Finance costs	454,380	447,437	477,973	511,120	524,650	540,522	568,007	591,439	598,454	597,775	587,849
Total expenditure	**4,445,388**	**4,672,884**	**4,808,446**	**5,008,293**	**5,269,366**	**5,465,208**	**5,684,977**	**5,899,070**	**6,120,569**	**6,301,061**	**6,511,494**
Operating surplus/(deficit) before gains and losses	**603,480**	**989,654**	**1,230,472**	**1,486,857**	**1,468,534**	**1,591,208**	**1,705,144**	**1,800,691**	**1,863,031**	**1,941,037**	**2,000,166**

$000 As at 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Share of surplus/(deficit) in associates and joint ventures	5,201	(10,211)	(10,477)	(10,763)	(11,992)	(13,224)	(13,167)	(13,109)	(13,109)	(13,109)	(13,109)
Surplus/(deficit) before income tax	**608,681**	**979,443**	**1,219,995**	**1,476,094**	**1,456,542**	**1,577,984**	**1,691,977**	**1,787,582**	**1,849,922**	**1,927,928**	**1,987,057**
Income tax expense	31,223	65,575	82,052	102,146	110,090	131,065	149,397	168,662	196,398	203,876	206,657
Surplus/(deficit) after income tax	**577,458**	**913,868**	**1,137,943**	**1,373,948**	**1,346,452**	**1,446,919**	**1,542,580**	**1,618,920**	**1,653,524**	**1,724,052**	**1,780,400**
Surplus after income tax is attributable to:											
Ratepayers of Auckland Council	577,458	913,868	1,137,943	1,373,948	1,346,452	1,446,919	1,542,580	1,618,920	1,653,524	1,724,052	1,780,400
Other comprehensive revenue/ (expenditure)											
Net gain on revaluation of property, plant and equipment	2,672,661	199,526	630,370	1,455,521	899,920	1,442,470	1,543,926	23,413	1,790,687	2,776,902	0
Tax on revaluation of property, plant and equipment	(326,061)	0	0	(292,654)	0	0	(316,275)	0	0	(472,721)	0
Total other comprehensive revenue	**2,346,600**	**199,526**	**630,370**	**1,162,867**	**899,920**	**1,442,470**	**1,227,651**	**23,413**	**1,790,687**	**2,304,181**	**0**
Total comprehensive revenue/(expenditure)	**2,924,058**	**1,113,394**	**1,768,313**	**2,536,815**	**2,246,372**	**2,889,389**	**2,770,231**	**1,642,333**	**3,444,211**	**4,028,233**	**1,780,400**

Prospective Statement of Financial Position

Auckland Council group consolidated

$000 As at 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Assets											
Cash and cash equivalents	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Receivables and prepayments	543,587	576,225	592,438	615,249	612,250	642,749	676,374	707,328	736,170	762,399	789,517
Derivative financial instruments	2,713	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Other financial assets	56,363	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000	88,000
Inventories	49,950	60,343	61,550	62,781	64,037	65,318	66,624	67,956	69,315	70,701	72,115
Income tax receivable	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Non-current assets held-for-sale	132,349	106,239	173,667	135,786	102,949	84,251	37,774	15,802	43,995	64,722	0
Total current assets	884,962	936,807	1,021,655	1,007,816	973,236	986,318	974,772	985,086	1,043,480	1,091,822	1,055,632
Total current assets	**884,962**	**936,739**	**1,021,655**	**1,007,816**	**973,236**	**986,318**	**974,772**	**985,086**	**1,043,480**	**1,091,822**	**1,055,632**
Non-current assets											
Receivables and prepayments	**40,406**	**49,418**	**50,820**	**52,781**	**52,523**	**55,145**	**58,035**	**60,696**	**63,175**	**65,429**	**67,760**
Derivative financial instruments	440,525	429,000	429,000	429,000	429,000	429,000	429,000	429,000	429,000	429,000	429,000
Other financial assets	145,470	1,911,919	1,916,285	1,918,171	1,920,206	1,922,742	1,927,288	1,931,880	1,936,397	1,939,984	1,943,621
Property, plant and equipment	54,747,227	54,944,085	57,204,551	60,514,524	63,356,509	66,981,950	70,951,114	73,270,321	77,264,629	82,104,516	84,352,068
Intangible assets	592,363	747,836	778,602	823,655	862,337	911,682	965,706	997,272	1,051,638	1,117,513	1,148,103
Investment property	628,818	603,000	603,000	603,000	603,000	603,000	603,000	603,000	603,000	603,000	603,000
Investments in associates and joint ventures	2,519,160	1,437,190	1,878,413	2,107,350	2,173,058	2,064,534	2,047,067	2,029,658	2,012,249	1,994,840	1,977,431
Other non-current assets	12,978	8,060	9,121	10,203	11,307	12,433	13,582	14,754	15,926	17,098	18,270
Total non-current assets	**59,126,947**	**60,130,508**	**62,869,792**	**66,458,684**	**69,407,940**	**72,980,486**	**76,994,792**	**79,336,581**	**83,376,014**	**88,271,380**	**90,539,253**
Total assets	**60,011,909**	**61,067,315**	**63,891,447**	**67,466,500**	**70,381,176**	**73,966,804**	**77,969,564**	**80,321,667**	**84,419,494**	**89,363,202**	**91,594,885**

$000 As at 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Liabilities											
Current liabilities											
Payables and accruals	794,742	1,031,619	1,065,714	1,141,855	1,203,083	1,289,465	1,371,657	1,368,435	1,399,984	1,409,083	1,468,417
Employee entitlements	112,001	130,093	132,265	135,385	138,204	140,343	143,331	146,772	150,731	154,633	158,743
Borrowings	1,444,504	1,256,817	1,367,888	1,427,547	1,479,684	1,529,431	1,601,550	1,660,557	1,706,245	1,731,273	1,748,877
Derivative financial instruments	8,940	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000
Provisions	111,442	77,512	56,742	54,029	47,325	45,500	43,405	41,490	39,733	38,139	36,794
Total current liabilities	**2,471,629**	**2,529,041**	**2,655,609**	**2,791,816**	**2,901,296**	**3,037,739**	**3,192,943**	**3,250,254**	**3,329,693**	**3,366,128**	**3,445,831**
Non-current liabilities											
Payables and accruals	148,970	188,350	194,733	214,492	255,566	276,192	294,277	293,264	296,759	296,646	319,982
Employee entitlements	5,228	5,122	5,208	5,331	5,442	5,526	5,644	5,779	5,935	6,089	6,251
Borrowings	9,594,378	10,488,043	11,414,913	11,912,778	12,347,824	12,762,992	13,364,830	13,857,219	14,238,465	14,447,345	14,594,233
Derivative financial instruments	1,839,402	1,683,000	1,683,000	1,683,000	1,683,000	1,683,000	1,683,000	1,683,000	1,683,000	1,683,000	1,683,000
Provisions	161,102	329,828	243,688	233,171	205,674	198,527	190,138	182,424	175,306	168,829	163,365
Deferred tax liabilities	1,863,189	1,960,858	2,042,910	2,437,710	2,547,800	2,678,865	3,144,537	3,313,199	3,509,597	4,186,193	4,392,851
Total non-current liabilities	**13,612,269**	**14,655,201**	**15,584,452**	**16,486,482**	**17,045,306**	**17,605,102**	**18,682,426**	**19,334,885**	**19,909,062**	**20,788,102**	**21,159,682**
Total liabilities	16,083,898	17,184,242	18,240,061	19,278,298	19,946,602	20,642,841	21,875,369	22,585,139	23,238,755	24,154,230	24,605,513
Net assets	43,928,011	43,883,073	45,651,386	48,188,202	50,434,574	53,323,963	56,094,195	57,736,528	61,180,739	65,208,972	66,989,372
Equity											
Contributed equity	26,732,015	26,732,000	26,732,000	26,732,000	26,732,000	26,732,000	26,732,000	26,732,000	26,732,000	26,732,000	26,732,000
Accumulated funds	2,924,582	4,973,826	6,137,982	7,546,376	8,965,581	10,453,809	12,028,436	13,682,162	15,337,242	17,061,543	18,842,216
Reserves	14,271,414	12,177,247	12,781,404	13,909,826	14,736,993	16,138,154	17,333,759	17,322,366	19,111,497	21,415,429	21,415,156
Total equity	**43,928,011**	**43,883,073**	**45,651,386**	**48,188,202**	**50,434,574**	**53,323,963**	**56,094,195**	**57,736,528**	**61,180,739**	**65,208,972**	**66,989,372**

Prospective Statement of Changes in Equity

Auckland Council group consolidated

$000 As at 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Contributed equity											
Opening balance	**26,732,015**	**26,732,000**	**26,732,000**	**26,732,000**	**26,732,000**	**26,732,000**	**26,732,000**	**26,732,000**	**26,732,000**	**26,732,000**	**26,732,000**
Surplus after income tax	0	0	0	0	0	0	0	0	0	0	0
Other comprehensive revenue	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive revenue	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Transfer to/ (from) reserves	0	0	0	0	0	0	0	0	0	0	0
Balance as at 30 June	**26,732,015**	**26,732,000**	**26,732,000**	**26,732,000**	**26,732,000**	**26,732,000**	**26,732,000**	**26,732,000**	**26,732,000**	**26,732,000**	**26,732,000**
Accumulated funds											
Opening balance	2,392,660	**4,030,118**	**4,973,826**	**6,137,982**	**7,546,376**	**8,965,581**	**10,453,809**	**12,028,436**	**13,682,162**	**15,337,242**	**17,061,543**
Surplus/ (deficit) after income tax	577,458	913,868	1,137,943	1,373,948	1,346,452	1,446,919	1,542,580	1,618,920	1,653,524	1,724,052	1,780,400
Other comprehensive revenue	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total comprehensive revenue	**577,458**	**913,868**	**1,137,943**	**1,373,948**	**1,346,452**	**1,446,919**	**1,542,580**	**1,618,920**	**1,653,524**	**1,724,052**	**1,780,400**
Transfer to/ (from) reserves	(45,536)	29,840	26,213	34,446	72,753	41,309	32,047	34,806	1,556	249	273
Balance as at 30 June	**2,924,582**	**4,973,826**	**6,137,982**	**7,546,376**	**8,965,581**	**10,453,809**	**12,028,436**	**13,682,162**	**15,337,242**	**17,061,543**	**18,842,216**
Reserves											
Opening balance	11,879,278	12,007,561	12,177,247	12,781,404	13,909,826	14,736,993	16,138,154	17,333,759	17,322,366	19,111,497	21,415,429
Surplus after income tax	0	0	0	0	0	0	0	0	0	0	0
Other comprehensive revenue	2,346,600	199,526	630,370	1,162,868	899,920	1,442,470	1,227,652	23,413	1,790,687	2,304,181	0
Total comprehensive revenue	**2,346,600**	**199,526**	**630,370**	**1,162,868**	**899,920**	**1,442,470**	**1,227,652**	**23,413**	**1,790,687**	**2,304,181**	**0**
Transfer to/ (from) reserves	45,536	(29,840)	(26,213)	(34,446)	(72,753)	(41,309)	(32,047)	(34,806)	(1,556)	(249)	(273)
Balance as at 30 June	**14,271,414**	**12,177,247**	**12,781,404**	**13,909,826**	**14,736,993**	**16,138,154**	**17,333,759**	**17,322,366**	**19,111,497**	**21,415,429**	**21,415,156**

$000 As at 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Total equity											
Opening balance	**41,003,953**	**42,769,679**	**43,883,073**	**45,651,386**	**48,188,202**	**50,434,574**	**53,323,963**	**56,094,195**	**57,736,528**	**61,180,739**	**65,208,972**
Surplus after income tax	577,458	913,868	1,137,943	1,373,948	1,346,452	1,446,919	1,542,580	1,618,920	1,653,524	1,724,052	1,780,400
Other comprehensive revenue	2,346,600	199,526	630,370	1,162,868	899,920	1,442,470	1,227,652	23,413	1,790,687	2,304,181	0
Total comprehensive revenue	**2,924,058**	**1,113,394**	**1,768,313**	**2,536,816**	**2,246,372**	**2,889,389**	**2,770,232**	**1,642,333**	**3,444,211**	**4,028,233**	**1,780,400**
Transfer to/ (from) reserves	0	0	0	0	0	0	0	0	0	0	0
Balance as at 30 June	**43,928,011**	**43,883,073**	**45,651,386**	**48,188,202**	**50,434,574**	**53,323,963**	**56,094,195**	**57,736,528**	**61,180,739**	**65,208,972**	**66,989,372**

Prospective Statement of Cash Flows

Auckland Council group consolidated

$000 As at 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Cash flows from operating activities											
Receipts from rates revenue	1,926,293	2,117,083	2,248,526	2,380,968	2,475,776	2,602,084	2,734,675	2,876,112	3,022,866	3,176,500	3,333,971
Receipts from grants and other services	2,674,059	3,087,995	3,290,006	3,586,524	3,772,432	3,885,798	4,073,305	4,230,747	4,366,053	4,469,981	4,587,721
Interest received	7,018	3,480	3,173	2,901	2,679	2,481	2,421	2,407	1,171	1,201	1,239
Dividends received	5,560	6,541	30,336	52,232	63,085	67,993	71,958	74,982	75,990	75,999	79,271
Payments to suppliers and employees	(3,052,135)	(3,119,173)	(3,315,158)	(3,314,748)	(3,515,421)	(3,589,801)	(3,687,224)	(3,835,916)	(3,964,582)	(4,092,290)	(4,194,145)
Income tax refund/(paid)	0	0	0	0	0	0	0	0	0	0	0
Interest paid	(451,943)	(445,755)	(476,836)	(510,236)	(523,975)	(540,000)	(567,593)	(591,106)	(598,190)	(597,554)	(587,659)
Net cash inflow from operating activities	1,108,852	1,650,171	1,780,047	2,197,641	2,274,576	2,428,555	2,627,542	2,757,226	2,903,308	3,033,837	3,220,398
Cash flows from investing activities											
Sale of property, plant and equipment, investment property and intangible assets	390,013	132,283	106,238	173,666	135,785	102,948	84,250	37,773	15,800	43,993	64,722
Purchase of property, plant and equipment, investment property and intangible assets	(2,197,698)	(2,300,220)	(2,463,860)	(2,682,946)	(2,813,509)	(3,084,882)	(3,381,203)	(3,341,803)	(3,341,526)	(3,308,151)	(3,445,975)
Acquisition of other financial assets	(3,895)	(7,291)	(8,237)	(5,236)	(4,910)	(4,988)	(6,369)	(5,653)	(4,891)	(3,592)	(3,637)
Proceeds from Sale of other financial assets	0	0	0	0	0	0	0	0	0	0	0
Investment in joint associates and ventures	(395,000)	(490,000)	(456,000)	(244,000)	(82,000)	91,000	0	0	0	0	0
Advances to external parties	(6,000)	0	0	0	0	0	0	0	0	0	0
Proceeds from community loan repayments	5,034	4,420	3,871	3,350	2,875	2,453	1,823	1,061	375	5	0
Net cash outflow from investing activities	**(2,207,546)**	**(2,660,808)**	**(2,817,988)**	**(2,755,166)**	**(2,761,759)**	**(2,893,469)**	**(3,301,499)**	**(3,308,622)**	**(3,330,242)**	**(3,267,745)**	**(3,384,890)**
Cash flows from financing activities											
Proceeds from borrowings	2,235,159	2,355,141	2,294,758	1,925,413	1,914,730	1,944,598	2,203,388	2,152,946	2,087,491	1,940,153	1,895,765
Repayment of borrowings	(1,325,465)	(1,444,504)	(1,256,817)	(1,367,888)	(1,427,547)	(1,479,684)	(1,529,431)	(1,601,550)	(1,660,557)	(1,706,245)	(1,731,273)
Net cash inflow from financing activities	**909,694**	**910,637**	**1,037,941**	**557,525**	**487,183**	**464,914**	**673,957**	**551,396**	**426,934**	**233,908**	**164,492**

$000 As at 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	**(189,000)**	**(100,000)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Opening cash and cash equivalents and bank overdrafts	289,000	200,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Closing cash and cash equivalents and bank overdrafts	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**

Notes to the prospective financial statements

Note 1: Statement of significant accounting policies

Basis of reporting

Auckland Council (the council) is a local authority domiciled in New Zealand and governed by the Local Government Act 2002 (LGA 2002), the Local Government (Auckland Council) Act 2009 (LGACA 2009) and Local Government (Rating) Act 2002. The council is an FMC Reporting entity under the Financial Markets Conducts Act (FMCA) 2013. The council's principal address is 135 Albert Street, Auckland Central, New Zealand.

The Auckland Council Group (the group) consists of the council, its subsidiaries, associates and joint ventures. A summary of subsidiaries (including substantive council-controlled organisations, or CCOs) is provided in the table below. All group entities are domiciled in New Zealand. The council considers that presenting group information enhances transparency of information about cost of services provided to Auckland ratepayers and enables ratepayers to make more informed decisions about the impact of delivering the Auckland Plan.

The primary objective of the group and the council is to provide services and facilities to the Auckland community for social benefit rather than to make a financial return. Accordingly, the council has designated itself and the Group as public benefit entities (PBEs) and applies New Zealand Tier 1 Public Benefit Entity accounting standards (PBE Accounting Standards). These standards are based on International Public Sector Accounting Standards (IPSAS), with amendments for the New Zealand environment.

The Group and council have a balance date of 30 June and these prospective financial statements are for the period from 1 July 2021 to 30 June 2031. The actual results achieved for the period covered by this plan are likely to vary from the information presented in this document, and these variances may be material. The Group and council do not intend to update the prospective financial statements after publication.

The prospective financial statements have been prepared to ensure accountability of the group and the council to the Auckland community. Information in the financial statements may not be suitable for use in any other context.

The Governing Body is responsible for the prospective financial statements included in this plan, including the appropriateness of the significant forecasting assumptions these are based on, and the other disclosures in the document.

[1] Section 4(1) of the LGACA 2009 defines substantive CCOs as a CCO that is either wholly owned or wholly controlled by Auckland Council and either is responsible for the delivery of a significant service or activity on behalf of Auckland Council; or owns or manages assets with a value of more than $10 million. It includes Auckland Transport and excludes entities exempted from CCO status.

Basis of preparation

These consolidated prospective financial statements are prepared:

- in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), the LGA 2002, the LGACA 2009 and the Local Government (Financial Reporting and Prudence) Regulations 2014 and comply with PBE Accounting Standards;
- on a historical cost basis, except for certain financial instruments which have been measured at fair value, certain classes of property, plant and equipment and investment property which have been subsequently measured at fair value;
- on a going concern basis and the accounting policies have been applied consistently throughout the periods; and
- in New Zealand dollars (NZD), rounded to the nearest million dollars, unless otherwise stated.

They comply with PBE FRS 42 Prospective financial statements.

They were adopted by the Governing Body of Auckland Council on 29 June 2021.

All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for receivables and payables, which include GST.

The preparation of the financial statements requires judgements, estimates and assumptions. Application is based on future expectations as well as historical experience and other factors, as appropriate to the particular circumstances. Judgements and estimates which are considered material to understanding the performance of the group include:

- Property, plant and equipment
- Derivative financial instruments
- Provisions and financial guarantees
- Classification of joint arrangements

Refer to note 2 for significant forecasting assumptions.

Comparative information

The Annual Plan (Emergency Budget) 2020/2021 adopted by the council on 30 July 2020 has been provided as a comparator for these consolidated prospective financial statements. The closing balance in this comparative differs from the opening position used to prepare these consolidated prospective financial statements which is based on the most up-to-date forecast information.

Basis of consolidation

The consolidated financial statements include the forecasts of Auckland Council and its CCOs and subsidiaries.

CCOs and subsidiaries are entities controlled by the group. Control is achieved when the group has the power to govern their financial and operating policies. In order to establish control, the controlling entity presently have exercisable power to govern decision making to be able to benefit from the activities of the other entity.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements from the date the group gains control until the date the group ceases to control the subsidiary. The accounting policies of controlled entities are consistent with the policies adopted by the controlling entity, or if not, adjustments are made to the consolidated financial statements to bring alignment of subsidiaries with the group's accounting policies. All intra-group balances, transactions, income, expenses, and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

The substantive CCOs and subsidiaries within the Group comprise the following:

Name	Principal activity and nature of relationship where there is no direct ownership	CCO	Percentage ownership % 2020/2021	Percentage ownership % 2030/2031
Auckland Transport	Owns the public transport network and manages the transport infrastructure and services in Auckland. **Auckland Transport is a body corporate with perpetual succession and is treated under the LGACA 2009 as if the council is its sole shareholder.*	Yes	*	*
Auckland Unlimited Limited	Manages projects for economic development, tourism and events promotion in the Auckland region.	Yes	100	100
Panuku Development Auckland Limited	Facilitates the redevelopment of urban locations. Contributes to accommodating residential and commercial growth. Optimises the council's property portfolio.	Yes	100	100
Ports of Auckland Limited	Owns and operates Auckland's port which provides container bulk cargo handling, freight hubs, cruise industry facilities, and other services.	No	100	100
Regional Facilities Auckland Trust	Supports and promotes the engagement of the Auckland community in arts, culture, heritage, leisure, sports and entertainment activities and develops, owns and manages the venues for these activities. ** Regional Facilities Auckland Trust is a charitable trust of which Auckland Unlimited Ltd, a 100% owned subsidiary of the council, is the sole trustee.*	Yes	*	*
Watercare Services Limited (Watercare)	Provides water and wastewater services and owns and operates the water and wastewater infrastructure. *Watercare is restricted by LGACA 2009 section 57(1)(b) from paying any dividend or distributing any surplus directly or indirectly to the council.*	Yes	100	100

Significant restrictions

Despite Auckland Council's ability to control its subsidiaries, there are significant restrictions on the ability to access the assets of Regional Facilities Auckland Trust and Watercare Services Limited.

- Regional Facilities Auckland Trust is a charitable trust, Auckland Council is unable to access its assets.
- In terms of the Local Government (Auckland Council) Act 2009 section 57, Auckland Council may not receive a dividend or distribution of surpluses from Watercare Services Limited.

Implementation of new and amended standards

Standards issued but not yet effective

PBE IPSAS 41 Financial Instruments

PBE IPSAS 41 Financial Instruments was issued in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022 and is adopted in the group's financial year beginning 1 July 2022. The group has assessed and considered the differences between PBE IFRS 9 and PBE IPSAS 41. The adoption will not result in any significant impact on the group financial statements.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2022. The group has adopted PBE FRS 48 in the prospective statement of service performance. The adoption resulted in the disclosure of judgements used in the selection, measurement and aggregation of service performance information at the beginning of the Groups of Activity section.

Summary of significant accounting policies

Item	Policy
Prospective statement of comprehensive revenue and expenditure	
Revenue	The Auckland Council Group (the group) and Auckland Council (the council) receive their revenue from exchange and non-exchange transactions. Exchange transaction revenue arises when the group and the council directly provide goods or services to a third party and receive approximately equal value in return. Non-exchange transaction revenue arises when the group and the council receive value from another party without having to directly provide goods or services of equal value. Non-exchange revenue comprises rates and transfer revenue. Transfer revenue includes grants, subsidies, fees and user charges derived from activities that are partially funded by rates. The group and the council's significant items of revenue are recognised and measured as follows:

Type	Recognition & measurement
Rates	Rates are set annually by resolution of the council and relate to a particular financial year in accordance with the Local Government (Rating) Act 2002. Rates comprise general and targeted rates and are stated net of rates remissions. Rates revenue is recognised at the date of issuance of ratings notice and is measured at the present value of cash received or receivable.
Grants and subsidies	Grants and subsidies are recognised when they become receivable unless there is an obligation in substance to return the funds if conditions of the grants and subsidies are not met. If there is such an obligation, the grants and subsidies are initially recorded in the statement of financial position when received at fair value as grants and subsidies received in advance. As the conditions are satisfied, the carrying amount of the liability is reduced and an equal amount is recognised as revenue.
Development contributions	Development contributions are charged for new property developments to contribute to the group's costs of building supporting infrastructure such as stormwater, roads and footpaths. Revenue is recognised at the later of the point when the group is entitled to issue an invoice to developers for the contribution in accordance with milestones set out in the group's development contributions policy, and the point at which the group can provide the service for which the contribution was charged. The timing of recognition is dependent on the type of consent granted and the nature of the development.
Vested assets	Vested asset revenue represents infrastructure received from property developers who construct the infrastructure as a condition of development. Vested asset revenue is recognised when control of the asset is transferred to the group and the council and is measured at the fair value of the asset received.

Item	Policy	
	Finance revenue	Finance revenue comprises interest revenue and realised gains from the early closeout of derivatives. Revenue is recognised using the effective interest method.
	Dividend revenue	Dividend revenue is recognised when the group and the council's right to receive the dividend is established.
	Fees and user charges	
	Water and wastewater	Water revenue comprises the amounts received and receivable at balance date for water supplied to customers in the ordinary course of business. Wastewater revenue is a combination of a fixed charge and a volumetric charge based on a percentage of water used. Water and wastewater revenue includes estimated unbilled amounts for unread meters at balance date. As meter reading is cyclical, management applies judgment when estimating the daily average water consumption of customers between meter readings. Unbilled amounts from the last bill reading date to the end of the month are recognised as revenue.
	Sale of goods	When the substantial risks and rewards of ownership have been passed to the buyer.
	Port operations	Revenue from port operations includes revenue from marine services, ship exchange, berthage, goods wharfage, and collection and transport of containers. Revenue is recognised when the services are provided, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
	Consents	Building consents provide approval for specific building works on a specific site, and resource consents provide approval for projects that impact the environment or others. Consent revenue is recognised when consents are provided at the fair value of the amount receivable.
	Licences and permits	On receipt of application as these are non-refundable.
	Other revenue	
	Infrastructure growth charge revenue	Infrastructure growth charge revenue is recognised when payment is received for approved connections.
	Regional fuel tax	Regional fuel tax is a tax of 10 cents per litre of fuel (plus GST) which is collected to fund transport projects. Revenue is recognised when the supply of fuel occurs in the Auckland region at the fair value of the amount received or receivable.
Expenditure		
Employee benefits	Employee entitlements for salaries and wages, annual leave, long service leave and other similar benefits are recognised as an expense and liability when they accrue to employees.	
Grants and subsidies	Discretionary grants and subsidies are recognised as expenses when the group and the council have advised their decision to pay and when the attached conditions, if any, are satisfied. Non-discretionary grants are recognised as expenses on receipt of an application that meets the specified criteria.	
Finance Costs	Finance costs include interest expense, amounts paid or payable on interest rate swaps, amortised borrowing costs, net realised losses on the early close-out of derivatives and costs directly incurred in managing funding. Interest on debt and finance leases is recognised using the effective interest method.	

Item	Policy
Income tax	Income from the council and some CCOs is exempt from income tax under the Income Tax Act 2007, except for certain income received from CCOs and port-related commercial undertakings. Income tax comprises current tax and deferred tax calculated using the tax rate that has been enacted or substantively enacted by the balance date. Income tax is charged or credited to the surplus or deficit, except when it relates to items that are recognised in other comprehensive revenue and expenditure or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive revenue and expenditure or directly in equity. Current tax is the amount of income tax payable or refundable in the current period, plus any adjustments to income tax payable in respect of prior periods. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.
Operating Leases	Lessee The group and the council lease property, plant and equipment from third parties in the normal course of business with lease terms varying from 1 month to 70 years. Payments made under operating leases (net of any incentives received from the lessor) are expensed on a straight-line basis over the lease term. Lessor The group and the council lease certain property, plant and equipment to third parties including land and buildings and some commercial and residential property. The leases have non-cancellable periods ranging from 1 month to 72 years with subsequent renewals negotiated with the lessee. Rental revenue (net of any incentives given to lessees) is recognised as revenue on a straight-line basis over the lease term

Prospective statement of financial position	
Cash and cash equivalents	Cash and cash equivalents are made up of cash on hand, on-demand deposits and other short-term highly liquid investments, net of bank overdraft classified under current liabilities. The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.
Receivables and prepayments	Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Provision for impairment of receivables The provision for impairment of receivables is determined based on an expected credit loss model. In assessing credit losses for receivables, the group and the council apply the simplified approach and record lifetime expected credit losses (ECLs) on receivables. Lifetime ECLs result from all possible default events over the expected life of a receivable. The group and the council use the provision matrix based on historical credit loss experience upon initial recognition of the receivable, based on reasonable and available information on the customers. In assessing ECLs on receivables the group and the council consider both quantitative and qualitative inputs. Quantitative data includes past collection rates, ageing of receivables, and trading outlook. Qualitative inputs include past trading history with the group and the council. To measure the expected credit losses, all receivables have been grouped based on shared credit risk characteristics and the days overdue. Expected loss rates are applied based on payment profiles and corresponding historical credit losses experienced within the year. Expected loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle their debt.

Prospective statement of financial position	
Derivative financial instruments	The group and the council use derivative financial instruments, such as forward foreign currency contracts and interest rate swaps to mitigate risks associated with foreign currency and interest rate fluctuations. The group and the council do not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Any gains or losses arising from changes in the fair value of derivatives are taken directly to surplus or deficit, except for the effective portion of derivatives designated in cash flow hedges. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivative assets and derivative liabilities are classified as current when the maturity is 12 months or less from balance date or non-current when the maturity is more than 12 months from balance date. Cash flow hedges The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised directly in other comprehensive revenue and expenditure. The gain or loss relating to the ineffective portion is recognised immediately in surplus or deficit. On derecognition, amounts accumulated in cash flow hedge reserve are transferred to surplus or deficit. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve at that time remains in equity and is recognised when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in cash flow hedge reserve is recognised immediately in the surplus or deficit. When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognised in other comprehensive revenue and expenditure are transferred to the initial cost of the carrying amount of the non-financial asset or liability.
Other financial assets	The group and the council's other financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit. Other financial assets of the Group include unit trusts, loans to related parties, credit support annex, bonds, borrower notes, community loans and listed and unlisted shares. Impairment of loans to related parties and financial guarantee contracts. Impairment of loans to related parties and financial guarantee contracts reflect the group and the council's expected credit losses (ECLs). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group and the council expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL). The financial effects are not material and the balances are not adjusted. For those financial instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy: Level 1- Quoted prices (unadjusted) in active markets for identical assets or liabilities. The quoted market price used for financial assets held by the Group is the bid price at reporting date. Level 2- Inputs other than quoted prices included within level 1 using observable market inputs for the asset or liability, either directly or indirectly. Level 3- Inputs for the asset or liability that are not based on observable market data. For the purpose of measurement, the group and the council's financial assets and liabilities are classified into categories. The classification depends on the purpose for which the financial assets and liabilities are held. Management determines the classification of financial assets and liabilities and recognises these at fair value at initial recognition. Subsequent measurement and the treatment of gains and losses are presented below:

Prospective statement of financial position

Categories	Subsequent measurement	Treatment of gains and losses
Fair value through surplus or deficit	Fair value	Surplus or deficit
Fair value through other comprehensive revenue and expenditure	Fair value	Other comprehensive revenue and expenditure
Amortised cost	Amortised cost less provision for impairment	Surplus or deficit
Financial liabilities at amortised cost	Amortised cost	Surplus or deficit

Derivatives are, by their nature, categorised as fair value through surplus or deficit unless they are designated into a hedge relationship for which hedge accounting is applied. Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when offset is legally enforceable and there is an intention to settle on a net basis. Revenue and expenses arising as a result of financial instrument earnings or fair value adjustments are recognised on a net-basis for like items.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses are recognised in the surplus or deficit, if any.

Increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

The property, plant and equipment of the group and the council are classified into three categories:

- **Infrastructure assets** include land under roads and systems and networks integral to the city's infrastructure. These assets are intended to be maintained indefinitely, even if individual assets or components are replaced or upgraded.
- **Operational assets** include property, plant and equipment used to provide core council services, either as a community service, for administration, or as a business activity. Other operational assets include landfills, motor vehicles, office equipment, library books and furniture and fittings.
- **Restricted assets** include property and improvements where the use or transfer of title outside the group or the council is legally restricted.

Initial recognition and subsequent measurement

Property, plant and equipment is initially recognised at cost, unless acquired through a non-exchange transaction, in which case the asset is recognised at fair value at the date of acquisition. The cost of third party constructed assets generally comprises the sum of costs invoiced by the third party. The cost of self-constructed assets comprises purchase costs, time allocations and excludes, where material, any abnormal costs and internal surpluses. Subsequent costs that extend or expand the asset's future economic benefits and service potential are capitalised. After initial recognition, certain classes of property, plant and equipment are revalued. Work in progress is recognised at cost less impairment, if any, and is not depreciated.

Depreciation

Depreciation is provided on all property, plant and equipment except for land, works of art and specified cultural heritage assets. Depreciation is calculated to write down the cost or revalued amount of the assets on a straight-line basis over their useful economic lives

Useful lives

The useful lives used to calculate the depreciation of property, plant and equipment are as follows:

Prospective statement of financial position

Asset class	Estimated useful life (years)	Asset class	Estimated useful life (years)
Infrastructure		**Operational (continued)**	
Land and road formation	Indefinite	Bus stations and shelters	10 - 40
Roads	3 - 110	Marinas	9 - 45
Water and wastewater	10 - 201	Rolling stock	5 - 35
Machinery	3 - 200	Wharves	4 - 100
Stormwater	15 - 150	Works of art	Indefinite
Other infrastructure	3 - 80	Other operational assets	1 - 60
Operational		**Restricted**	
Land	Indefinite	Parks and reserves	Indefinite
Building	10 - 100	Buildings	5 - 100
Specialised sporting and cultural venues	3 - 100	Improvements	2 - 50
Train stations	6 - 60	Specified and cultural heritage assets	Indefinite

Disposals

Gains and losses on the disposal of property, plant and equipment are recognised in surplus or deficit. Any amounts included in the asset revaluation reserve in respect of the disposed assets are transferred to accumulated funds on disposal.

Impairment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in surplus or deficit for the amount by which the carrying amount of property, plant and equipment exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Assets are considered cash generating if their primary objective is to provide a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows. For non-cash generating assets, value in use is determined using an approach based on a depreciated replacement cost.

Revaluation

Infrastructure assets (except land), restricted assets (except improvements and specified cultural and heritage assets) and operational assets (except other operational assets) are revalued with sufficient regularity, and at least every five years to ensure that their carrying amounts do not differ materially from fair value. The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then those asset classes are revalued. Revaluations are accounted for on an asset class basis.

Net revaluation gains are recognised in other comprehensive revenue and expenditure and are accumulated in the asset revaluation reserve in equity for each class of asset. Revaluation losses that result in a debit balance in an asset class's revaluation reserve are recognised in surplus or deficit. Any subsequent gain on revaluation is recognised first in surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expenditure

Prospective statement of financial position	
Intangible assets	Initial recognition and subsequent measurement Purchased intangible assets are initially recognised at cost. For internally generated intangible assets, the cost includes direct employee costs, a reasonable portion of overhead and other direct costs that are incurred within the development phase of the asset. Intangible assets acquired at no cost are initially recognised at fair value where they can be reliably measured. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Amortisation Amortisation is provided on intangible assets, except rights to acquire, and is calculated to write down the cost of the assets on a straight-line basis over their useful economic lives. Useful lives The useful lives used to calculate the amortisation of intangible assets are as follows:

Class of intangible asset	Estimated useful life (years)
Community rights	4 - 35
Computer software	3 - 15
Intellectual property	3 - 35
Other intangible assets	6 - 63

	Disposals Gains and losses from the disposal of intangible assets are recognised in surplus or deficit. Impairment Intangible assets are tested annually for impairment. An impairment loss is recognised in surplus or deficit for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Assets are considered cash generating if their primary objective is to provide a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows. For non-cash generating assets, value in use is determined using an approach based on a depreciated replacement cost.
Investment property	Investment property includes land, commercial buildings and water space licences held to generate income. Investment property is initially recognised at cost and subsequently measured at fair value. Valuations are undertaken, annually by independent registered valuers with appropriate recognised professional qualifications and recent experience in Auckland and in investment properties. Gains or losses arising from changes in fair value are included in surplus or deficit. Investment properties are valued individually and not depreciated.
Investment in joint ventures and associates	Investments in associates and joint ventures are accounted for using the equity method in the group and the council financial statements. The investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the share of the surplus or deficit of the associate or joint venture after the date of acquisition. Distributions received reduce the carrying amount of the investment. Where necessary, adjustments are made to the financial statements of associates and joint ventures to bring their accounting policies in line with the group.
Payables and accruals	Current payables and accruals represent amounts payable within 12 months of balance date and are recognised at cost. Current payables and accruals are non-interest bearing and normally settled on 30-day terms; therefore, the carrying value approximates fair value. Non-current payables and accruals represent amounts payable more than 12 months from balance date and are measured at the present value of the estimated future cash outflows.
Employee entitlements	Employee entitlements to be settled within 12 months of balance date are reported at the amount expected to be paid within current liabilities. The liability for long-term employee entitlements is measured at the present value of estimated future cash outflows and is reported within non-current liabilities.
Borrowings	Borrowings are initially recognised at face value plus transaction costs and are subsequently measured at amortised cost using the effective interest method. Foreign currency borrowings are translated into NZD using the spot rates at balance date. Foreign exchange gains and losses resulting from the settlement of borrowings and from translation are recognised in the surplus or deficit.

Prospective statement of financial position	
Provisions	Provisions are recognised in the statement of financial position where the group and the council have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be estimated reliably. Provisions are measured at the present value of the expected future cash outflows required to settle the obligation. The increase in the provision due to the passage of time is recognised as finance cost in surplus or deficit. Financial guarantees Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of: • the amount determined in accordance with the expected credit loss model under PBE IFRS 9 Financial Instruments; and • the amount initially recognised less, where appropriate, the cumulative amount of amortisation recognised in accordance with the principles of PBE IPSAS 9 Revenue from Exchange Transactions. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.
Related party transactions	Related parties include subsidiaries, associates, joint ventures, key management personnel, the elected representatives of the council and their close family members and entities controlled by them. Close family members include spouses or domestic partners, children and dependants. Apart from the disclosure of key management personnel remuneration, transactions with related parties that are on an arm's length basis are not disclosed.
Ratepayer equity	Ratepayer equity is the Auckland community's interest in the Group. Ratepayer equity has been classified into various components to identify those portions of equity held for specific purposes. Contributed equity is the net asset and liability position excluding restricted reserves at the time the council was formed.

Note 2: Significant forecasting assumptions

The level of uncertainty for each assumption refers to the difficulty of predicting outcomes because of limited or inexact knowledge. The council cannot control all of the variables that affect future outcomes, such as the wider economy and changes in legislation.

- Low level of uncertainty – information available to council point to a high likelihood of the assumption being accurate and/ or most of the variables are under council's control.
- Moderate level of uncertainty – council has most of the information available on the assumption but variables outside of council's control may still affect the accuracy of the assumption.
- High level of uncertainty – council has some of the information on the assumption but there is a high likelihood that variables outside of council's control will impact on the accuracy of the assumption.

Assumption	Assumption data for 10-year Budget 2021-2031 and source	Risks and impacts
COVID-19 related government health restrictions	The impact of the COVID-19 pandemic and the associated disruption to public movement and international travel is a key driver of the financial pressures that Auckland Council currently faces. The primary impact of this disruption is on our revenue sources. Key areas of impact are projected to be regulatory activity, public transport, regional facilities, ports activity, and airport dividends. Drawing from both internal and external forecasting sources staff prepared three different scenarios (balanced, optimistic, pessimistic) to assess the sensitivity of resulting forecast information. Forecasts included in this 10-year Budget are based on the balanced scenario. This scenario assumes: • Fluctuations between COVID-19 Alert Levels 1 and 3 for the 2020/2021 year • Extended border controls with Level 1 to July 2022 • No restrictions from 1 January 2023 A more optimistic scenario was the same as the balanced scenario but assumed level 1 is lifted and border controls relaxed six months earlier (1 January 2022). A more pessimistic scenario assumed continued fluctuations between levels 1 and 3 for the first year of the plan and restrictions not lifted until 1 July 2023. The further impacts of COVID-19 on factors such as economic growth, population growth, development contributions revenue and inflation have been incorporated into the relevant assumptions below.	**Risk** – The periods in different alert levels and of border restrictions differ from those in our balanced scenario Level of uncertainty – High **Impacts** – The primary area of impact would be on our revenue streams. Under the balanced scenario the council's revenue reduction in the four years from 2020/2021 to 2023/2024 is projected to be around $750 million. Under the more pessimistic scenario the level of revenue reduction is projected to rise from around $750 million to around $1.0 billion. As a result, the council's debt to revenue ratio would be higher or the council might choose to mitigate the impact by deferring or reducing investment. Under the more optimistic scenario the level of revenue reduction is projected to be only around $650 million for the same period. This would result in a lower group debt-to-revenue ratio or the opportunity to increase investment in infrastructure or services.
Population and development growth (including growth in the rating base)	Population growth and the consequential demand for residential housing is a key driver for many of the council's activities and asset management plans (for example the number and type of community facilities the council provides). The council is required to determine a 'most likely' population growth estimate for the 10-year Budget 2021-2031. This is especially challenging given the uncertain impact of COVID on migration and economic growth (some of the drivers of Auckland population growth). For this 10-year Budget 2021-2031, the council has been informed by Statistics NZ (pre-COVID) growth projections and other inputs when estimating the population growth in the future. The council has estimated that the population will increase by around 261,000 people (15.8 per cent) by 30 June 2031. This is lower than previously expected for the early years of the 10-year Budget period. The population projections are used to forecast the level and location of development growth (the number of dwellings and floor space area). This information is a key driver for some of the council's activities such as managing the stormwater from developed properties. Growth in the rating base is driven by property development, including new buildings and subdivisions, which increase the size of the rating base over which the rates requirement is spread. The council looks at projections for these factors and makes adjustment for prudence and timing lags. This is used, alongside the agreed average rates increase to existing ratepayers, to project the total rates revenue.	**Risk** - Growth differs significantly from forecasted Level of uncertainty - High **Impacts** - If actual population and/or development growth is higher, it may put pressure on the council's existing and planned infrastructure and services. If actual population growth is lower it may result in surplus capacity in existing or planned infrastructure and services. Population and development growth is affected by a range of external factors, most of which are outside the council's control or influence (for example, border restrictions related to COVID-19). The council will continue to monitor growth on an annual basis. If there is a significant change, appropriate amendments will be made as part of subsequent annual plan or long-term processes. The council may choose to increase its investment in growth and fund this by looking at using one or more of the financial levers available to it. If the growth in the rating base is higher or lower than this projection this will result in rates revenue above or below that projection. A 0.1 per cent variance in the growth experienced would result in a movement in total general rates revenue of $2 to 3 million per annum depending on the financial year.

Assumption	Assumption data for 10-year Budget 2021-2031 and source	Risks and impacts

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Population (millions)	1.681	1.705	1.729	1.753	1.779	1.807	1.836	1.865	1.890	1.917
Dwellings	570,772	584,921	599,219	613,940	628,913	643,888	658,826	673,691	688,478	703,190
Business floor space (million sq metres)	32.035	32.469	32.930	33.367	33.848	34.388	34.949	35.49	35.975	36.492
Separately used or inhabited part (SUIP) rateable properties	664,933	678,727	692,673	706,994	721,554	736,085	750,625	765,142	779,631	793,820
Rating units (rateable properties)	601,213	613,685	626,294	639,243	652,408	665,546	678,693	691,819	704,919	717,749
Growth in the rating base (GIRB)	1.96%	2.02%	2.07%	2.05%	2.07%	2.06%	2.01%	1.98%	1.93%	1.89%

Economic growth and return on investments	Employment numbers and gross domestic product indicate how well the region's economy is doing. The state of the economy could influence the council's return on its investments: • 18.09 per cent shareholding in Auckland International Airport Limited as at 30 June 2020 • 100 per cent shareholding in Ports of Auckland. The council is assuming that unfavourable economic conditions caused by COVID-19 will impact on the returns on these investments.	**Risk** - That economic growth differs significantly from that forecasted in this plan Level of uncertainty – high **Impacts** - New Zealand's economic outlook, while outside the council's control, will affect the council's commercial investments such as Ports of Auckland Limited and Auckland International Airport. Economic growth also impacts on affordability of the council's rates and user charges. Revenue impacts may drive changes to both operational and capital expenditure. The economic outlook also affects local businesses, the region's level of employment and the rate of development.
Water reform	Over the past three years the government has led the Three Waters Reform programme to review the governance and management of water activity across New Zealand. This includes water supply, wastewater management and disposal, and stormwater management. While it is acknowledged that this programme could result in some fundamental changes for Auckland at this stage there is not yet enough certainty to reflect any changes in this 10-year Budget.	**Risk** – That the programme results in significant change for Auckland Level of uncertainty – High **Impacts** – The potential outcomes of the reform are varied and could have a significant impact on the council group's revenues, assets, liabilities and the services we provide.
Development contribution revenue	Auckland Council's current Financial Strategy and Revenue and Financing Policy state that growth-related infrastructure investment should be funded from development contributions. The council adopted a new Development Contributions Policy in December 2018 to enable the fair recovery of this investment. This policy came into effect from January 2019. Development contribution charges are set to recover an appropriate share of historical and anticipated growth-related infrastructure as determined by our Development Contributions Policy. The Development Contributions Policy will be further updated separately from this 10-year Budget, informed by final decisions on the capital programme. Projected development contribution revenue is based on best information on the likely charges in our updated policy and expected development activity.	**Risk** – that development growth occurs at a different pace than projected or the new Development Contributions Policy does not enable a fair recovery of growth costs. Level of uncertainty – High for pace of growth and low for the policy. **Impacts** – If development occurs more slowly than projected, the recovery period will be extended and the delay may need to be covered by additional borrowing. It may also be that the capital programme needs to be slowed. If development occurs earlier than projected revenue levels will increase, and the capital programme may need to be accelerated to support the development.

Assumption	Assumption data for 10-year Budget 2021-2031 and source	Risks and impacts
	(see table below)	
Inflation	Auckland Council uses a number of information sources (both internal and external) to inform projections of inflationary impacts on its costs and revenues. Central projections for the consumer price index (CPI) are established and distributed around the council group. This consistent base for underlying inflationary trends is then adjusted, in response to other information, to reflect specific price movements faced by the council. To account for the effects of COVID-19 on the general economy and prices, the council revised down its CPI assumption from 2.0% to 1.0% in 2021/2022. This is expected to rise over the term of the plan, to reach 2.0% (the Reserve Bank's target midpoint) by FY27.	**Risk** - Actual inflation is different from forecast inflation Level of uncertainty – High **Impacts** - If inflation is higher than projected the cost of providing services would be higher than planned. If inflation is lower than projected the cost of providing services would be lower. The council will continue to monitor price movements on an annual basis and any significant changes will be addressed in subsequent annual plans or long-term plans.
Interest rates	The council's treasury department has provided interest rate projections based on an assessment of market rates and anticipated borrowing requirements. The council manages its interest rate exposure to provide some certainty for cost of its borrowings over the short to medium term. The council has assumed that it maintains its AA/Aa2 credit rating in preparing the interest rate projections. The following average interest rates have been assumed in this plan:	**Risk** - Prevailing interest rates differ significantly from those forecasted Level of uncertainty - moderate **Impacts** - Increases in interest rates flow through to higher debt servicing costs and higher rates funding requirements. For every 1.0 percentage point change in market interest rates, the council's debt servicing costs would change by less than $20 million, due to the level of interest rate hedging currently in place. For every one notch change from the current credit rating we would expect a change in interest rates of between 0.05 per cent and 0.15 per cent per annum.

$million	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Development contribution revenue	248	265	269	275	280	278	278	276	273	273

Inflator	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
CPI	1.0%	1.5%	1.6%	1.8%	1.8%	2.0%	2.0%	2.0%	2.0%	2.0%

Average interest rates	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Borrowings	4.05%	4.00%	4.00%	3.95%	3.93%	3.95%	3.93%	3.84%	3.75%	3.64%
Cash holdings	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Assumption	Assumption data for 10-year Budget 2021-2031 and source	Risks and impacts
Government transport funding	The Auckland Transport Alignment Project (ATAP) was established in 2015 to improve local and central government collaboration on transport planning and funding for Auckland. On 12 March 2021 the Minister of Transport and the Mayor of Auckland released the ATAP 2021-2031 programme that invests around $31.4 billion into critical transport infrastructure and services around Auckland. It focuses on encouraging the shift from private cars to public transport, walking and cycling and addressing Auckland's longer-term challenges of climate change and housing development. This investment included $19.1 billion of Auckland Transport expenditure: $7.7 billion operating expenditure and $11.4 billion capital expenditure. For the 10-year Budget 2021-2031 we are assuming the Government will provide: $3.9 billion of operating funding $5.9 billion of capital funding Waka Kotahi has provided some initial indicative advice on National Land Transport Funding (NLTF) funding levels for the next three years for certain transport programmes. This indicates that transport funding received by Auckland Transport might be around 4.9 per cent lower ($129 million over three years) than we have budgeted if nothing else changes. As part of the ATAP agreement, it was agreed that the parties would work together on funding changes to ensure that the ATAP programme will be fully delivered. This work is now progressing and we remain confident that the ATAP funding assumptions remain the best forecasts for this plan.	**Risk** - That the actual level or timing of funding provided by the Government is different to what we have budgeted. Level of uncertainty – High **Impacts** – Over the period of the plan, if the actual level of funding provided by the Government is less than budgeted then less transport investment and services would be delivered. This would likely result in reduced transport service levels, worse climate impacts and increase risks to public safety. If more funding is made available than budgeted, then further investment in assets and services could be made and improve the associated outcomes. In the short-term, if the funding from the Government is temporarily constrained the council may choose to maintain Auckland Transport's planned programme. This would result in an increased use of borrowings over that period, leading to reduced debt headroom. Borrowing to cover a Government shortfall for one year could see debt being around $35 million higher than forecast and debt-to-revenue headroom reduced by less than 1 per cent.
Government shovel-ready funding	The council has assumed the following levels of shovel-ready funding from central government based on the signed funding agreements and expected milestones: • Northwestern Bus Improvements $42.5 million • Te Whau Pathway $33.7 million • Resource Recovery Network $8.9 million For these projects, this budget assumes that funding will be received as the capital expenditure is spent. We are also working in collaboration with central government on delivering $188 million of shovel-ready funded infrastructure projects for the Auckland Housing Programme areas (Mt Roskill, Tamaki, Mangere). This collaboration is ongoing and as the final mix of which agency will deliver each is not yet finalised, we have conservatively assumed no additional funding to council (or additional council expenditure). If additional funding is agreed, this will be matched with increased expenditure.	**Risk** – The amount of government funding received is lower or higher than expected. Level of uncertainty – Moderate **Impacts** – If the level of government funding for shovel-ready projects is lower than expected, the council would have to defer planned capital investment to future years. If the level of government funding for shovel-ready projects is higher than expected, the council would be able to deliver a larger capital programme. Changes to planned capital investment would impact on housing, transport, environment and community outcomes for Auckland as well as affecting the local economy and employment.
Regional Fuel Tax	The Regional Fuel Tax (RFT) is a key funding source, introduced in the 10-year Budget 2018-28, to support investment in additional transport infrastructure and services. The tax is set at 10 cents plus GST per litre of fuel (both petrol and diesel), with appropriate rebates for non-transport and off-road uses. The council has agreed to submit to the government a proposed amendment to the current Regional Fuel Tax scheme and current budgets reflect the amended mix of projects funded. After analysis of historical revenue and COVID-19 impacts, our projections of annual revenue remain at approximately $150 million per annum. The funding provided by Regional Fuel Tax is due to end in 2027/2028. This 10-year Budget assumes a continued funding stream at this level for the last three years of the plan (2028/2029 – 2030/2031). This could be in the form of an extended or new Regional Fuel Tax or a new funding tool altogether.	**Risk** – that the revenue received does not match projections. Level of uncertainty – Moderate for the term of the current Regional Fuel Tax, High afterwards. **Impacts** – If revenue is less than projected the council could choose to either reduce the investment in transport projects or look to fund the projects from other sources. If the revenue is greater than projected the additional funds will be managed through a reserve fund and may require an amendment to the RFT scheme to allow for additional projects.

Assumption	Assumption data for 10-year Budget 2021-2031 and source	Risks and impacts
Revaluation of PPE and investments	Auckland Council's accounting policy provides for most fixed assets to be revalued with sufficient regularity (at least every five years) to ensure that the carrying value does not differ materially from fair value. Land under roads are held at cost and not revalued. Where significant the projected impact of asset revaluation on fixed assets values and depreciation expense has been reflected in this plan. Auckland Council would normally expect to recognise income from a gain in value from its investment properties and assets of its associate entities. For the purposes of this plan, the council does not have sufficiently reliable market information on which to forecast this income. Accordingly, no such income is forecast in the prospective financial statements.	**Risk** - That actual revaluation movements differ significantly from those forecasted in this plan. Level of uncertainty – Moderate **Impacts** - If the revaluations are different from those forecasted it will affect asset values and total comprehensive income. In the case of depreciable assets this will flow through to changed levels of depreciation expense.
City Rail Link (CRL) accounting treatment	The government and council established the company City Rail Link Limited (CRLL) to deliver the $4.4 billion project in 2017. The project costs are based on the independent P50 reforecast and peer reviews completed in 2019. The final decisions on ownership of the associated assets upon completion are yet to be made. Until these decisions are made the appropriate accounting treatment is for the assets (and the associated costs) to remain in City Rail Link Limited. This is accounted for in Auckland Council using equity-accounting. As in previous budgets, no assumptions have been made regarding future ownership of assets. Therefore, this budget uses this accounting treatment for all years of the plan. Further, group budgets include provisions for $408 million of post-go live operating costs and a 50% share of depreciation, associated with the City Rail Link following completion which is expected at the end of 2024.	**Risk** – That the costs related to the City Rail Link project could change, or the decisions on ownership result in a different accounting treatment needing to be used. Level of uncertainty - High **Impacts** – A different accounting treatment could affect the council's asset's, revenue and expenditure in our projected financial statements. Different projected costs and/or ownership structures could affect the council's overall funding requirement.
Capital project projections	Cost projections for individual capital projects are based on the best available information at the time of adoption and are set at a mid-point of the expected total project cost. For more complex projects a formal estimation process may be undertaken whereby a range of cost outcomes are estimated and budgets are set at a P50 level, being a level under which there is 50 per cent confidence the final cost will sit. Supporting information to inform projections can include historical costs of similar projects, supplier quotes or estimates, independent cost estimations, or expert advice. By using a midpoint (or P50) projection across our significant, and broad-based, investment programme the expected outcome is that the overall cost of investment should equal the total of the mid-point estimates.	**Risk** – The variance above and below estimated midpoints is not even. This could include any additional COVID-19 related contractual claims. Level of uncertainty – moderate **Impact** – If the total cost of capital investment is significantly higher or lower than the budget it will result in changes to the mix of financial levers the council uses to fund it's capital programme.

Assumption	Assumption data for 10-year Budget 2021-2031 and source	Risks and impacts
Timing of capital expenditure	This 10-year budget has been developed on the basis of the best available information on the likely timing of capital projects and programmes.	**Risk** – That the actual timing of the capital programme is different from that forecasted. Level of uncertainty – moderate **Impacts** – Delivery of capital expenditure to a different time frame than projected would have both a financial impact and could impact when the proposed level of service improvements would be achieved. The financial implications would depend on the planned funding sources for the relevant capital expenditure and its associated expenses. The financial impact would be on funding requirements, borrowings, interest expense, depreciation expense and consequential operating costs. The actual timing of capital expenditure (and the achievement of related service level improvements) will be impacted by a number of factors. One of the key areas under the control of council is the quality of project management. Other areas such as the market's response to the increased programme certainty are beyond the control of the council.
Weathertightness and other building defects claims	The council has considered the financial impact of weathertightness and other building defect claims, including those already lodged and potential claims. On the basis of an actuarial assessment, a provision was established at 1 November 2010 for future weathertightness claims. Based on an updated assessment completed in December 2020, the council is forecasting claim payments of $236 million over the period of this plan. The cost of funding 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 assumed they will be funded from borrowings and the repayment of these borrowings spread over 30 years.	**Risk** - The council's exposure to claims is different than the potential liability forecasted in this plan. Level of uncertainty – moderate **Impacts** - If claims are higher or lower than forecast, then the council's levels of borrowing and the associated borrowing costs will also be higher or lower than forecast. Depending on how large the variance is, it may affect future forecast rate requirements.
Asset sales	Asset recycling is an important lever for the council as it allows capital to be re-invested in assets that support more strategically important activities. In this 10-year budget, we are including asset recycling targets of $430 million for the period of the plan. We are confident we can meet these targets after considering our potential opportunities, including an identified pipeline of $590 million of potential property, commercial and business unit opportunities. On top of the general asset recycling target: • The council also made a decision to recycle $50 million of capital from off-street carparking as one of the actions to address the increased funding commitment to CRL. • The council also plans to dispose of property assets as part of its property and urban development activities (including Panuku's Unlock and Transform programmes). • The council's corporate property strategy is a self-funding plan where the movement towards more efficient and fit-for-purpose corporate accommodation is funded through the sale of other assets within the corporate property portfolio.	**Risk** - That sufficient disposals are not identified or realised to achieve the targets set. Level of uncertainty – moderate **Impacts** - If the level of asset sales is higher or lower than forecast it will result in changes to the level, and pace, of capital investment that the council can prudently undertake

<table>
<tr><th>Assumption</th><th>Assumption data for 10-year Budget 2021-2031 and source</th><th>Risks and impacts</th></tr>
<tr><td></td><td colspan="2">
<table>
<tr><th>$million</th><th>2021/22</th><th>2022/23</th><th>2023/24</th><th>2024/25</th><th>2025/26</th><th>2026/27</th><th>2027/28</th><th>2028/29</th><th>2029/30</th><th>2030/31</th><th>10-year total</th></tr>
<tr><td>Asset recycling targets</td><td>70</td><td>70</td><td>70</td><td>70</td><td>70</td><td>60</td><td>20</td><td>0</td><td>0</td><td>0</td><td>430</td></tr>
<tr><td>Releasing carpark capital</td><td>0</td><td>0</td><td>50</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>50</td></tr>
<tr><td>Unlock and transform disposals</td><td>53</td><td>36</td><td>44</td><td>29</td><td>33</td><td>24</td><td>18</td><td>16</td><td>44</td><td>65</td><td>361</td></tr>
<tr><td>Corporate property strategy</td><td>10</td><td>0</td><td>0</td><td>37</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>47</td></tr>
</table>
</td></tr>
<tr><td>Savings and cost reductions</td><td>From amalgamation to 2019/2020, the council achieved $1.9 billion of savings, with $316 million annual ongoing savings locked in. On top of this, for the 2020/2021 financial year as a response to COVID-19, the council set a new target of finding an additional $120 million. This was achieved in May 2021, through a mix of one-off cost reductions (such as delaying the revaluation process by a year) and enduring structural changes.
In this plan we have set a target to lock in $90 million of savings and cost reductions for each year of the plan. We are confident we can achieve this target, given we have achieved our previous savings targets, and some initiatives to meet this target have already been identified.</td><td>Risk – that the savings target is not achieved in every year, or cost reductions required to achieve the targets would have some impact on service levels.
Level of uncertainty - moderate
Impact – If the council is unable to achieve its savings and cost reduction target, we would need to pull an alternative lever. This could lead to higher borrowings, reduced service levels, delayed investment and/or higher rates.</td></tr>
<tr><td>Useful lives of assets and sources of funding of replacements</td><td>The useful lives of significant assets are shown in the statement of significant accounting policies.
The useful life is used to determine the timing of renewing the asset and the level of depreciation for the asset.
Renewals of most categories of council assets are to be funded by depreciation funding as set out in our Revenue and Financing Policy. As we are moving towards fully funding depreciation, in the long-run this is expected to match our renewals requirement. Any timing differences between when assets need renewing and depreciation funding is collected is to be covered through borrowings.
Other funding sources for the replacement of assets include:
• Watercare Services Limited will continue to fund depreciation to meet forecast average renewal requirements.
• Ports of Auckland will fully fund their depreciation from commercial revenues.
• The council receives some subsidies for renewing assets such as the Waka Kotahi subsidy for renewing some roads (see transport government funding assumption).</td><td>Risk - Assets wear out and need to be replaced earlier than estimated.
Level of uncertainty – low
Impacts - Depreciation costs would change with updated information about the remaining useful life of an asset and borrowing costs would increase if capital expenditure was required earlier than anticipated. However, these impacts could be mitigated by reprioritising the capital expenditure programme.</td></tr>
</table>

Assumption	Assumption data for 10-year Budget 2021-2031 and source	Risks and impacts
Climate change	Climate change is expected to have a variety of implications for Auckland's infrastructure networks. The most recent climate change projections indicate warming temperatures, less annual rainfall in the north but more in the south and stronger winds. More frequent and severe weather events are expected. The specifications of some infrastructure may no longer be adequate to deal with more rainfall, or a warmer climate. Sea-level rise will increase risks for assets on the coast from inundation and erosion. The council is responding to the risk of climate change by increasing knowledge of risks to infrastructure networks, such as developing a Natural Hazards Risk Management Action Plan and undertaking new research on the impact of climate change on Auckland. An Auckland Council Coastal Management Framework was developed to help the council better manage its coastal assets, and to better mitigate the risks associated with coastal erosion and the combined effects of predicted climate change. This framework will enable the council to move from the current default position of reactionary 'like-for-like' renewals to a prioritised work programme that is based on improved asset management planning underpinned by business cases leading to improved asset investment.	**Risk** – If the impact of climate change is higher than anticipated there may be increased surface flooding, damage to infrastructure due to extreme weather events and greater risk to public safety and private property. Level of uncertainty – moderate **Impacts** –Increased investment in new or improved infrastructure may be required and the timing of maintenance and replacement of assets may be affected. Further information of the potential impacts of climate change on our assets can be found in the Infrastructure Strategy, Section 1.1 of Volume 2.
Foreign exchange risk	The council manages foreign currency risk of the group apart from Ports of Auckland. Foreign exchange risk of all entities under the group is managed through derivative financial instruments. The risk is mitigated by entering into forward foreign currency exchange contracts where the threshold is set by the treasury management policies. The risk on offshore borrowings is offset by cross-currency interest rate swaps over the life of the borrowings. The group and council are not planning to have any material exposure to foreign exchange as all foreign currency denominated borrowings and material purchases will be hedged.	**Risk** – That group and council transactions that are denominated in a foreign currency other than NZD. The NZD may deteriorate against the relevant foreign currency from the period between when the transaction was entered and when foreign currency payments are made. Level of uncertainty – low **Impacts** – The group and council are not planning to have any material exposure to foreign exchange as all foreign currency denominated borrowings and material purchases will be hedged.
Legislation	The council has assumed there will be no material changes to existing legislation and other national standards applicable to Auckland Council.	**Risk** - New legislation or changes to existing legislation may alter the nature and scope of services currently being provided. Level of uncertainty – High **Impacts** - If changes in legislation require the council to provide further services, or significantly increase levels of compliance or operating costs then this will need to be offset by an increase in fees and charges and or an increase in rates. It is not possible to quantify the potential financial impact of such changes at this time.

Note 3: Reconciliation between Prospective Statement of comprehensive revenue and expenditure and Prospective funding impact statement

This statement is prepared on a group basis. This statement should be read in conjunction with the Prospective Funding Impact Statement (group consolidated).

$000 Financial year ending 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Operating surplus/ (deficit) after income tax per Prospective Statement of comprehensive revenue	**577,458**	**913,868**	**1,137,943**	**1,373,948**	**1,346,452**	**1,446,919**	**1,542,580**	**1,618,920**	**1,653,524**	**1,724,052**	**1,780,400**
Items recognised as income in Statement of comprehensive revenue and as capital expenditure funding sources in Funding Impact Statement:											
Capital subsidies	(453,638)	(474,305)	(529,246)	(649,340)	(621,712)	(634,157)	(667,801)	(650,390)	(604,395)	(607,120)	(586,818)
Development contributions	(136,698)	(247,897)	(265,252)	(268,545)	(274,922)	(280,249)	(277,887)	(277,836)	(276,114)	(273,435)	(272,897)
Non-cash items recognised in Statement of comprehensive revenue and not included in Funding Impact Statement:											
Depreciation	1,051,289	1,062,891	1,105,449	1,156,803	1,232,195	1,300,641	1,398,124	1,481,033	1,548,286	1,612,167	1,703,498
Depreciation of make good provision added back in funding impact statement	(323)	0	0	0	0	0	0	0	0	0	0
Discounting of provisions	2,760	1,682	1,137	884	675	521	415	333	264	221	190
Recognition of revenue from vested assets	(409,921)	(449,821)	(453,660)	(458,917)	(462,032)	(475,340)	(479,738)	(484,515)	(487,930)	(491,665)	(495,528)
Un-realised fair value gains and losses	(1,020)	(1,040)	(1,061)	(1,082)	(1,104)	(1,126)	(1,149)	(1,172)	(1,172)	(1,172)	(1,172)
Other reconciling items:											
Retro-fit your home targeted rate included in funding impact statement but not recognised as revenue in the statement of comprehensive income	5,034	5,335	4,576	3,874	3,241	2,683	1,944	1,108	385	5	0
Retro-fit your home targeted rate interest component recognised as revenue in the statement of comprehensive income	0	(915)	(705)	(524)	(365)	(230)	(122)	(48)	(10)	0	0
Share of equity accounted (surplus) /deficit from associates not distributed by way of dividends to Auckland Council	(1,701)	14,511	14,777	15,063	16,292	17,524	17,467	17,409	17,409	17,409	17,409
Income tax recognised in statement of comprehensive revenue not included in the funding impact statement	31,223	65,574	82,052	102,146	110,090	131,065	149,397	168,662	196,398	203,875	206,658
Operating funding surplus/ (deficit) per Prospective Funding Impact Statement	**664,463**	**889,883**	**1,096,010**	**1,274,310**	**1,348,810**	**1,508,251**	**1,683,230**	**1,873,504**	**2,046,645**	**2,184,337**	**2,351,740**

Note 4: Reserve Funds

Auckland Council group

The Local Government Act 2002 requires the Long-term Plan to identify each reserve set aside by the council, the purpose of each fund, the activities to which each fund relates and funding flows for the period of the plan

Reserve	Purpose	Activities
Cash flow hedge reserve	Gains from revaluation of the Diversified Financial Assets portfolio	Organisational support
Available-for-sale investment revaluation reserve	Recognition in group accounts of associated' reserves	Organisational support
Share of associates' reserves	Accumulated gains from asset revaluation	Investment
Asset revaluation reserve	Accumulated gains from asset revaluation	Various
Restrict equity reserves		
Statutory funds (Off street parking)	Funds accumulated under legislation (primarily related to subdivisions or off-street parking).	Parking and enforcement
Trust and bequests	These trusts are primarily related to assets held by council. The trust deeds restrict council's action in relation to these assets.	Various
Regional fuel tax reserve	Fuel tax collected for specific transport projects.	Roads and footpaths and Public transport and travel demand management
Other restricted equity	Reserve funds related to particular projects or assets whereby council is restricted in its decision-making ability.	Various
Targeted rates reserves		
City Centre targeted rate reserve	Targeted rate collected for enhancement of central business district as a place to work, live, visit and do business.	Regional planning
Riverhaven Drive targeted rate reserve	Targeted rate being collected to recover the costs of the construction of a road.	Roads and footpaths
Jackson Crescent wastewater targeted rate reserve	Targeted rate collected to recover the cost of the council providing financial assistance to connect to a wastewater scheme.	Wastewater treatment and disposal
Point Wells wastewater targeted rate reserve	Targeted rate collected to recover the cost of the council providing financial assistance to connect to a wastewater scheme.	Wastewater treatment and disposal
Harbourview Orangihina Park targeted rate reserve	Targeted rate collected for development of Harbourview Orangihina Park.	Regional community services
Open space/ Volcanic cones	Legacy targeted rates. No longer levied.	Regional community services
Araparera	Araparera Forest harvest proceeds set aside for roading development in the area.	Development Auckland
Targeted rates reserves		
Water quality targeted rate reserve	Targeted Rate collected to help fund the capital costs of investment in cleaning up Auckland's waterways.	Stormwater management
Natural environment targeted rate reserve	Targeted Rate collected to help fund the capital and operating costs of investment to deliver enhanced environmental outcomes.	Development Auckland

Targeted rates reserves		
Accommodation provider targeted rate reserve	A targeted rate that helps fund the costs of visitor attraction, major events and destination and marketing.	Economic growth and visitor economy
Rodney Local Board transport targeted rate reserve	A targeted Rate that helps fund the capital and operating costs of additional transport investment and services.	Roads and footpaths and Public transport and travel demand management

The funding flows for these reserves are:

$000	Annual Plan 2020/21	Closing balance 2020	Deposits	Withdrawals	Closing balance 2031
Cash flow hedge reserve	455	0	0	0	0
Available-for-sale investment revaluation reserve	29,588	194,000	0	0	194,000
Share of associates' reserves	725,247	0	0	0	0
Asset revaluation reserve	13,173,426	10,203,407	10,947,888	0	21,151,295
Restricted equity reserves					
Statutory funds	4,702	5,577	0	(2,427)	3,150
Trust and bequests	1,362	1,639	765	(617)	1,787
Regional fuel tax	240,614	132,457	1,202,500	(1,332,400)	2,557
Other restricted equity	29,615	43,457	97,408	(111,297)	29,568
Total restricted equity	276,293	183,130	1,300,673	(1,446,741)	37,062
Targeted rates reserves					
City Centre targeted rate reserve	26,354	52,806	276,562	(329,368)	0
Riverhaven Drive targeted rate reserve	(470)	(426)	439	(15)	(1)
Jackson Crescent wastewater targeted rate reserve	(1)	(2)	0	0	(2)
Point Wells wastewater targeted rate reserve	(37)	(55)	55	0	0
Harbourview Orangihina Park targeted rate reserve	1,478	1,471	84	0	1,555
Open space/ Volcanic cones	2,336	2,323	132	0	2,455
Araparera	0	0	0	0	0
Water quality targeted rate reserve	15,113	11,719	627,716	(636,435)	3,000
Natural environment targeted rate reserve	9,578	12,364	367,324	(379,688)	0
Accommodation provider targeted rate reserve	2,783	0	144,429	(147,933)	(3,505)
Rodney Local Board transport targeted rate reserve	9,271	5,263	50,215	(26,181)	29,297
Total targeted rates reserves	**66,405**	**85,463**	**1,466,956**	**(1,519,620)**	**32,799**
Total reserves	**14,271,414**	**10,666,000**	**13,715,517**	**(2,966,361)**	**21,415,156**

Note 5: Auckland Council (Parent) financial statements

Prospective statement of comprehensive revenue and expenditure
Auckland Council parent

$000 Financial year ending 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Revenue											
Rates	1,987,516	2,129,236	2,261,238	2,393,969	2,489,073	2,615,662	2,748,378	2,890,076	3,037,120	3,191,024	3,348,683
Fees and user charges	253,869	306,927	317,322	335,935	348,944	354,825	362,795	370,554	379,664	389,145	398,820
Grants and subsidies	63,968	78,770	33,043	24,437	16,294	12,861	14,176	15,529	14,669	12,621	11,665
Development and financial contributions	136,698	247,897	265,252	268,545	274,922	280,249	277,887	277,836	276,114	273,435	272,897
Other revenue	234,555	244,113	282,675	316,015	334,526	356,095	379,614	390,835	407,445	406,562	419,279
Vested assets	113,494	105,847	107,205	109,713	110,446	121,206	123,000	124,830	124,830	124,830	124,830
Finance revenue measured using effective interest method	33,986	31,606	30,794	30,070	29,195	28,401	27,712	27,094	25,084	24,377	23,640
Other finance revenue	95,377	101,198	114,377	126,629	138,709	153,050	169,430	186,156	186,571	190,808	192,988
Total revenue	**2,919,463**	**3,245,594**	**3,411,906**	**3,605,313**	**3,742,109**	**3,922,349**	**4,102,992**	**4,282,910**	**4,451,497**	**4,612,802**	**4,792,802**
Expenditure											
Employee benefits	544,737	586,023	591,563	600,703	611,766	623,115	634,458	648,674	666,393	683,436	701,948
Depreciation and amortisation	301,552	300,943	311,091	331,836	363,634	396,646	431,842	469,210	505,629	535,712	560,419
Grants, contributions and sponsorship	1,160,117	1,127,221	1,179,757	1,253,053	1,207,795	1,240,009	1,349,373	1,379,547	1,393,591	1,407,190	1,403,249
Other operating expenses	662,266	713,763	736,817	772,218	824,482	867,176	893,144	927,188	994,892	1,032,885	1,075,828
Finance costs	434,057	429,203	459,288	491,995	505,692	522,103	547,878	571,039	577,793	576,869	568,039
Total expenses	**3,102,729**	**3,157,153**	**3,278,516**	**3,449,805**	**3,513,369**	**3,649,049**	**3,856,695**	**3,995,658**	**4,138,298**	**4,236,092**	**4,309,483**
Operating surplus/ (deficit)	**(183,266)**	**88,441**	**133,390**	**155,508**	**228,740**	**273,300**	**246,297**	**287,252**	**313,199**	**376,710**	**483,319**
Other gains and losses	0	0	0	0	0	0	0	0	0	0	0
Share of surplus/ (loss) in associates and joint ventures	3,351	(12,597)	(12,895)	(13,293)	(14,591)	(16,089)	(16,087)	(16,084)	(16,084)	(16,084)	(16,084)

$000 Financial year ending 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Operating surplus/ (deficit) before income tax	**(179,915)**	**75,844**	**120,495**	**142,215**	**214,149**	**257,211**	**230,210**	**271,168**	**297,115**	**360,626**	**467,235**
Income tax expense	0	0	0	0	0	0	0	0	0	0	0
Surplus/ (deficit) after income tax	**(179,915)**	**75,844**	**120,495**	**142,215**	**214,149**	**257,211**	**230,210**	**271,168**	**297,115**	**360,626**	**467,235**
Other comprehensive revenue											
Net gain on revaluation of property, plant and equipment	1,732,724	199,515	0	292,182	874,077	649,736	261,000	22,309	867,675	912,110	0
Total other comprehensive revenue	**1,732,724**	**199,515**	**0**	**292,182**	**874,077**	**649,736**	**261,000**	**22,309**	**867,675**	**912,110**	**0**
Total comprehensive revenue/ (expenditure)	**1,552,809**	**275,359**	**120,495**	**434,397**	**1,088,226**	**906,947**	**491,210**	**293,477**	**1,164,790**	**1,272,736**	**467,235**

Prospective statement of financial position

Auckland Council parent

$000 Financial year ending 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Assets											
Current assets											
Cash and cash equivalents	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Receivables and prepayments	370,799	373,780	391,995	415,843	431,890	452,288	474,706	496,651	519,933	541,664	565,920
Derivative financial instruments	9,475	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Other financial assets	60,439	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000	92,000
Inventories	13,861	14,566	14,857	15,154	15,457	15,766	16,081	16,403	16,731	17,066	17,407
Income tax receivable	0	0	0	0	0	0	0	0	0	0	0
Non-current assets held for sale	132,349	106,239	173,667	135,786	102,949	84,251	37,774	15,802	43,995	64,722	0
Total current assets	**666,923**	**669,585**	**755,519**	**741,783**	**725,296**	**727,305**	**703,561**	**703,856**	**755,659**	**798,452**	**758,327**
Non-current assets											
Receivables and prepayments	7,315	20,943	21,970	23,307	24,206	25,349	26,605	27,835	29,140	30,358	31,717
Derivative financial instruments	441,516	429,000	429,000	429,000	429,000	429,000	429,000	429,000	429,000	429,000	429,000
Other financial assets	2,979,009	4,675,820	4,944,170	5,162,306	5,456,426	5,962,059	6,507,422	6,866,766	7,069,938	7,105,583	7,173,073
Property, plant and equipment	17,695,212	17,478,803	17,757,338	18,319,598	19,510,182	20,516,411	21,208,039	21,737,622	23,103,359	24,562,616	25,284,864
Intangible assets	240,745	312,102	317,076	327,116	348,375	366,342	378,692	388,148	412,535	438,591	451,488
Investment property	497,945	485,000	485,000	485,000	485,000	485,000	485,000	485,000	485,000	485,000	485,000
Investments in subsidiaries	19,730,543	19,681,000	19,681,000	19,681,000	19,681,000	19,681,000	19,681,000	19,681,000	19,681,000	19,681,000	19,681,000
Investments in associates and joint ventures	2,515,218	1,432,954	1,871,759	2,098,166	2,161,275	2,049,886	2,029,499	2,009,115	1,988,731	1,968,347	1,947,963
Other non-current assets	4,821	4,060	5,121	6,203	7,307	8,433	9,582	10,754	11,926	13,098	14,270
Total non-current assets	**44,112,324**	**44,519,682**	**45,512,434**	**46,531,696**	**48,102,771**	**49,523,480**	**50,754,839**	**51,635,240**	**53,210,629**	**54,713,593**	**55,498,375**
Total assets	**44,779,247**	**45,189,267**	**46,267,953**	**47,273,479**	**48,828,067**	**50,250,785**	**51,458,400**	**52,339,096**	**53,966,288**	**55,512,045**	**56,256,702**
Liabilities											

$000 Financial year ending 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Current liabilities											
Payables and accruals	719,699	747,963	755,477	775,728	788,559	820,440	874,315	922,804	969,286	1,016,252	1,065,827
Employee entitlements	59,833	70,322	70,987	72,084	73,412	74,774	76,135	77,841	79,967	82,012	84,233
Borrowings	1,457,231	1,262,528	1,381,092	1,443,917	1,498,288	1,552,840	1,627,182	1,687,590	1,734,111	1,759,218	1,784,310
Derivative financial instruments	8,464	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000
Provisions	105,501	65,512	44,742	42,029	35,325	33,500	31,405	29,490	27,733	26,139	24,794
Total current liabilities	**2,350,728**	**2,177,325**	**2,283,298**	**2,364,758**	**2,426,584**	**2,512,554**	**2,640,037**	**2,748,725**	**2,842,097**	**2,914,621**	**2,990,164**
Non-current liabilities											
Payables and accruals	151,609	135,894	137,249	140,926	143,256	149,050	158,842	167,658	176,102	184,637	193,646
Employee entitlements	1,555	1,019	1,029	1,045	1,064	1,084	1,104	1,129	1,160	1,190	1,222
Borrowings	9,063,010	9,977,687	10,914,680	11,411,173	11,840,857	12,271,991	12,859,490	13,336,894	13,704,567	13,902,976	14,101,278
Derivative financial instruments	1,829,757	1,678,000	1,678,000	1,678,000	1,678,000	1,678,000	1,678,000	1,678,000	1,678,000	1,678,000	1,678,000
Provisions	151,605	309,828	223,688	213,171	185,674	178,527	170,138	162,424	155,306	148,829	143,365
Total non-current liabilities	**11,197,536**	**12,102,428**	**12,954,646**	**13,444,315**	**13,848,851**	**14,278,652**	**14,867,574**	**15,346,105**	**15,715,135**	**15,915,632**	**16,117,511**
Total liabilities	**13,548,264**	**14,279,753**	**15,237,944**	**15,809,073**	**16,275,435**	**16,791,206**	**17,507,611**	**18,094,830**	**18,557,232**	**18,830,253**	**19,107,675**
Net assets	**31,230,983**	**30,909,514**	**31,030,009**	**31,464,406**	**32,552,632**	**33,459,579**	**33,950,789**	**34,244,266**	**35,409,056**	**36,681,792**	**37,149,027**
Equity											
Contributed equity	26,569,091	26,569,000	26,569,000	26,569,000	26,569,000	26,569,000	26,569,000	26,569,000	26,569,000	26,569,000	26,569,000
Accumulated funds	(1,756,059)	(643,172)	(496,464)	(319,803)	(32,901)	265,619	527,876	833,850	1,132,521	1,493,396	1,960,904
Reserves	6,417,951	4,983,686	4,957,473	5,215,209	6,016,533	6,624,960	6,853,913	6,841,416	7,707,535	8,619,396	8,619,123
Total ratepayers equity	**31,230,983**	**30,909,514**	**31,030,009**	**31,464,406**	**32,552,632**	**33,459,579**	**33,950,789**	**34,244,266**	**35,409,056**	**36,681,792**	**37,149,027**
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Total equity	**31,230,983**	**30,909,514**	**31,030,009**	**31,464,406**	**32,552,632**	**33,459,579**	**33,950,789**	**34,244,266**	**35,409,056**	**36,681,792**	**37,149,027**

Prospective Statement of Changes in Equity
Auckland Council parent

$000 Financial year ending 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Contributed equity											
Opening balance	26,569,091	26,569,000	26,569,000	26,569,000	26,569,000	26,569,000	26,569,000	26,569,000	26,569,000	26,569,000	26,569,000
Surplus after income tax	0	0	0	0	0	0	0	0	0	0	0
Other comprehensive revenue	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive revenue	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Transfer to/ (from) reserves	0	0	0	0	0	0	0	0	0	0	0
Balance as at 30 June	**26,569,091**	**26,569,000**	**26,569,000**	**26,569,000**	**26,569,000**	**26,569,000**	**26,569,000**	**26,569,000**	**26,569,000**	**26,569,000**	**26,569,000**
Accumulated funds											
Opening balance	(1,530,608)	(748,856)	(643,172)	(496,464)	(319,803)	(32,901)	265,619	527,876	833,850	1,132,521	1,493,396
Surplus/ (deficit) after income tax	(179,915)	75,844	120,495	142,215	214,149	257,211	230,210	271,168	297,115	360,626	467,235
Other comprehensive revenue	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive expenditure	**(179,915)**	**75,844**	**120,495**	**142,215**	**214,149**	**257,211**	**230,210**	**271,168**	**297,115**	**360,626**	**467,235**
Transfer to/ (from) reserves	(45,536)	29,840	26,213	34,446	72,753	41,309	32,047	34,806	1,556	249	273
Balance as at 30 June	**(1,756,059)**	**(643,172)**	**(496,464)**	**(319,803)**	**(32,901)**	**265,619**	**527,876**	**833,850**	**1,132,521**	**1,493,396**	**1,960,904**
Reserves											
Opening balance	4,639,691	4,814,011	4,983,686	4,957,473	5,215,209	6,016,533	6,624,960	6,853,913	6,841,416	7,707,535	8,619,396
Surplus after income tax	0	0	0	0	0	0	0	0	0	0	0
Other comprehensive revenue	1,732,724	199,515	0	292,182	874,077	649,736	261,000	22,309	867,675	912,110	0
Total comprehensive revenue	**1,732,724**	**199,515**	**0**	**292,182**	**874,077**	**649,736**	**261,000**	**22,309**	**867,675**	**912,110**	**0**
Transfer to/ (from) reserves	45,536	(29,840)	(26,213)	(34,446)	(72,753)	(41,309)	(32,047)	(34,806)	(1,556)	(249)	(273)
Balance as at 30 June	**6,417,951**	**4,983,686**	**4,957,473**	**5,215,209**	**6,016,533**	**6,624,960**	**6,853,913**	**6,841,416**	**7,707,535**	**8,619,396**	**8,619,123**

$000 Financial year ending 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Total equity											
Opening balance	**29,678,174**	**30,634,155**	**30,909,514**	**31,030,009**	**31,464,406**	**32,552,632**	**33,459,579**	**33,950,789**	**34,244,266**	**35,409,056**	**36,681,792**
Surplus/ (deficit) after income tax	(179,915)	75,844	120,495	142,215	214,149	257,211	230,210	271,168	297,115	360,626	467,235
Other comprehensive revenue	1,732,724	199,515	0	292,182	874,077	649,736	261,000	22,309	867,675	912,110	0
Total comprehensive revenue/ (expenditure)	**1,552,809**	**275,359**	**120,495**	**434,397**	**1,088,226**	**906,947**	**491,210**	**293,477**	**1,164,790**	**1,272,736**	**467,235**
Transfer to/ (from) reserves	0	0	0	0	0	0	0	0	0	0	0
Balance as at 30 June	**31,230,983**	**30,909,514**	**31,030,009**	**31,464,406**	**32,552,632**	**33,459,579**	**33,950,789**	**34,244,266**	**35,409,056**	**36,681,792**	**37,149,027**

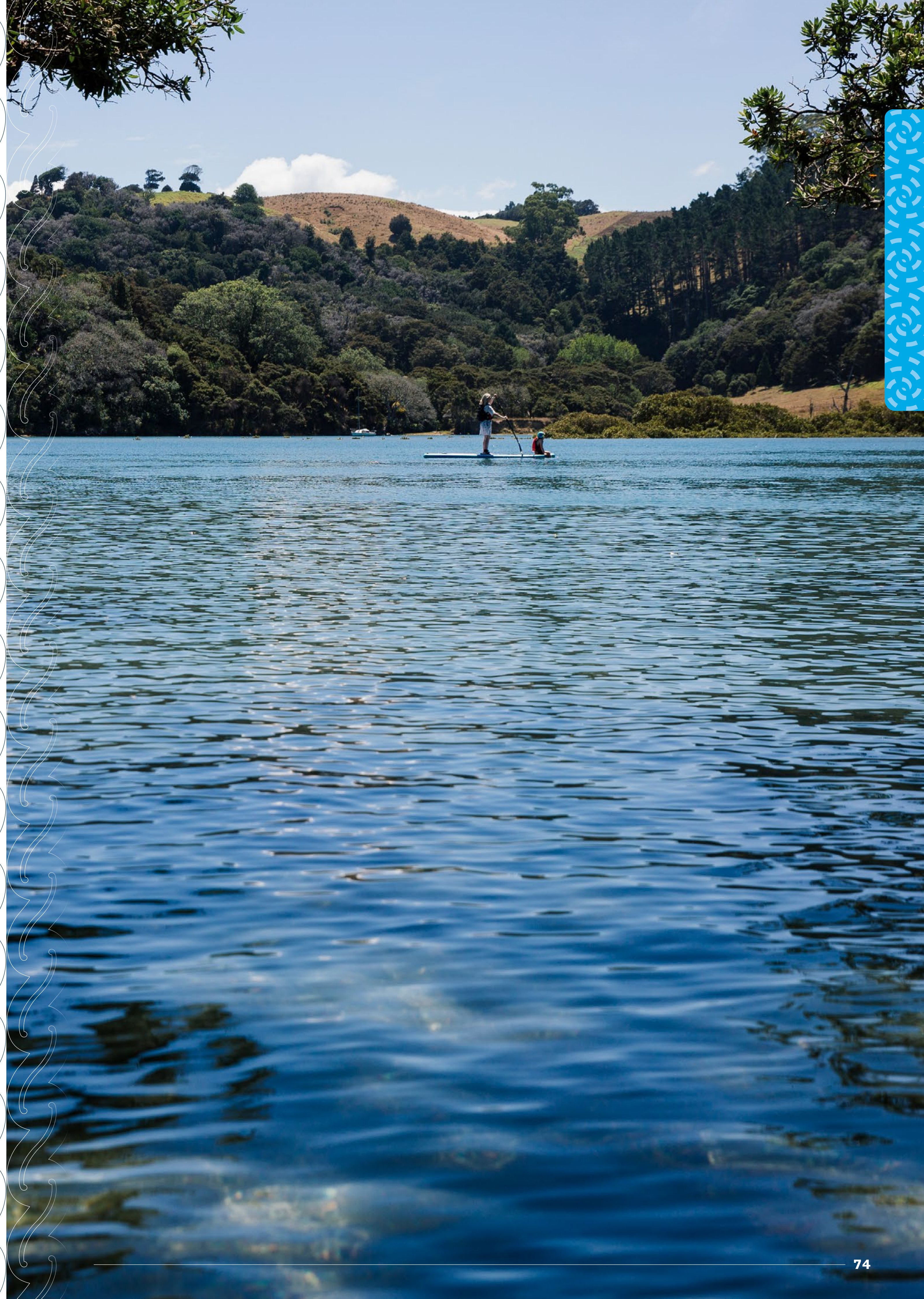
Prospective statement of cash flows

Auckland Council parent

$000 Financial year ending 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Cash flows from operating activities											
Receipts from rates revenue	1,937,516	2,129,236	2,261,239	2,393,971	2,489,074	2,615,662	2,748,378	2,890,075	3,037,118	3,191,024	3,348,683
Receipts from grants and other services	671,707	863,048	838,839	843,357	863,938	870,141	880,807	891,351	904,749	904,240	912,032
Interest received	129,363	132,804	145,171	156,699	167,904	181,451	197,142	213,250	211,655	215,185	216,628
Dividend received	14,473	6,018	43,450	79,606	96,999	115,523	133,143	143,356	151,685	157,702	168,142
Payments to suppliers and employees	(2,553,322)	(2,399,218)	(2,603,096)	(2,576,585)	(2,602,874)	(2,698,926)	(2,834,015)	(2,987,844)	(3,045,342)	(3,123,703)	(3,185,300)
Interest paid	(431,620)	(427,521)	(458,150)	(491,111)	(505,017)	(521,582)	(547,464)	(570,706)	(577,529)	(576,648)	(567,849)
Net cash from operating activities	**(231,883)**	**304,367**	**227,453**	**405,937**	**510,024**	**562,269**	**577,991**	**579,482**	**682,336**	**767,800**	**892,336**
Cash flows from investing activities											
Proceeds from Sale of other financial assets	0	0	0	0	0	0	0	0	0	0	0
Acquisition of other financial assets	(3,895)	(7,291)	(8,237)	(5,236)	(4,910)	(4,988)	(6,369)	(5,653)	(4,891)	(3,592)	(3,637)
Advances of loans to related parties	(168,974)	(275,869)	(267,117)	(254,483)	(351,564)	(504,986)	(529,821)	(273,519)	(160,562)	17,084	(6,083)
Sale of property, plant and equipment, investment property and intangible assets	310,013	132,283	106,238	173,666	135,785	102,948	84,250	37,773	15,800	43,993	64,722
Purchase of property, plant and equipment, investment property and intangible assets	(552,501)	(691,630)	(661,061)	(638,027)	(693,901)	(734,150)	(789,593)	(876,908)	(947,241)	(1,048,805)	(1,170,732)
Proceeds from community loan repayments	5,034	3,506	3,166	2,826	2,510	2,222	1,701	1,013	364	5	0
Investment in associates and joint ventures	(395,000)	(490,000)	(456,000)	(244,000)	(82,000)	91,000	0	0	0	0	0
Advances to external parties	(6,000)	0	0	0	0	0	0	0	0	0	0
Net cash from investing activities	**(811,323)**	**(1,329,001)**	**(1,283,011)**	**(965,254)**	**(994,080)**	**(1,047,954)**	**(1,239,832)**	**(1,117,294)**	**(1,096,530)**	**(991,315)**	**(1,115,730)**
Cash flows from financing activities											
Proceeds from borrowings	2,216,241	2,187,162	2,436,650	2,003,234	1,982,344	2,038,525	2,289,023	2,225,402	2,148,305	1,982,733	2,007,704
Repayment of borrowings	(1,335,189)	(1,262,528)	(1,381,092)	(1,443,917)	(1,498,288)	(1,552,840)	(1,627,182)	(1,687,590)	(1,734,111)	(1,759,218)	(1,784,310)
Net cash from financing activities	**881,052**	**924,634**	**1,055,558**	**559,317**	**484,056**	**485,685**	**661,841**	**537,812**	**414,194**	**223,515**	**223,394**
Net increase/(decrease) in cash and cash equivalents and bank overdraft	**(162,154)**	**(100,000)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Opening cash and cash equivalents and bank overdrafts	242,154	180,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Closing cash and cash equivalents and bank overdrafts	**80,000**	**80,000**	**80,000**	**80,000**	**80,000**	**80,000**	**80,000**	**80,000**	**80,000**	**80,000**	**80,000**

Note 6: Depreciation and amortisation by group of activity

$000 Financial year ending 30 June	Annual Plan 2020/21	LTP 2021/22	LTP 2022/23	LTP 2023/24	LTP 2024/25	LTP 2025/26	LTP 2026/27	LTP 2027/28	LTP 2028/29	LTP 2029/30	LTP 2030/31
Roads and Footpaths	314,514	300,070	320,724	340,827	348,717	356,460	393,416	403,069	418,848	434,430	450,053
Public Transport and travel demand management	103,785	125,466	127,971	128,732	132,211	146,152	153,800	150,214	152,682	155,104	156,119
Wastewater	145,624	137,370	141,283	147,061	167,377	178,094	191,098	215,933	225,851	236,235	266,555
Water supply	110,896	108,545	111,191	113,053	125,531	130,448	137,917	155,490	161,234	166,292	185,909
Stormwater	64,344	67,899	72,736	79,785	89,042	98,527	111,417	123,612	133,177	140,268	146,522
Local Council Services	22,202	2,622	2,426	2,385	2,262	2,055	1,992	1,965	1,893	1,725	1,611
Regionally delivered council services	239,037	255,342	260,797	273,344	291,880	311,629	329,958	351,419	373,543	396,583	414,187
Council controlled services	50,565	65,577	68,321	71,616	75,175	77,276	78,526	79,331	81,058	81,530	82,542
	1,050,967	**1,062,891**	**1,105,449**	**1,156,803**	**1,232,195**	**1,300,641**	**1,398,124**	**1,481,033**	**1,548,286**	**1,612,167**	**1,703,498**



Wāhanga tuatoru: Tā te kaitātari kaute
Section three: Auditor's report

CONTROLLER AND AUDITOR-GENERAL
Tumuaki o te Mana Arotake

To the reader:

Independent Auditor's report on Auckland Council Group's 2021-31 long-term plan

I am the auditor of Auckland Council Group (the Council). The Local Government Act 2002 (the Act) requires the Council's long-term plan (plan) to include the information in Part 1 of Schedule 10 of the Act. Section 94 of the Act requires an audit report on the Council's plan. Section 259C of the Act requires a report on disclosures made under certain regulations. I have used my staff and resources to carry out the assurance engagement of the Council's plan.

Opinion

In my opinion:

- the plan provides a reasonable basis for:
  - long-term, integrated decision-making and co-ordination of the Council's resources; and
  - accountability of the Council to the community;
- the information and assumptions underlying the forecast information in the plan are reasonable; and
- the disclosures in Volume 2 on pages 269 to 272 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan.

This opinion does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee the accuracy of the information in the plan.

The audit was completed on 29 June 2021, which is the date on which my opinion is expressed.

Emphasis of matters

Without modifying my opinion, I draw attention to the following matters:

Uncertainty over three waters reforms

Volume 2 on page 164 and volume 2 on page 56 outline the Government's intention to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because no decisions have been made. The plan was prepared as if these services will continue to be provided by the Council, but future decisions may result in significant changes, which would affect the information on which the plan has been based.

Uncertainty over forecast funding

Volume 1 on pages 54 to 62 outline the Council's key assumptions in respect of its financial forecasts. I draw specific attention to the following assumptions, which are subject to higher levels of uncertainty and could affect the Council's ability to fund its planned capital expenditure:

- Covid-19 border controls will remain until July 2022 with no further lock-downs.
- The programmes agreed in the Auckland Transport Alignment Project will be fully delivered and all parties involved will work together to ensure the agreed funding is made available, notwithstanding the indicative funding advice received from Waka Kotahi NZ Transport Agency was less than forecast.
- The asset recycling target of $70 million per annum for the first five years of the plan and a $90 million permanent savings target (to be achieved in 2022 and maintained in subsequent years) will be met.

Changes in these assumptions could require the Council to reduce its planned capital expenditure and may result in a reduction in levels of service, without further increases in funding, either through rates, debt or other funding sources.

Uncertainty over the City Rail Link project

Volume 1 on page 59 outlines the Council's assumption that it will cost $4.4 billion to deliver the City Rail Link project, which it expects to complete in late 2024. The Council's share of the estimated total cost is $2.2 billion. There remains a level of uncertainty about the costs related to the project. Volume 1 on page 59 also outlines that an agreement has not yet been reached between the Crown and the Council over the future ownership of the assets that comprise the City Rail Link. The Council has assumed that it will need to fund $408 million of future operating costs over the 10 year period of the plan and depreciation for 50% of the assets.

Changes in these assumptions would affect the total estimated project cost, future operating costs, and depreciation, incorporated into the underlying information to the plan.

Basis of opinion

My staff carried out the work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400 *The Examination of Prospective Financial Information* that were consistent with those requirements.

The Council's evidence to support the information and disclosures in the plan and the application of its policies and strategies to the forecast information in the plan, has been assessed. The risks of material misstatement and the Council's systems and processes applied to prepare the plan, have been assessed to select appropriate procedures.

The procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;
- the Council's infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face during the next 30 years;
- the Council's forecasts to replace existing assets are consistent with its approach to replace its assets, and reasonably take into account the Council's knowledge of the assets' condition and performance;
- the information in the plan is based on materially complete and reliable information;
- the Council's key plans and policies are reflected consistently and appropriately in the development of the forecast information;
- the assumptions set out in the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted, and complies with generally accepted accounting practice in New Zealand;
- the rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the plan;
- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and performance; and
- the relationship between the levels of service, performance measures, and forecast financial information has been adequately explained in the plan.

The security and controls over the electronic publication of the plan was not evaluated.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures, and other actions relating to the preparation of the plan;
- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

I am responsible for expressing an independent opinion on the plan and the disclosures required by the Regulations, as required by sections 94 and 259C of the Act. I do not express an opinion on the merits of the plan's policy content.

Independence and quality control

In carrying out the work, my staff complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of *Professional and Ethical Standard 1* issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of *Professional and Ethical Standard 3 (Amended)* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to this report on the Council's plan and all legally required external audits, I, my staff, and appointed auditors have provided assurance reports on:

- agreed-upon procedures engagements in relation to the requirements of the Freshwater Improvement Funding Deed;
- an assurance engagement in respect of information provided by the Auckland Council and Auckland Council Group as required by the terms of its foreign borrowings programme; and
- engagements for Watercare Services Limited in the areas of cyber and security risk advisory, tax advisory, additional expenditure testing, probity services, project assurance related to the central interceptor project and limited assurance on selected non-financial information.

These engagements are compatible with the Auditor-General's independence requirements. Other than these engagements I have no relationship with, or interests in, the Council or any of its subsidiaries.

Greg Schollum
Deputy Controller and Auditor-General
Wellington, New Zealand

Wāhanga tuawha: He pārongo atu anō

Section four: Additional information

4.1 How the organisation is structured

Auckland Council's structure provides the scale for efficient delivery, a regional perspective that provides a clear direction for Auckland, and representation that reflects diversity, local flavour and active public participation.

The Mayor promotes our vision for Auckland to be a world class city and is tasked with leading the development of regional plans, policies and budgets to achieve that vision.

Auckland's 20 councillors, who represent 13 wards, make up the Governing Body along with the Mayor. It focuses on strategic issues and initiatives which affect Auckland as a region. Some decision-making powers are delegated to committees – three committees of the whole (Environment and Community; Finance and Performance; Parks, Arts Community and Events; and Planning), and reporting and standing committees (Appointments and Performance Review; Audit and Risk; Civil Defence and Emergency Management; Regulatory; Strategic Procurement; Auckland Domain; Value for Money and Council Controlled Organisation oversight).

We have 149 local board members, spread over 21 boards, who make decisions on the local services, such as parks, libraries, community halls and pools, which form the fabric of our local communities.

The Governing Body

This consists of the mayor and 20 councillors who are elected on a ward basis. The Governing Body focuses on the big picture and on Auckland-wide strategic decisions that are important to the whole region. Auckland is split into 13 wards, which are used for council elections. Councillors are elected to represent the Auckland region and they also sit on council committees.

The Mayor

The Mayor is elected by residents directly. The mayor leads the council and has enhanced responsibilities including promoting a vision for Auckland, providing leadership to achieve the vision, leading development of council plans, policies and budget, and engaging with the people of Auckland and its many communities and stakeholders.

Ngā mema o te Kāhui Kāwanatanga

4.1.1 Governing Body members

Auckland's 20 councillors, who represent 13 wards, make up the Governing Body along with the Mayor.

Hon Phil Goff CNZM, JP
Mayor

Bill Cashmore
Deputy Mayor Franklin

John Watson
Albany

Wayne Walker
Albany

Dr Cathy Casey
Albert-Eden-Puketāpapa

Hon Christine Fletcher QSO
Albert-Eden-Puketāpapa

Sharon Stewart QSM
Howick

Paul Young
Howick

Alf Filipaina
Manukau

Fa'anana Efeso Collins
Manukau

Angela Dalton
Manurewa-Papakura

Daniel Newman
Manurewa-Papakura

Josephine Bartley
Maungakiekie-Tāmaki

Chris Darby
North Shore

Richard Hills
North Shore

Desley Simpson
Orākei

Greg Sayers
Rodney

Linda Cooper JP
Waitākere

Shane Henderson
Waitākere

Pippa Coom
Waitematā and Gulf

Tracy Mulholland
Whau

Tō mātou tira kaiwhakahaere

4.1.2 Auckland Council Executive Leadership Team

Jim Stabback
Chief Executive

Patricia Reade
Deputy Chief Executive

Simone Andersen
GM Nga Matarae – Maori Outcomes

Dr Claudia Wyss
Director Customer and Community Services

Barry Potter
Director Infrastructure and Environmental Services

Craig Hobbs
Director Regulatory Services

Phil Wilson
Director, Governance & CCO Partnerships

Peter Gudsell
Group Chief Financial Officer

Megan Tyler
Chief of Strategy

4.1.3 Local Boards

The 21 local boards are a key part of the governance of Auckland Council with a wide-ranging role that spans most council services and activities. Local boards make decisions on local matters, provide local leadership, support strong local communities and provide important local input into region-wide strategies and plans.

Local boards:

- make decisions on local matters, including setting the standards of services delivered locally
- identify the views of local people on regional strategies, policies, plans and bylaws and communicate these to the Governing Body
- develop and implement local board plans (every three years)
- develop, monitor and report on local board agreements (every year)
- provide local leadership and develop relationships with the Governing Body, the community and community organisations in the local area
- identify and develop bylaws for the local board area and propose them to the Governing Body
- any additional responsibilities delegated by the Governing Body, such as decisions within regional bylaws.

Each year, local boards and the Governing Body agree individual local board agreements, which set out the local activities, services and levels of service that will be provided over the coming year. The agreements for 2021/2022 are included in this 10-year Budget and can be found in Volume 3.

To find out which local board area you are in, follow this path from the website home page: About Council > Local Boards > Find your ward and local board

4.1.4 Council Controlled Organisations

The council uses Council Controlled Organisations (CCOs) to apply commercial disciplines and specialist expertise in the management of key regional council assets and efficient service delivery. For more information about our CCOs please see Section 3.8 in Volume 2.

The council commissioned an independent review of its substantive council controlled organisations in early 2020. The independent panel was tasked with reviewing: the effectiveness of the CCO model, roles and responsibilities, the accountability mechanisms between CCOs and the council, and the culture of CCOs.

The panel reported their findings in July 2020. The council group is working together to implement the 64 recommended improvements made by the review panel.

The report of the review panel can be found here: www.aucklandcouncil.govt.nz/about-auckland-council/how-auckland-council-works/council-controlled-organisations/Pages/review-of-council-controlled-organisations.aspx

4.1.5 Independent Māori Statutory Board

The Independent Māori Statutory Board (IMSB) has specific responsibilities and legal powers to promote issues of significance to Māori and assist Auckland Council to make decisions and act in accordance with statutory provisions relating to Te Tiriti o Waitangi. The Board has voting rights on Auckland Council's key decision- making committees and promotes cultural, economic, environmental and social well-being issues that are significant to Māori. It provides direction and guidance to help improve council's responsiveness to Māori.

The board and the Governing Body will also meet at least four times each year to discuss the council's performance of its duties. The nine Independent Māori Statutory Board members are:

- Mr David Taipari, Chairperson
- Hon. Tau Henare Deputy Chairperson
- Mr Glenn Wilcox
- Mr Renata Blair
- Ms Liane Ngāmane
- Mr Terrence (Mook) Hohneck
- Mr Tony Kake
- Mr Denis Kirkwood
- Ms Josie Smith
- Ms Karen Wilson

For more details on the IMSB, please visit www.imsb.maori.nz

4.1.6 Advisory panels

Auckland Council's demographic and sector advisory panels enable the council to ensure that the views and needs of a wide range of communities of interest are incorporated in council's decision-making. Advisory panels provide advice to the Governing Body and council staff within the remit of the Auckland Plan on the following areas:

- Auckland Council's regional policies, plans and strategies
- Regional and strategic matters including those that Council-Controlled Organisations deal with
- any matter of particular interest or concern to Auckland's diverse communities.

Auckland Council has seven demographic advisory panels and three sector panels.

Demographic advisory panels:

- Disability Advisory Panel
- Public Art Advisory Panel
- Rainbow Communities Advisory Panel
- Ethnic Peoples Advisory Panel
- Seniors Advisory Panel
- Pacific Peoples Advisory Panel
- Youth Advisory Panel

Sector Panels:

- Auckland City Centre Advisory Board
- Rural Advisory Panel
- Heritage Advisory Panel.

For more detail on Auckland Council's advisory panels, please visit our website www.aucklandcouncil.govt.nz/advisorypanels

4.2 Co-governance arrangements

As a result of Treaty of Waitangi Settlements, legislation has established co-governance entities which require the council to co-govern alongside mana whenua as Treaty partners:

I. The Ngāti Whātua Ōrākei Reserves Board was established under the Ōrākei Act 1991 and currently operates under the Ngāti Whātua Ōrākei Claims Settlement Act 2012 and has three council appointees.

II. Te Poari o Kaipātiki ki Kaipara (officially the Parakai Recreation Reserve Board) is established under the Ngāti Whātua o Kaipara Claims Settlement Act 2013 and has three council appointees.

III. The Tūpuna Maunga o Tāmaki Makaurau Authority (or Maunga Authority) is established under the Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Act 2014 and has six council appointees.

In addition, the council nominates two members of the Mutukaroa (Hamlins Hill) Management Trust and four members of the Te Motu a Hiaroa (Puketutu Island) Governance Trust and local board members participate alongside mana whenua in the Pukekiwiriki Pā Joint Management Committee, Wai o Maru Co-Management Committee, Te Pūkaki: Tapu o Poutukeka Historic Reserve and associated Māori Lands Co-management Committee, and Rangihoa and Tawaiparera Committee (in abeyance). Please see Section 4.0 of Volume 2 for more information.

Me pēhea te whakapā mai ki te kaunihera

4.3 How to contact the council

Online	aucklandcouncil.govt.nz/contactus
Phone	09 301 0101
Post	Auckland Council, Private Bag 92300, Auckland 1142

4.3.1 Locations that offer council services

Bledisloe Lane (CBD)
Bledisloe House, Ground Floor,
24 Wellesley Street, Auckland CBD

Aotea / Great Barrier Island
81 Hector Sanderson Road,
Claris, Great Barrier Island

Helensville
49 Commercial Road, Helensville

Henderson
6 Henderson Valley Road, Henderson

Huapai
296 Main Road (SH16), Huapai

Kumeū Library
296 Main Road, Kumeū

Manukau
Ground floor, Kotuku House, 4 Osterley Way,
Manukau

Orewa
50 Centreway Road, Orewa

Papakura Sir Edmund Hillary Library
1/209 Great South Road, Papakura

Pukekohe Library, Franklin: The Centre
12 Massey Avenue, Pukekohe

Takapuna Library
9 The Strand, Takapuna

Te Manawa
11 Kohuhu Lane, Westgate

Waiheke Island
10 Belgium Street, Ostend,
Waiheke Island

Warkworth
1 Baxter Street, Warkworth

For opening hours and a list of services available at each service centre, visit aucklandcouncil.govt.nz

Papakupu kupu

4.4 Glossary of terms

Accommodation Provider Targeted Rate (APTR)

A rate paid only by owners of properties such as motels, hotels and Airbnb properties. The money received from this rate is used to fund major events and undertake other activities to attract visitors to Auckland.

Activity or service

The services the council provides to the community. This includes things like running buses, collecting rubbish and maintaining parks.

Annual Plan, Annual Budget or Emergency Budget

The plan that sets out what the council seeks to achieve in a financial year, the services we will provide, how much money will be spent and where that money will come from. Last year's budget is referred to as our Emergency Budget because of the need to respond to a significant financial challenge for 2020/2021.

Asset

An item of value, usually something of a physical nature that you can reach out and touch, that will last for more than one year. Infrastructure assets are physical items such as roads, pipes and council buildings that are needed to provide basic services.

Asset recycling

This means letting go of some of our less well used assets to help pay for new ones that will help us deliver better services to the community. Usually this means selling assets to somebody else, but sometimes it is possible to instead agree that someone else will use the asset for a period of time before handing it back to us in the future.

Auckland Council or the council

The local government of Auckland established on 1 November 2010. The council is made up of the Governing Body, 21 local boards, and the council organisation (operational staff).

Auckland Transport

The organisation that delivers transport services on behalf on the council.

Auckland Unlimited

The organisation that manages Auckland Zoo and the Auckland Art Gallery along with venues used for conventions, shows, concerts and major sporting events. Auckland Unlimited also delivers major events for council and provides tourism promotion and economic development services on the council's behalf.

Capital investment, capital expenditure or capital programme

Building (or buying) assets such roads, pipes and buildings that are we use to provide services to Aucklanders.

Council-controlled organisation (CCO)

A company (or other type of organisation) that is at least 50 per cent owned by the council or for which the council has at least 50 per cent control through voting rights or the right to appoint directors. These organisations each have their own board of directors (or equivalent) and their own staff who manage day-to-day operations.

Council group

Auckland Council and the Council-controlled organisations, along with the council's investments in Ports of Auckland and Auckland Airport.

Deferral

Delaying the building or buying of assets until a later time.

Development contributions

A charge paid by developers to the council when they build or subdivide property. The council uses this money to help pay for the new assets such as roads, pipes and parks that are needed to support the new households or businesses that will occupy the new properties that have been developed.

Facilities

Buildings or other structures used to provide services to Aucklanders.

Financial year

The year from 1 July to 30 June the following year. The council budgets and sets rates based on these dates rather than calendar years which end on 31 December.

General rates

Paid by all ratepayers to fund general council services.

Governing Body

The Governing Body is made up of the mayor and 20 councillors. It shares its responsibility for decision-making with the local boards. The Governing Body focuses on Auckland-wide strategic decisions.

Grants and subsidies

Money that someone pays to the council to cover (or help cover) the cost of providing a service to Aucklanders.

Sometimes grants also refers to money the council pays to a community organisation to provide services to Aucklanders, rather than council providing those services directly.

Local boards

There are 21 local boards, which represent their local communities and make decisions on local issues and services.

Operating budget or operating expenditure

Money that the council spends on providing services in the current financial year, as opposed to building things that will provide services for years to come. This includes spending money on staff and contractors to do things like process building consents, open libraries, run buses and maintain parks. It also includes things like paying grants to community organisations and paying interest on money the council has borrowed.

Eke Panuku Development Auckland

The organisation that provides property management and development services to the council and Aucklanders.

Rates

A tax against the property to help fund services and assets that the council provides.

Revenue or income

Money that the council receives (or is due to receive) to pay for the cost of providing services to Auckland. Cash revenue specifically refers to the money received during the year, and excludes things like postponed rates which will be received later.

Savings

Reducing the amount of money that the council pays out in a particular financial year. This could refer to being more efficient (paying less money to get the same service) or to saving money by delivering less services to the community. It also sometime refers to spending money later than we previously planned.

Targeted rates

A rate that is paid by only a particular group of ratepayers or is used to fund only a particular set of activities. This is used when the council wants to make sure that those ratepayers who benefit from an activity pay for it (as opposed to spreading the cost across all ratepayers) or where the council wants to make sure that money collected for a particular purpose is only spent for that purpose.

Transport

Local roading, parking and public transport services provided for Aucklanders. These services are usually provided by Auckland Transport, except for the City Rail Link project which is delivered separately in partnership with central government.

Waste

Generally refers to household and business rubbish, along with recycling and things like food scraps which can be reused for other purposes.

Watercare

Watercare Services Limited, the organisation that provides water supply and waste water services to Aucklanders.

4.5 Key word index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Te tahua pūtea tau 2021-2031. Te tahua pūtea whakarauora. The 10-year budget 2021-2031. Long-term plan. Our recovery budget. Volume 1: Overview

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Te Kaunihera o Tāmaki Makaurau