

Date: Tuesday 4 March 2025
Time: 10.00 am
Venue: Ground Floor
Hawiti Building
6 - 8 Munroe Lane
Albany

Hibiscus and Bays Local Board Workshop

OPEN NOTES ITEM ATTACHMENTS

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Local board budget update for cost pressures

Hibiscus and Bays Local Board

March 2025



Item 3

Attachment A

Purpose of today's workshop

- Present updated financial positions for local boards
- Present options to manage local board cost pressures – in advance of feedback report in March business meeting



Budget refresh process

October-November

- high level review of significant contracts, key assumptions and identification of risks for further review.

November–February

- detailed review of costs, budgets, risks and assumptions.
- updates for further new Information.

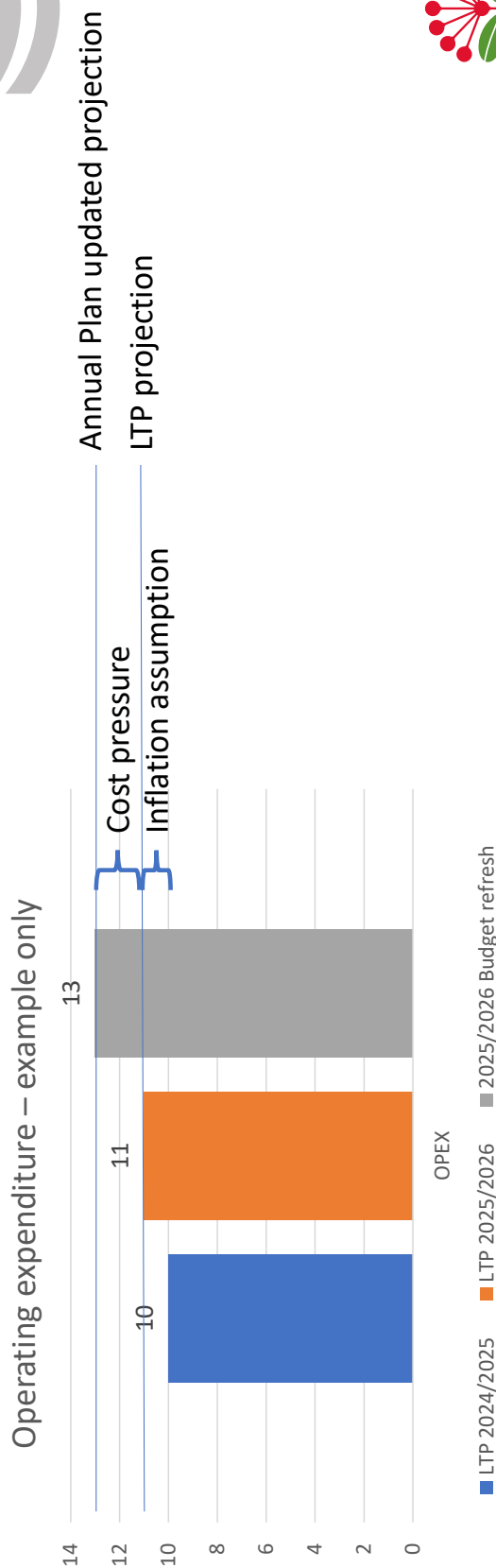


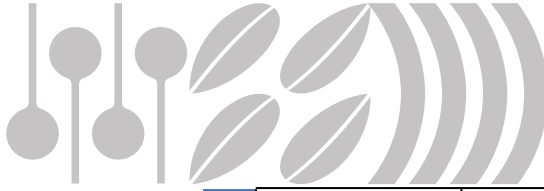
What are (operating) cost pressures?

Operating funding in the LTP included annual projected inflationary increases for costs to deliver services based on the best available information at the time.

Cost pressures are **unavoidable cost increases** to deliver existing planned service levels above these inflation adjusted funding levels based on updated information.

Under Fairer Funding, **there are no automatic increases to funding levels to meet additional cost increases.**



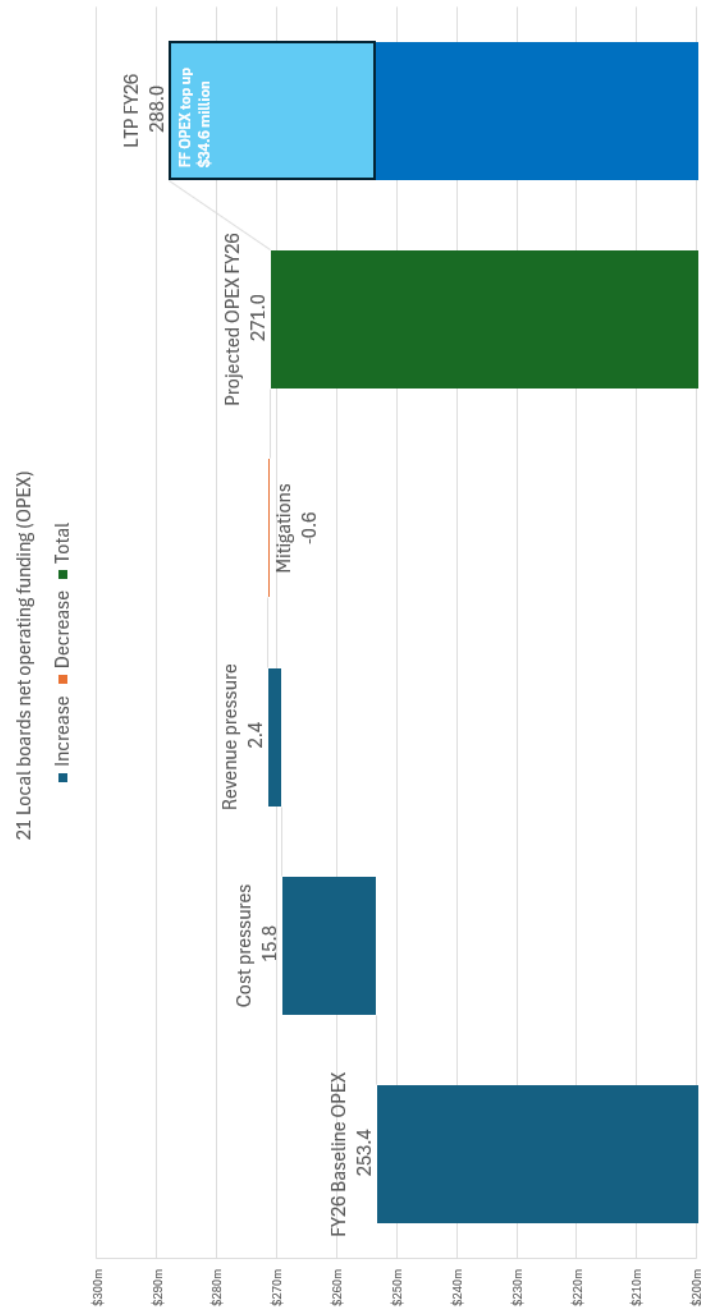


Themes of cost pressures – Community activity

Unavoidable cost increases to deliver existing, planned levels of service

Theme	Description	Examples
Contractual/inflationary cost increases above assumptions	Where the cost of delivering existing and planned levels of service are forecast to unavoidably increase, typically tied to contracts, and are expected to be above projected LTP assumptions.	Utilities price increase. Increases in repairs and maintenance costs – Full facilities contracts.
Implementation of political decisions	Where the Governing Body has made a political decision or commitment which requires additional funding, not planned for in the Long-term Plan 2024-2034. Note: Regional funding for increased cost of new P&L contracts provided.	Implementing a living wage for contracted Pools and Leisure sites.
Improvements to meet planned level of service	Existing levels of funding is insufficient to deliver the planned level of service as agreed with each local board.	Increased staff rostering to reduce the likelihood of unplanned facility closures.
Ongoing challenges to revenue	Operating revenue is a key funding source for local boards. Adjustments may be proposed where a business unit indicates they may not meet the revenue targets set out in the LTP.	Pools and Leisure revenue.

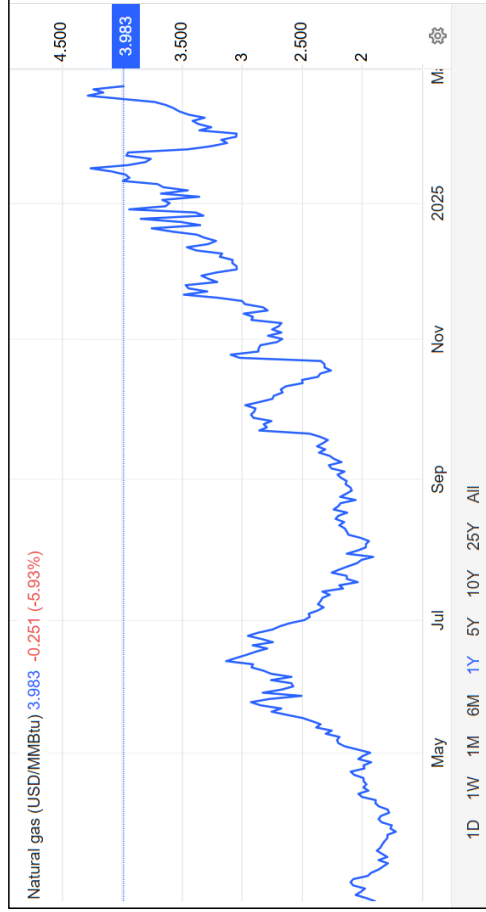
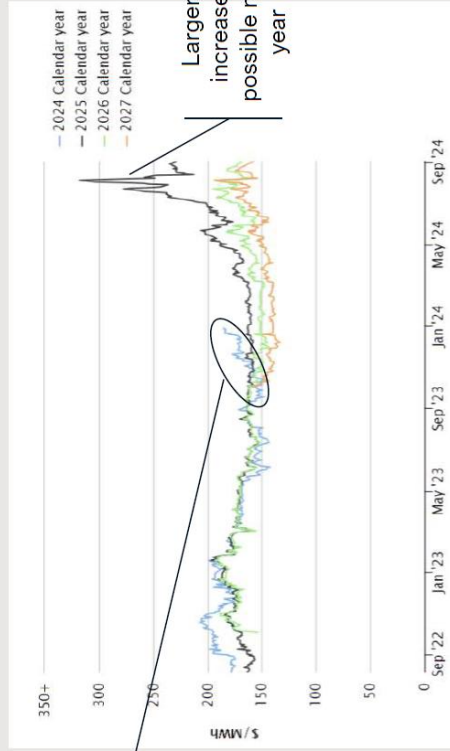
Local board collective budget position



Cost pressures, revenue pressures, mitigations		
Cost pressures	Full Facilities scheduled maintenance	\$9.1m
	Utilities (Electricity/Gas)	\$5.2m
	Improved libraries rostering	\$1.5m
Revenue pressures	Pools and Leisure revenue shortfalls	\$1.9m
	Venue Hire revenue shortfalls	\$0.5m
Mitigations	Leasing improvements	(\$0.6m)
	Total 21 local boards	\$17.6m

Utilities pricing graphs

Electricity futures pricing at Otahuhu for 2024 - 2027





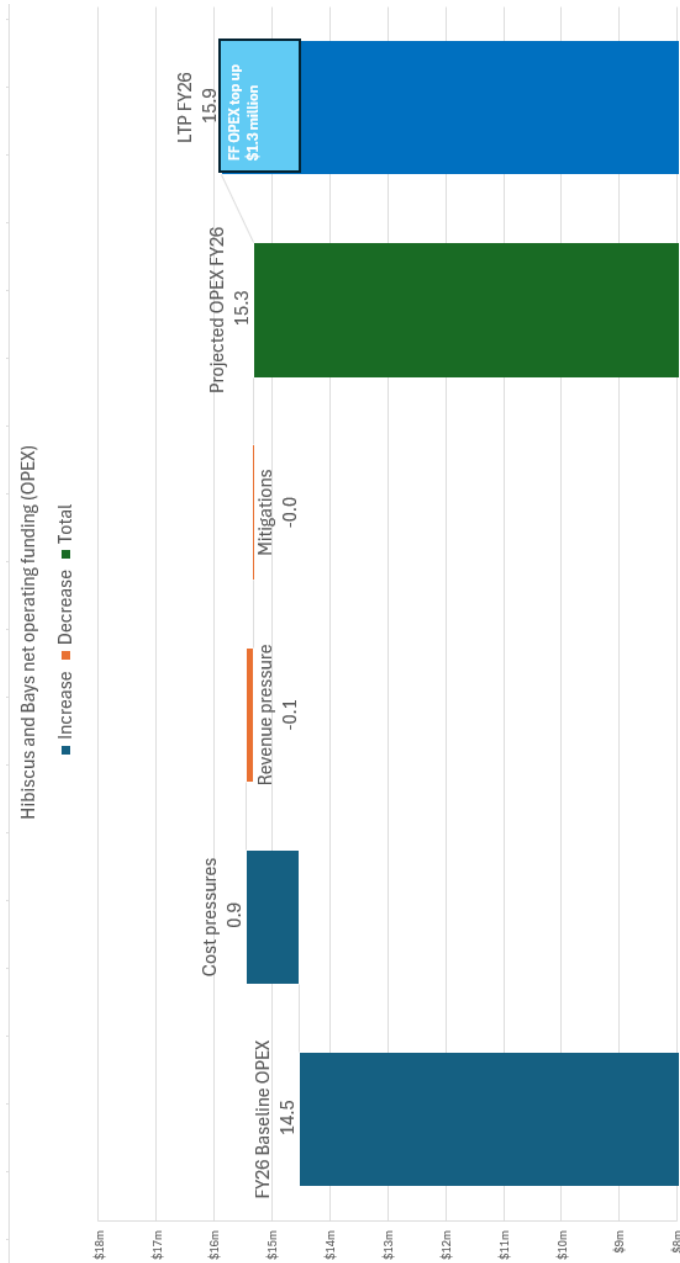
Local board budget position (updated with 2024/2025 LDI opex for comparison)

LB Cost pressure	2025/2026 baseline OPEX funding		LDI opex (2024/2025) included in baseline OPEX for 2025/2026		Fairer Funding \$34.6m OPEX top up		Total net OPEX cost pressures available		Additional OPEX available		Remaining cost pressure	
	2025/2026 baseline OPEX funding	2025/2026 baseline OPEX funding	LDI opex (2024/2025) included in baseline OPEX for 2025/2026	LDI opex (2024/2025) included in baseline OPEX for 2025/2026	Fairer Funding \$34.6m OPEX top up	Fairer Funding \$34.6m OPEX top up	Total net OPEX cost pressures available	Total net OPEX cost pressures available	Additional OPEX available	Additional OPEX available	Remaining cost pressure	Remaining cost pressure
Albert-Eden	10.7	10.7	1.5	1.5	3.7	3.7	2.5	2.5	1.2	1.2		
Devonport-Takapuna	9.6	9.6	1.3	1.3	0.0	0.0	0.5	0.5			0.5	0.5
Franklin	13.2	13.2	1.5	1.5	3.3	3.3	1.1	1.1	2.2	2.2		
Great Barrier	1.7	1.7	0.6	0.6	1.1	1.1	-0.0	-0.0	1.2	1.2		
Henderson-Massey	20.8	20.8	1.9	1.9	0.0	0.0	1.0	1.0			1.0	1.0
Hibiscus and Bays	14.5	14.5	1.6	1.6	1.3	1.3	0.8	0.8	0.5	0.5		
Howick	21.2	21.2	2.2	2.2	0.1	0.1	1.0	1.0			0.9	0.9
Kaipatiki	11.0	11.0	1.3	1.3	2.1	2.1	1.0	1.0	1.1	1.1		
Mangere-Otahuhu	16.1	16.1	1.9	1.9	0.0	0.0	1.0	1.0			1.0	1.0
Manurewa	10.8	10.8	1.6	1.6	5.8	5.8	0.8	0.8	5.1	5.1		
Maungakiekie-Tamaki	13.4	13.4	1.3	1.3	0.8	0.8	0.5	0.5	0.3	0.3		
Orakei	11.4	11.4	1.3	1.3	1.0	1.0	0.2	0.2	0.8	0.8		
Otara-Papatoetoe	15.9	15.9	1.6	1.6	0.0	0.0	1.3	1.3			1.3	1.3
Papakura	12.5	12.5	1.4	1.4	0.0	0.0	0.7	0.7			0.7	0.7
Puketapapa	8.0	8.0	0.9	0.9	2.4	2.4	1.7	1.7	0.8	0.8		
Rodney	10.3	10.3	1.8	1.8	8.0	8.0	0.0	0.0	8.0	8.0		
Upper Harbour	12.0	12.0	1.1	1.1	0.0	0.0	0.9	0.9			0.9	0.9
Waiheke	4.6	4.6	0.7	0.7	1.0	1.0	0.1	0.1	0.8	0.8		
Waitakere Ranges	8.7	8.7	1.2	1.2	0.4	0.4	0.1	0.1	0.3	0.3		
Waitemata	16.8	16.8	1.4	1.4	0.0	0.0	0.6	0.6			0.6	0.6
Whau	10.3	10.3	1.3	1.3	3.4	3.4	1.8	1.8	1.6	1.6		
Total 21 local boards	253.4	253.4	29.3	29.3	34.6	34.6	17.6	17.6	23.9	23.9	6.9	6.9

This table includes each local board's LDI OPEX funding for 2024/2025 for comparison.

Supplementary to slide 8 of the presentation to LB Chairs Briefing and LB workshops

Hibiscus and Bays local board



Cost pressures, revenue pressures, mitigations		
Cost pressure	Full Facilities scheduled maintenance	\$0.74 million
	Utilities	\$0.10 million
	Libraries	\$0.09 million
Revenue pressure	Pools and Leisure revenue improvement	(\$0.15 million)
	Venue Hire revenue shortfall	\$0.02 million
	Leasing improvements	\$ -
Total		\$0.8 million



Attachment A **Item 3**

Addressing local cost pressures with additional options

- Fairer Funding – local boards have funding envelopes based on equity. 13 local boards received additional OPEX to support a transition, 8 local boards did not.
- There is a need to address cost pressures for Annual Budget 2025/2026.
- Fulsome advice on strategic change options and opportunities across local services that can be implemented in time to address cost pressures will not be ready for the 2025/2026 financial year, and there may be a need for additional options to support local boards in the interim.
- Without additional options it is unlikely that local boards without sufficient new funding to offset the new emerging cost pressures will be able to manage these within existing funding levels.
- To support a smoother transition to Fairer Funding, staff have prepared **additional options for managing local cost pressures for 2025/2026** – first presented to the Joint Governance Working Party on 14 February 2025.



Resolution passed by JGWP February 2025

Resolution number JGWPC/2025/4

MOVED by Chairperson J Fairey, seconded by Deputy Chairperson C Handley:

That the Joint Governance Working Party:

- a) **tono / request advice on both an interim approach for FY25/26 to aid transition to Fairer Funding and an enduring solution for future financial years, noting initial advice on multiboard services which could address some of the transition issues will be coming to the April meeting of the JGWP but not in time for FY25/26**
- b) **tuhi tīpkoa / note the three identified options as potential ways to address local board cost pressures in the short term: Local boards manage within existing local board funding envelopes; recalibration of the \$35 million operating funding increase for 2025/2026; and seeking additional funding to accommodate cost pressures including utilizing the Delivering Differently budget**
- c) **tono / request that staff seek formal local board feedback on matters relating to local board cost pressures and report back to the Joint Governance Working Party in April 2025, to support a recommendation to the Governing Body for Annual Budget 2025/2026.**

CARRIED



Summary of options

Option 1: Manage within existing LB funding envelopes with support from staff

Option 2: Recalibration of the allocation of the \$35 million operating funding increase for local boards

Option 3: Provide additional funding for local services to accommodate cost pressures

A combination of these options is likely to be required.



Option 1: Local boards manage within existing local board funding envelopes, with support from staff to find efficiencies and enhance revenue for asset-based services

Under this 'status quo' approach, local boards would address cost pressures by:

- Utilising new operating funding (share of \$35m top-up funding)
- Adopting and seeking staff on opportunities which can be implemented for 2025/2026 to increase revenue or reduce costs
- Working with staff to seek cost efficiencies and revenue enhancements during the year – as part of their day-to-day operational management of these services.

Risks and impacts

- Advice not fully ready and implementable across the full local board service portfolio for 2025/2026.
- Available advice may be limited to those tailored to local priorities and reducing these will impact the delivery of local board plan outcomes.
- May not align with the principle of no local board being worse off in its service levels in the first year of transition.



Option 1: Local board financial position

LB Cost pressure	2025/2026 baseline OPEX funding	Fairer Funding \$34.6m OPEX top up	Total net OPEX cost pressures	Additional OPEX available	Remaining cost pressure
Albert-Eden	10.7	3.7	2.5	1.2	
Devonport-Takapuna	9.6	0.0	0.5		0.5
Franklin	13.2	3.3	1.1	2.2	
Great Barrier	1.7	1.1	-0.0	1.2	
Henderson-Massey	20.8	0.0	1.0		1.0
Hibiscus and Bays	14.5	1.3	0.8	0.5	
Howick	21.2	0.1	1.0		0.9
Kaipatiki	11.0	2.1	1.0	1.1	
Mangere-Otahuhu	16.1	0.0	1.0		1.0
Manurewa	10.8	5.8	0.8	5.1	
Maungakiekie-Tamaki	13.4	0.8	0.5	0.3	
Orakei	11.4	1.0	0.2	0.8	
Otara-Papatoetoe	15.9	0.0	1.3		1.3
Papakura	12.5	0.0	0.7		0.7
Puketapapa	8.0	2.4	1.7	0.8	
Rodney	10.3	8.0	0.0	8.0	
Upper Harbour	12.0	0.0	0.9		0.9
Waiheke	4.6	1.0	0.1	0.8	
Waitakere Ranges	8.7	0.4	0.1	0.3	
Waitemata	16.8	0.0	0.6		0.6
Whau	10.3	3.4	1.8	1.6	
Total 21 local boards	253.4	34.6	17.6	23.9	6.9

Under option 1, after addressing cost-pressures there would be \$23.9m FF top-ups remaining across 13 local boards.

8 local boards without a top-up will continue to have a \$6.9m cost pressure to manage within their funding envelope.



Option 2: Recalibration of the allocation of the \$35 million operating funding increase for local boards in 2025/2026

Under this approach, a portion of the \$35m new operating funding for 2025/2026 could be used as temporary support for local boards unable to fully offset cost pressures.

- Allocation of the \$35m to individual local boards may change compared to LTP
- A one-year recalibration continues to make progress towards funding equity over 4 years
- No impact to rates
- Noting some of the \$35m additional funding may be unused if insufficient new, implementable options are identified

Risks and impacts

- Funding equity gap for 2025/2026 slightly larger, departure from LB Funding Policy 2025
- A one-year approach - local boards may have cumulative cost pressures to solve in FY26/27
- Continued application slows progress to significant funding equity
- Perceived retreat on historical commitments through the LTP for individual local boards



Option 2: Local board financial position (100% cost pressure coverage)

Scenario: 100% cost pressure funded from \$34.6m FF OPEX top up	2025/2026 baseline OPEX funding	100% cost pressures covered	FF top up under 100% coverage	Net OPEX position
Albert-Eden	10.7	2.5	1.9	15.0
Devonport-Takapuna	9.6	0.5	0.0	10.1
Franklin	13.2	1.1	1.2	15.4
Great Barrier	1.7	0.0	0.7	2.4
Henderson-Massey	20.8	1.0	0.0	21.8
Hibiscus and Bays	14.5	0.8	0.0	15.4
Howick	21.2	1.0	0.0	22.1
Kaipatiki	11.0	1.0	0.5	12.6
Mangere-Otahuhu	16.1	1.0	0.0	17.1
Manurewa	10.8	0.8	3.8	15.3
Maungakiekie-Tamaki	13.4	0.5	0.0	13.8
Orakei	11.4	0.2	0.0	11.6
Otara-Papatoetoe	15.9	1.3	0.0	17.3
Papakura	12.5	0.7	0.0	13.2
Puketapapa	8.0	1.7	1.1	10.7
Rodney	10.3	0.0	5.7	16.1
Upper Harbour	12.0	0.9	0.0	13.0
Waiheke	4.6	0.1	0.3	5.0
Waitakere Ranges	8.7	0.1	0.0	8.9
Waitemata	16.8	0.6	0.0	17.4
Whau	10.3	1.8	1.7	13.8
Total 21 local boards	253.4	17.6	17.0	288.2

Under option 2, after addressing the full \$17.6m cost pressure, the remaining \$17m top-up would be distributed in line with the equitable funding method in the Local Board Funding Policy 2025.



Option 3: Provide additional funding for local services to accommodate cost pressures to be either funded by higher rates increases or savings for other activities

Under this approach, the Governing Body could provide additional funding for local services.

- This could be achieved within existing overall LTP funding levels from:
 - Improvements in LTP assumptions, such as interest rates, depreciation costs
 - Balancing funding levels across a wider range of council services, including savings from other activities
- The Governing Body has the flexibility to make minor adjustments to rates, however the political direction is clear that higher rates must be a last resort.

Risks and impacts

- Could impact on other services if funding is re-allocated
- Inequitably allocating additional funding to local boards departs from LB Funding Policy 2025 and slows progress towards funding equity



Improvements to cost allocation and budget accuracy

Some net-zero transfers between Regional and individual Local Boards are needed to more accurately reflect the full cost and funding required to deliver local community services at a Local Board level.

Approximately \$25 million in regional to local funding movements are needed to align costs and budgets to the relevant activity and governance decision maker.

- There is no impact to council's overall finances from these changes, however this does impact relative local board funding equity.
- There is no impact to levels of service being delivered in local board areas.

Transfers from Regional to Local boards- \$25m	
Arboriculture and ecological contracts	\$10.90m
Community Wellbeing – centralised costs e.g. staffing	\$4.15m
Pools and Leisure – centralised costs e.g. staffing, training	\$4.38m
Pools and Leisure – outsourced provider contracts	\$3.95m
Parks and Community Facilities – FFC scheduled costs	\$2.07m
Total 21 local boards	\$25.45m

Impact of net zero re-baseline and transfers

Net opex (\$m)	LTP year 2 OPEX funding	Community wellbeing	Parks & community facilities	Pools and Leisure	Total	OPEX funding after transfers and rebaselining
Regional		-4.1	-13.0	-8.3	-25.4	
Albert-Eden	14.4	0.1	1.2	0.6	1.9	16.3
Devonport-Takapuna	9.6	-0.1	0.5	0.1	0.5	10.2
Franklin	16.4	0.1	0.6	0.8	1.5	17.9
Great Barrier	2.8	0.0	0.1		0.1	2.9
Henderson-Massey	20.8	0.2	0.9	2.1	3.2	24.0
Hibiscus and Bays	15.9	0.1	0.5	0.6	1.2	17.0
Howick	21.2	-0.4	1.0	0.5	1.0	22.2
Kaipatiki	13.2	0.0	0.7	0.8	1.5	14.6
Mangere-Otahuhu	16.1	0.8	0.6	0.7	2.1	18.1
Manurewa	16.6	0.5	0.4	0.6	1.5	18.2
Maungakiekie-Tamaki	14.2	0.0	0.8	1.1	1.9	16.0
Orakei	12.4	0.2	1.0	0.1	1.3	13.7
Otara-Papatoetoe	15.9	0.6	0.5	0.4	1.4	17.4
Papakura	12.5	0.2	0.3	-0.7	-0.2	12.4
Puketapapa	10.4	-0.1	-0.1	0.4	0.2	10.6
Rodney	18.3	0.2	0.8		1.0	19.3
Upper Harbour	12.0	0.7	0.9	0.1	1.7	13.7
Waiheke	5.6	0.1	0.2	0.2	0.3	5.9
Waitakere Ranges	9.1	0.1	0.6		0.7	9.8
Waitemata	16.8	1.0	1.2	0.3	2.6	19.4
Whau	13.7	-0.2	0.2		0.0	13.8
Grand Total	288.0	0.0	0.0	0.0	0.0	313.4

- Includes:
- Regional to local
 - Between local boards
- Notable items
- Arb and Eco contracts
 - Centralised costs for Pools and Leisure, Libraries
 - Realignment of Full Facilities contracts – scheduled costs
 - Cost increases for contracted Pools and Leisure sites

Next Steps

- Report to March business meetings to seek local board feedback to Joint Governance Working Party on options to manage local board cost pressures
- Staff will seek a Joint Governance Working Party recommendation to the Governing Body as part of Annual Budget 2025/2026 decisions.