

I hereby give notice that an ordinary meeting of the Howick Local Board will be held on:

Date: Monday, 10 August 2015
Time: 6.00pm
Meeting Room: Howick Local Board Meeting Room
Venue: Pakuranga Library Complex
7 Aylesbury Street
Pakuranga

Howick Local Board

OPEN ADDENDUM AGENDA

MEMBERSHIP

Chairperson	David Collings
Deputy Chairperson	Adele White
Members	Garry Boles
	Katrina Bungard
	Jim Donald
	Lucy Schwaner
	John Spiller
	Steve Udy
	Bob Wichman

(Quorum 5 members)

Lynda Pearson
Local Board Democracy Advisor

4 August 2015

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Allocation of discretionary capital budget to local boards

File No.: CP2015/15845

Purpose

1. This report seeks direction from Local Boards on the proposed discretionary fund for local board capital expenditure (Capex fund) regarding the:
 - model for allocating the fund
 - criteria for the fund.

Executive Summary

2. The Governing Body has created a discretionary fund for capital expenditure for local boards. Local boards are to work with staff to develop a formula for allocation and criteria for qualifying projects.
3. The Capex fund enables local boards to deliver small local asset based projects, either directly, in partnership with the community, or through joint agreements between boards.
4. The Capex fund will be managed over three years. Local boards can use their entire three year allocation for one project or spread it over the three years for smaller projects.
5. Local boards provided views on how funding should be allocated during the review of the Local Boards Funding Policy (LBFP) in 2014. The resulting funding formula for Locally Driven Initiatives (LDI) allocates 90 per cent based on population, 5 per cent on deprivation and 5 per cent on land area. The same allocation formula can be used for the Capex fund to maintain consistency in the policy. Staff note however that the link between costs and land area is weak and leads to major shifts in the allocation of funding.
6. A formula based approach provides limited funding for the Great Barrier Island and Waiheke boards. Local boards should consider what level of funding over three years is appropriate for these boards. Staff recommend setting funding at one per cent of the fund for Great Barrier and two per cent for Waiheke.
7. Using the Capex fund is preferable to LDI funding as the Governing Body funds the consequential opex. Boards should consider whether they need to continue to use LDI funding for minor (less than \$1 million) capital projects. Boards should also consider whether they need to be able to bring forward regionally funded projects using the Capex fund.
8. The proposal to allocate a Capex fund to local boards will require an amendment to the LBFP. This will amend the Long-term Plan and requires the use of the special consultative procedure.

Recommendation/s

That the Howick Local Board:

- a) Provide feedback on the allocation of Capital expenditure (Capex) funding to local boards.

Comments

Background

9. The Governing Body has created a discretionary fund for capital expenditure for local boards. On May 7 the Budget Committee passed the following resolution:
- a) Provide a new Local Board discretionary capex fund of \$10 million per annum noting that this will incorporate the existing Facilities Partnership Fund.
 - b) Approve the following parameters for this fund:
 - i. The fund may be managed as a three year amount
 - ii. Local Boards may use the fund to build council owned assets, add to an existing council funded renewal or new capital project, work in partnership with an external provider or seed fund a community project.
10. The Budget Committee requested that staff and local boards develop a formula for allocation and criteria for qualifying projects to report to the Finance and Performance Committee.

Purpose of the Capex fund

11. The purpose of the fund is to ensure locally important projects are given appropriate priority. It is envisaged that the fund will be used for projects similar to those historically funded by the local improvement projects (LIP's) or small local improvement projects (SLIP's).

Funding Allocation Model

Principles for funding allocations

12. The core principles for allocating funding to local boards are an:
- equitable capacity for each local board to enhance well-being
 - administrative effectiveness
 - transparency.

Attributes for funding allocation

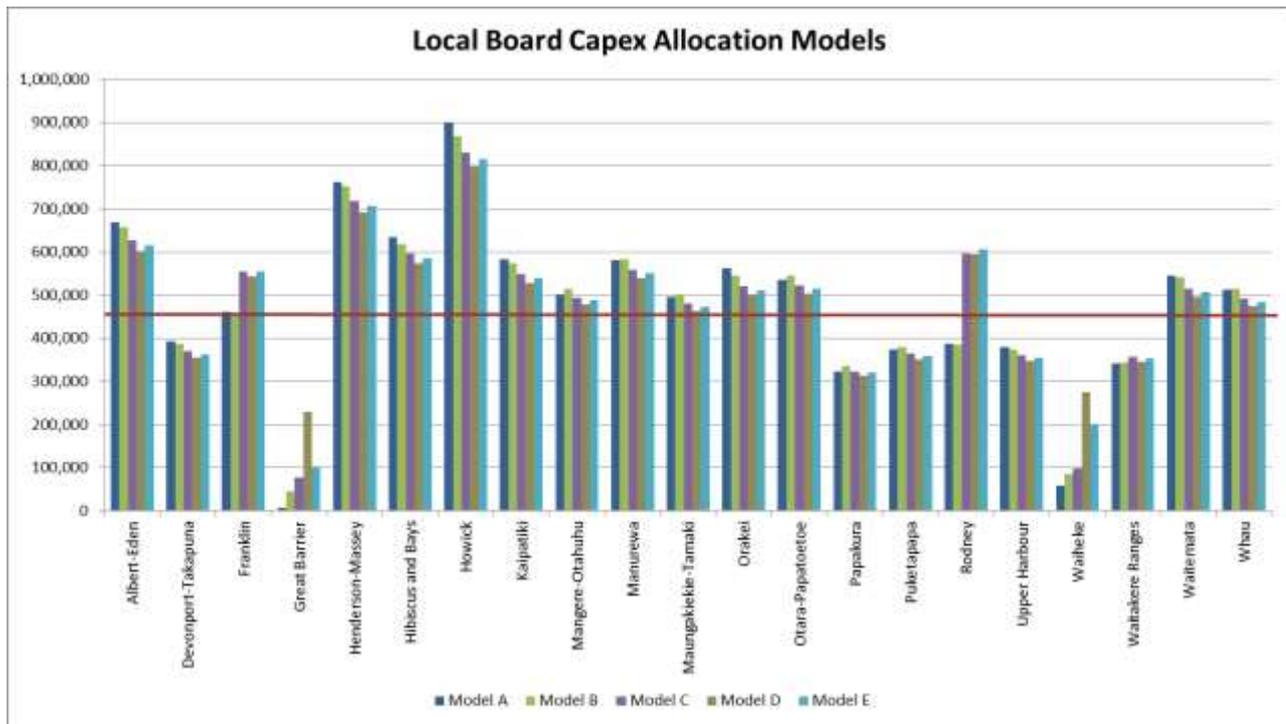
13. The Local boards funding policy (LBFP) makes allocations on the following basis:
- 90 per cent based on local board population size
 - 5 per cent based on the relative level of deprivation of the board
 - 5 per cent based on the land area of the board
 - Waiheke and Great Barrier Island are funded for a fixed amount set by the Governing Body.
14. The following table shows the level of local board support for the use of the above factors for allocating LDI recorded during the review of the LBFP.

Local Board Attribute	Local Boards that supported use during last review of LBFP	Relationship to need for funding	Staff Comments
Population	21	Strong	Strongly relates to demand for services
Deprivation	17	Weak	Little objective evidence for relationship to demand for services
Geography	16	Weak	High distortion effect on allocation that does not relate to need for services

15. A key decision for the allocation of the Capex fund will be to determine the appropriate level of capital funding for Great Barrier Island and Waiheke. The discussion document considers the two current allocation models used to fund these boards:

- LDI allocation: Great Barrier Island and Waiheke receive the same proportion of the Capex fund as they currently receive of the total funding pool for Locally Driven Initiatives. (This is 2.3% of the total pool for Great Barrier Island and 2.7% for Waiheke)
 - Transport Model: Great Barrier Island receives 1 per cent and Waiheke 2 per cent of the total funding pool.
16. Five models have been considered for allocating the Capex fund between all boards based on the population, deprivation and land area attributes of the boards:
- Model A: All boards funded based on 100% population
 - Model B: All boards funded based on 95% population and 5% deprivation
 - Model C: All boards funded based on 90% population, 5% deprivation and 5% land area
 - Model D: Great Barriers receives 2.3% and Waiheke receives 2.7% of total funds, remaining funds allocated to all other boards based on 90% population, 5% deprivation and 5% land area
 - Model E: Great Barriers receives 1% and Waiheke receives 2% of total funds, remaining funds allocated to all other boards based on 90% population, 5% deprivation and 5% land area.
17. The following pages present these five models in table and chart form.
18. Other potential funding attributes that have not been included in the modelling are:
- rates paid: there is no relationship with need for services, and support was low for this attribute during the last review, with six boards in favour.
 - current levels of capital expenditure: data on regional activities is unavailable at local level. Levels of expenditure on local assets are not relevant to the purpose of the Capex fund. Gaps in the provision of assets will be met through the relevant network facilities plan.
 - population growth: growth will be addressed every three years through the proposed allocation formula.

Model	A: 100% Population	B: 95% Population 5% Deprivation	C: 90% Population 5% Deprivation 5% Land Area	D: GBI: 2.3%, Waiheke: 2.7% of fund Other boards: 90% Population 5% Deprivation 5% Land Area	E: GBI: 1%, Waiheke: 2% of fund Other boards: 90% Population 5% Deprivation 5% Land Area
Albert-Eden	668,963	657,222	626,669	602,363	615,305
Devonport-Takapuna	391,862	386,741	369,200	355,152	362,782
Franklin	461,460	454,987	554,035	543,637	555,317
Great Barrier	6,633	44,609	77,015	229,088	100,000
Henderson-Massey	760,729	751,296	718,691	691,544	706,402
Hibiscus and Bays	634,608	617,350	596,626	573,397	585,717
Howick	898,061	868,651	830,867	797,072	814,197
Kaipatiki	582,770	573,722	548,057	527,047	538,371
Mangere-Otahuhu	501,282	513,972	493,923	477,953	488,222
Manurewa	580,990	583,821	558,564	538,791	550,368
Maungakiekie-Tamaki	494,522	500,654	479,650	463,210	473,162
Orakei	561,873	545,485	520,709	499,702	510,438
Otara-Papatoetoe	534,513	544,180	521,245	503,760	514,583
Papakura	322,369	335,109	323,104	313,327	320,059
Puketapapa	373,975	380,219	363,431	351,108	358,652
Rodney	387,687	385,200	595,331	593,444	606,195
Upper Harbour	379,146	373,043	361,197	347,758	355,230
Waiheke	58,896	85,065	97,922	274,940	200,000
Waitakere Ranges	341,910	343,031	356,306	346,071	353,507
Waitemata	544,919	540,615	515,339	496,033	506,690
Whau	512,832	515,028	492,119	474,605	484,802
Total	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000



19. The charts show the following:

- Using land area as an allocation factor significantly increases funding to Rodney and Franklin local boards.
- Great Barrier Island receives less than \$7,000 under a population based allocation. This rises to \$77,000 under the allocation formula that includes deprivation and land area.
- Providing Great Barrier Island and Waiheke with fixed allocations under the LDI allocation and Transport models only has a small impact on the other 19 boards.

20. In determining the appropriate funding levels for Great Barrier Island and Waiheke consideration should be given both to the total value of the funding over three years, and the typical costs of activities likely to be undertaken by these boards. The following table shows the level of funding these boards would receive over three years in comparison to the next smallest board, Papakura:

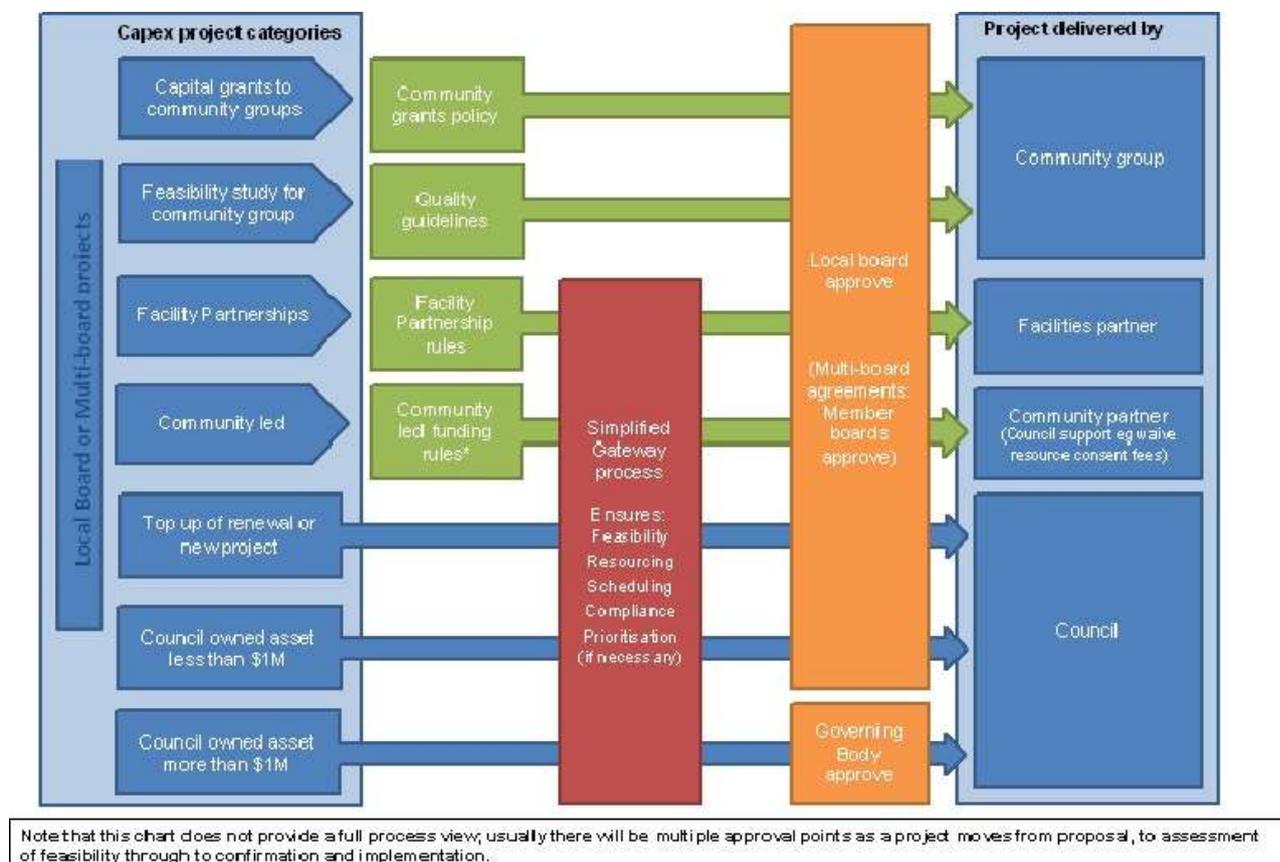
Allocation formula model	Three year capex funding allocation for		
	Great Barrier	Waiheke	Papakura
Board Population size	900	8,400	45,000
A: 100% population	\$20,000	\$180,000	\$970,000
B: 95% population + 5% deprivation	\$130,000	\$260,000	\$1,000,000
C: 90% population + 5% deprivation + 5% land area	\$230,000	\$290,000	\$970,000
D: GBI: 2.3% Waiheke 2.7% (Current LDI allocation)	\$690,000	\$820,000	\$940,000
E: GBI: 1% Waiheke 2% of total fund	\$300,000	\$600,000	\$960,000

21. The average cost for SLIPs projects in the last financial year was \$31,000 for Great Barrier Island and \$27,000 for Waiheke. Under Model E Waiheke would receive two per cent of the fund, and be able to deliver 20 average cost projects over three years. Great Barrier would receive one per cent of the fund and be able to deliver 10 average cost projects over the same period. They can of course accumulate funds over the three year period to undertake larger projects.
22. Staff consider there is a strong case for using the same formula for LDI and the capex fund to maintain consistency in the allocation. However, there is also a case for excluding land area given its impact on the distribution of funding.

23. Staff consider that allocating Great Barrier and Waiheke the same proportion of funding as they receive from the LDI opex fund would over fund these boards compared to other board areas. Staff recommend an allocation of one per cent of the total fund to Great Barrier, and two per cent to Waiheke would be appropriate.

Decision making process for capex projects

24. The chart on the following page provides an overview of decision making pathways for each type of project.



25. Staff will work with boards to develop guidelines for facilities partnerships (including feasibility studies) and community-led projects.

Bringing future capex allocation forward

26. The governing body has proposed that the fund be managed over a three year period, aligned with the Long-term Plan planning cycle. Local boards can use their entire three year allocation for one project or spread it over the three years for smaller projects. This provides boards with greater choice in the size and timing of projects they undertake.
27. As a practical consideration, it is unlikely that all 21 local boards would be in a position to bring forward their three years of funding to 2015/16. However, in the event that this was to happen, the projects would need to be assessed against the modified “gateway” process to ensure they were able to be delivered.
28. Budget for the Capex funding is included in the ten year plan. Local boards’ can only bring three years budgets forward however so future decision making is unencumbered.

Role of LDI funding

29. The table below sets out how the Capex Fund and LDI Opex Fund could be used for different types of projects.

Funding Type	Project Type	Capex Fund		LDI Opex fund	
Capex	Minor Asset based projects (less than \$1M)	✓	GB funds consequential opex	?	LBs fund consequential opex (feedback sought)
	Top-up of regional projects and renewals	✓		?	
	Major Asset based projects (greater than \$1M)	✓	GB approval required. GB funds consequential opex.	✘	Must use Capex fund for large projects
Opex	Capital grants to community groups	✓	Debt funded opex. Must be included in annual plan	✓	Standard opex expenditure
	Feasibility Studies	✓		✓	

30. Local boards are currently able to fund capital projects using their LDI budget by funding the consequential opex. The capex fund largely does away with the need for this and the Mayor's report proposed the removal of the ability to fund major new facilities with opex funded by their LDI. This raises the question of whether local boards still need the ability to use LDI to fund minor capital projects. The table sets out the key differences between the Capex fund and the LDI opex fund for capital projects.

Capex fund	LDI opex fund
GB funds consequential opex	LB funds consequential opex
Easier for GB to control and plan for debt (set amount available for three years)	Creates variable unknown capex requirements on an annual basis
Simplified reporting processes	Complex financial reporting required to track LB funding vs regional funding

31. Staff recommend that local boards' do not fund minor (less than \$1 million) capital projects with LDI opex from 1 July 2016. This will not impact projects that boards have already committed to funding.
32. Local boards should provide feedback on whether they see a need to use:
- LDI to fund minor capital projects
 - Capex funding to bring regionally funded projects forward.

Transferring LDI to Capex

33. Local boards may transfer their currently approved capex projects paid for by LDI (as outlined in their LB Agreement 2015/16), to the new discretionary fund. This will free up their LDI opex again and remove the need to fund consequential opex.

Deferral of Capex

34. Normal deferral conditions apply to the Capex fund. Projects cannot be planned outside of the three years but funds may be deferred if projects are unable to be completed within this period.

Transition for current Capex allocations

35. There will be no transition mechanism for any existing Capex budgets held by some local boards. The Governing Body has decided that this fund will replace the current Facilities Partnership fund.

36. Projects that have already been committed to through the Facilities Partnership fund will need to be funded from the relevant boards' Capex fund allocation.

Local Boards Funding Policy

37. The current Local Boards Funding Policy must be amended to provide for the allocation of capex funding. This is an amendment to the Long-term Plan requiring use of the Special Consultative Procedure with a public consultation period of one month.
38. Staff propose to amend the LBFP to provide a general formula for allocating any non LDI funding. This will avoid the need to amend the LBFP every time the Governing Body decides to give local boards funding that is not for Locally Driven Initiatives.

Consideration

Local Board views and implications

39. The proposal does not impact the allocation of decision making.

Significance and Engagement

40. The proposed Capex fund is a minor change in the scale of the Council's budget and funding for Local Activities. As such it is not a significant change. However, creating a new funding allocation for local boards requires an amendment to the Local Board Funding Policy, and consequently the Long-term Plan.
41. The Council is required to undertake a special consultative process for any amendment to the Long-term Plan.

Implementation

42. The proposed amendment to the Local Board Funding Policy is not significant. As such, the amendment to the Long-term Plan will not need to be audited.

Attachments

There are no attachments for this report.

Signatories

Authors	Beth Sullivan - Principal Advisor Policy
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