

Date: Thursday 16 May 2024
Time: 10.00am
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

Komiti mō te Tahua Pūtea / Budget Committee

OPEN MINUTE ITEM ATTACHMENTS

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Memorandum

14 May 2024

To: Elected members

Subject: Fairer funding for local boards in the Mayoral Proposal.

From: Jestine Joseph

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Purpose

1. To provide elected members with the three-year fairer funding opex budget allocation by local board, based on the Mayoral Proposal for Long Term Plan (LTP) 2024-2034, published on 13 May 2024.

Key points

- The Mayoral Proposal includes additional funding to support fairer funding of local boards
- The proposal includes no reallocation of funding between boards
- For opex the additional funding will get 19 boards within five per cent of their equitable funding¹ in 2025/2026, and within one per cent from 2026/2027 onwards.
- For capex the proposal supports the recommendation of the Joint Governance Working Party (JGWP), which gets 18 boards within 5 per cent, on a three-year basis.

Context

2. The Mayoral Proposal for the LTP 2024-2034 was published on 13 May 2024, including the following proposal for fairer funding of local boards:

Fairer funding for Local Boards

- 1) *My original proposal was to accelerate fairer funding for Local Boards to address legacy imbalances, with a 50/50 combination of new funding and reallocation. This is to be progressed alongside properly empowering boards to make budget decisions and better advice to support decision-making.*
- 2) *There was strong support for accelerating fairer funding, but mixed views on whether this should include reallocation. The Joint Governance Working Party proposed an option that does not involve reallocation.*
- 3) *I've accepted the recommendation of no reallocation in principle because I want us to resolve this. However, I'm advised that the full recommendation of the Working Party will now have an additional impact on rates (above what was included in the central proposal) of around 1.5% in year 2, which is more than they were advised.*
- 4) *That seems a bit steep, so I propose we stage these increases over the next few years – with additional funding being allocated in years 2 to 4. My revised approach will have an impact on rates of 1 % in year 2, which is more reasonable. It also gives Local Boards some more time to plan for increases in funding.*

¹ Equitable funding level means the funding each local board would be entitled to under the proposed funding allocation model of 80/15/5.



Discussion

3. The Mayoral Proposal includes different approaches to achieving significant equity in local board opex and capex, as outlined in the opex and capex sections below.
4. For both opex and capex:
 - A) Equity would be achieved through new funding provided in the LTP, with no reallocation between local boards.
 - B) There will be no change to budgets in 2024/2025. Implementation and additional funding applies from 1 July 2025.

Opex

5. The staged implementation proposed above refers to achieving significant opex equity for most local boards.
6. Through the Mayoral Proposal for LTP 2024-2034, a total of \$34.5 million of additional opex (1% rates increase in 2025/2026 in addition to that included in the consultation 'central proposal') is proposed to be provided in 2025/2026 to address local board opex funding inequities. This will get 19 local boards to within five per cent of their opex equitable funding in 2025/2026.
7. From 2026/2027, this amount is proposed to increase to \$49.5 million (0.5% rates increase in 2026/2027 over and above what was included in the consultation 'central proposal') which will get 19 local boards to within one percent of their opex equitable funding. Two local boards will remain funded above their equitable levels.
8. For the first three years of the LTP:
 - a. The central proposal achieved significant equity across the first three years, by taking the total amount of three-year funding required and then allocating that to FY2025/26 and FY2026/27.
 - b. The updated proposal achieves significant equity from year two only.
 - c. By excluding the equity funding from FY2024/25, the budget and rate impacts can be better managed.
9. The table below shows the total additional opex funding proposed compared to that included in the consultation 'central proposal'.

	Additional Funding (\$m)			
	2024/2025	2025/2026	2026/2027	3 Year Total
50:50 – Fairer Funding central proposal	0	10	10.2	20.2
Mayoral Proposal – no reallocation	0	34.5	49.5	84

10. Attachment 1 shows the distribution of opex by local board for the first three years of the LTP, including the additional funding provided through the Mayoral Proposal for the LTP.



Capex

11. For capex, the proposal is to continue with the recommendation of the JGWP from 3 May 2024, i.e., to get 18 local boards to within five per cent of capex equity by 2026/2027, with only new funding.
12. The table below shows the total additional capex funding proposed compared to that included in the consultation 'central proposal'.

	Additional Funding (\$m)	
	First three years of the LTP	10 Years of the LTP
50:50 – Fairer Funding central proposal	30	135
Mayoral Proposal – no reallocation	56	231

13. Given the lumpy nature of the capital investment, addressing equity in capex funding would continue to be based on considering equity across a three-year period.
14. There is no change to the capex allocation (set out in Attachment 2) from what is provided in the supporting information for the Mayoral Proposal.

Next steps

15. The Budget Committee considers approval of the LTP 2024-2034 budget at their 16 May 2024 meeting.
16. The Governing Body adopts the LTP 2024-2034 at their meeting on 27 June 2024.
17. Staff will develop a programme to implement the decisions of the Governing Body in relation to the Fairer Funding of local boards, if agreed through the LTP 2024-2034.
18. Local board funding equity (opex and capex) analysis and allocation will be refreshed every three years through each LTP refresh.
19. Further advice will need to be considered through the JGWP if there is support for further improving equity in future years.

Attachments

Attachment 1 - Three-year opex budget by local board - comparison of current local board funding and Mayoral Proposal for fairer funding

Attachment 2 - Capex budget based on the JGWP recommendation and supported by the Mayoral Proposal for fairer funding



Attachment 1: Three Year Opex Budget – comparison of current local board funding and Mayoral Proposal for fairer funding (\$m)

Local Board	Current local board funding ²	Mayor's proposal for LTP 2024-2034 ³				3 Year Difference
	3 Year TOTAL	FY25 ⁴	FY26	FY27	3 Year TOTAL	
Albert-Eden	32.0	10.4	14.4	15.7	40.5	8.5
Devonport-Takapuna	28.8	9.4	9.6	9.8	28.8	0.0
Franklin	39.5	12.8	16.4	18.0	47.3	7.8
Great Barrier	5.0	1.6	2.8	3.1	7.5	2.5
Henderson-Massey	62.2	20.2	20.8	21.3	62.2	0.0
Hibiscus and Bays	43.5	14.1	15.9	17.4	47.4	3.9
Howick	63.3	20.6	21.2	23.3	65.1	1.8
Kaipātiki	33.0	10.7	13.2	14.4	38.3	5.3
Māngere-Ōtāhuhu	48.1	15.6	16.1	16.4	48.1	0.0
Manurewa	32.2	10.4	16.6	18.2	45.3	13.1
Maungakiekie-Tāmaki	40.1	13.0	14.2	15.5	42.7	2.6
Ōrākei	34.2	11.1	12.4	13.6	37.2	3.0
Ōtara-Papatoetoe	47.7	15.5	15.9	16.8	48.2	0.5
Papakura	37.7	12.5	12.5	12.7	37.8	0.1
Puketāpapa	23.9	7.8	10.4	11.4	29.6	5.7
Rodney	31.0	10.1	18.3	20.1	48.5	17.5
Upper Harbour	36.1	11.7	12.0	12.3	36.1	0.0
Waiheke	13.8	4.5	5.6	6.1	16.2	2.4
Waitākere Ranges	26.2	8.5	9.1	10.0	27.7	1.5
Waitematā	50.2	16.2	16.8	17.2	50.2	0.0
Whau	30.7	9.8	13.7	15.1	38.7	8.0
TOTAL	759.0	246.7	288.0	308.5	843.1	84.1

² Based on the current local board funding policy 2022

³ Current local board opex budgets include inflation year-on-year. This means local board opex budget in a particular year is already more than in the previous year. The additional funding provided through the mayor's proposal is on top of the current inflated opex budget for 2025/2026, and 2026/2027.

⁴ There is no change to 2024/2025 budget as Fairer Funding implementation starts from 1 July 2025



Attachment 2: Capex Budget – comparison of current local board funding and Mayoral Proposal for fairer funding (\$m)

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Local Board	3 Years Total capex budget (in scope)			10 Years Total Capex budget (in scope)		
	Current local board funding ⁵	Mayor's proposal	Difference	Current local board funding	Mayor's proposal	Difference
Albert-Eden	11.3	17.6	6.4	56.6	80.5	23.9
Avonport-Takapuna	17.3	17.3	0.0	77.2	77.2	0.0
Franklin	17.9	20.2	2.3	93.2	95.5	2.3
Great Barrier	0.8	3.4	2.6	5.4	15.6	10.3
Anderson-Massey	24.0	24.0	0.0	119.6	119.6	0.0
Glendowie and Bays	23.9	23.9	0.0	100.3	100.3	0.0
Howick	23.5	26.0	2.5	102.1	119.0	16.9
Hautapu	18.6	18.6	0.0	81.6	81.6	0.0
Manurewa	16.2	18.3	2.1	81.8	85.6	3.8
Mangakiekie-Tāmaki	19.7	20.4	0.7	83.5	93.2	9.8
Māngere-Ōtāhuhu	14.7	17.4	2.7	69.6	79.4	9.8
Māngere	11.3	15.3	4.0	57.4	69.7	12.3
Māngere-Papatoetoe	16.7	18.8	2.1	74.1	85.7	11.6
Māngere-Papakura	12.8	14.2	1.4	64.9	68.0	3.2
Māngere-Puketāpapa	6.0	12.8	6.7	39.7	58.3	18.6
Māngere-Rodney	18.9	22.5	3.6	72.6	102.7	30.1
Māngere-Supper Harbour	10.1	12.9	2.8	47.1	59.0	11.9
Māngere-Taiheke	2.2	6.8	4.7	16.7	31.3	14.6
Māngere-Taitākere Ranges	9.0	11.2	2.3	40.8	51.2	10.4
Māngere-Taitemata	18.9	18.9	0.0	90.4	90.4	0.0
Māngere-Tauhara	8.0	16.9	8.8	35.3	77.1	41.8
TOTAL	301.8	357.4	55.6	1,409.9	1,641.2	231.3

Attachment A

⁵ Based on the current local board funding policy 2022

DRAFT FOR CONSIDERATION OF THE BUDGET COMMITTEE

Auckland Council (Auckland Future Fund) Bill

Local Bill

Explanatory note

General policy statement

Auckland Council’s Auckland Future Fund (AFF) is a fund established on 1 July 2024 to secure the real value of the council’s intergenerational assets, so they can continue to benefit future generations, and to provide a strong return to council.

The AFF was initially capitalised by Council’s shareholding in Auckland International Airport (AIAL) shares, but there the Council has preserved the ability to invest more in the Future Fund in the future, recognising it has other major intergenerational assets.

The AFF is a significant financial asset for Auckland Council, enabling financial benefits to accrue to current and future communities of the Auckland Region, and improving the financial and physical resilience of the Council.

At the time the AFF was proposed, the Council recognised it faced significant long-term risks, which included an increased risk of damage to physical assets because of climate change.

However, the Council’s financial investments were not diversified. Instead, its assets were highly concentrated in physical assets in Auckland that were not aligned with its climate goals and subject to the same risks as the Council’s other physical assets.

The AFF enabled Council to “swap” a single asset for a diversified asset portfolio that provides a higher and steadier expected rate of return, and which is expected to be more resilient to shocks that impact Council’s other assets. A higher and steadier return will enable increased investment in services and infrastructure that benefit Auckland’s communities, without increases in general rates.

A main purpose of the AFF is to protect the real value of Council’s intergenerational assets, so they can continue to benefit future generations.

The AFF is to be operated with the intention of being a sustainable fund, whereby releases from the AFF may be provided to Council to fund services or infrastructure. These release payments should, over the medium term, be lower than the earnings of the AFF (inflation-adjusted) so that the AFF maintains or grows its capital base.

However, the Council has not always sustainably managed such assets. The Council previously held a Diversified Asset Portfolio, which was transferred to it from the Auckland Regional Council and valued at \$260.5 million. Over time, the Council sold down this portfolio entirely to fund infrastructure and reduce debt. The Council sold some of its shareholding in AIAL to reduce debt in 2023.

The Council resolved, as part of long-term plan deliberations on the AFF, to promote a local bill that would provide legislative protections to its capital base to ensure benefits flow to the Auckland communities in perpetuity. These provide a higher level of protection than exists now for the AIAL shares or other strategic assets.

There are a number of other aspects of the AFF’s governance and management framework that legislation can protect in an appropriate manner while retaining flexibility for future Council decisions.

Clause by clause analysis

[Insert]

