

Date: Wednesday, 7 May 2025
Time: 9.45am
Meeting Room: Room 1, Level 26
Venue: Te Wharau o Tāmaki - Auckland House
135 Albert Street
Auckland

Komiti mō te Tahua Pūtea / Budget Committee
Workshop
Annual Plan 2025/2026 – Budget Refresh
OPEN AGENDA

MEMBERSHIP

| | | |
|---------------------------|--------------------------------|---------------------------------|
| Chairperson | Cr Greg Sayers | |
| Deputy Chairperson | Cr Shane Henderson | |
| Members | Cr Andrew Baker | Cr Mike Lee |
| | Cr Josephine Bartley | Cr Kerrin Leoni |
| | Mayor Wayne Brown | Cr Daniel Newman, JP |
| | Cr Angela Dalton | Deputy Mayor Desley Simpson, JP |
| | Cr Chris Darby | Cr Sharon Stewart, QSM |
| | Cr Julie Fairey | Houkura Chair David Taipari |
| | Cr Alf Filipaina, MNZM | Cr Ken Turner |
| | Cr Christine Fletcher, QSO | Cr Wayne Walker |
| | Cr Lotu Fuli | Cr John Watson |
| | Cr Richard Hills | Cr Maurice Williamson |
| | Houkura Member Tony Kake, MNZM | |

Duncan Glasgow
Kaitohutohu Mana Whakahaere Matua /
Senior Governance Advisor

2 May 2025

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Workshops enable staff to explore options with elected members before ideas are fully developed, and to receive feedback and guidance on policy development or project design. No resolutions or decisions are made by elected members at workshops and so the requirements of the Local Government Official Information and Meetings Act 1987 relating to local authority meetings do not apply.

Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.

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Agenda Items:

1 Ngā Tamōtanga | Apologies

2 Te Whakapuaki i te Whai Pānga | Declaration of Interest

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

Annual Plan 2025/2026 – Budget Refresh

File No.: CP2025/01126

- Note 1: This workshop has been called by the chairperson in consultation with the staff.
- Note 2: No working party/workshop may reach any decision or adopt any resolution unless specifically directed to do so.

Te take mō te pūrongo Purpose of the report

1. The purpose of the workshop is to provide an update on the group financial position since the adoption of the consultation budget for the Annual Plan 2025/2026.

Whakarāpopototanga matua Executive summary

2. The following will be covered in the workshop:

| Item |
|---|
| Annual Plan 2025/2026 – Budget Refresh |
| Michael Burns – General Manager Financial Strategy |
| Mark Purdie – Manager Group Financial Planning and Analysis |
| Violet Bird – Manager Financial Strategy and Modelling |
| CCO representatives |
| Attachment A: Memorandum – Budget refresh update |
| Attachment B: Presentation |

Ngā tāpirihanga Attachments

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Memorandum

To: Budget Committee

From: Mark Purdie, Manager Group Financial Planning and Analysis
Violet Bird, Manager Financial Strategy and Modelling

Date: 30 April 2025

Subject: Budget refresh update

Purpose

1. To provide an update on the group budget position ahead of final decision-making on the Annual Plan 2025/2026.

Executive Summary

2. The Budget Committee adopted consultation material for the Annual Plan 2025/2026 on 20 February 2025. The consultation material noted emerging cost pressures and risks beyond council's control might impact the financial projections for 2025/2026 and require further budget mitigations.
3. Following a detailed review of budget projections across the group, staff can advise that the group budget position for 2025/2026 has not materially changed. There remains an operating budget gap of around \$10 million for Auckland Council that senior and executive managers are working to close, and a range of potential revenue and expenditure risks across the wider group. These are all on top of the challenging existing savings targets that are already included in budgets.
4. Further, due to the ongoing nature of the additional costs and temporary nature of many budget mitigations identified to date, there remains a need to find persistent solutions to maintain a balanced operating budget for future years. There is therefore no budget capacity available to accommodate additional expenditure and there remains a \$7 million events funding gap to be resolved as per the consultation materials.
5. While the overall net position has not materially changed, staff have identified both favourable and unfavourable operating budget movements compared to year two of the Long-term Plan 2024-2034 (LTP), in addition to those already identified in the consultation material. These movements have all been assessed to be as a result of contractual, statutory or similar commitments or are necessary to implement specific council decisions in line with the group budget responsibility rules.
6. Capital budgets have also been updated for new information, which primarily relate to changes in programme forecasts. The largest items relate to category 3 buyouts, level crossings and lower than expected co-funding levels assumed in the National Land Transport Programme (NLTP), which have all been the subject of previous political decision-making.
7. In addition, budgets have been updated to reflect two requests for additional property-related capital expenditure, which will have a favourable financial impact over time due to associated future revenue increases.

8. Increases in capital expenditure budgets, primarily as a result of the need to purchase more Category 3 properties and accelerate the level crossing removal programme, have increased projections for 2025/2026 closing net debt to \$15.8 billion, around \$270 million higher than LTP projections. This remains well within financial strategy limits with a projected debt-to-revenue of 221 per cent, lower than the group target of 250 per cent.
9. Staff will provide the Budget Committee with further financial updates, including items requiring political direction ahead of Annual Plan 2025/2026 decision making at a workshop on 7 May 2025 and as part of the detailed financial reporting that will support the final Mayoral Proposal for this annual plan.

Context

10. The Budget Committee adopted consultation material for the proposed Annual Plan 2025/2026 on 20 February 2025. Consultation on the budget ran from 28 February to 28 March. The results of consultation feedback were presented to Budget Committee in a 30 April workshop.
11. The budget position included in consultation materials was driven by the political direction given by elected members, with financial forecasts in the proposed plan predominately in line with the second year of the LTP. There were no automatic changes to budgets for inflation with any increases needing to link to contractual or statutory requirements, or be a result of previous council decisions/strategies.
12. The consultation budget also maintained the funding settings for 2025/2026 (Year 2) as outlined in the LTP, including:
 - a rates increase for the average value residential property of 5.8%.
 - a \$47 million operating expenditure savings target.
 - an assumption that a bed night visitor levy would be enabled to fund major events and destination marketing activity.
13. The consultation materials also noted a need to maintain a level of financial flexibility should any financial risks beyond the council's control emerge. It was outlined that the council may need to make adjustments to key budget settings including operating spending, capital investments, asset recycling targets, and, as a last resort, rates increases.
14. While the Annual Plan 2025/2026 consultation was underway, a budget refresh process was undertaken to review and refine financial projections across the group, taking into account new forecasting assumptions, programme timing and costing as well as reflecting political decisions made since the consultation budget.
15. The budget refresh took place at a time where the global economy and wider geopolitics continue to present uncertainty and challenges for the New Zealand economy. For example, there is not yet enough certainty to fully reflect the final impact of changes to global tariffs into the council's financial projections for the annual plan.
16. Budget updates have been made following a review of the best information on key economic indicators currently. Key impacts for 2025/2026 since the LTP have included:
 - **Inflation** - While the group does not use a central inflation rate for its different business areas, headline CPI inflation continued to stabilise at 2.2 per cent for the December 2024 quarter - compared to the LTP assumption of 2.7 per cent for the same period. Within this headline figure some classes of expenditure which rose more significantly (e.g. insurance 11.2 per cent increase, household energy 5 per cent increase) are offset by classes which saw reductions in prices (e.g. fruit and vegetables 8.6 per cent decrease).

- **Interest rates** - The Reserve Bank agreed in April to lower the Official Cash Rate by 25 basis points to 3.50 per cent, continuing the trend of reductions started in June 2024. These changes have resulted in interest rates falling faster than was projected in the LTP.

Budget refresh results

17. While council staff continue to review budget projections, including reviews of timing of projects/programmes and depreciation budgets, sufficient work has been completed to assess the overall group position and determine any implications for key funding settings.
18. The key capital and operating movements for 2025/2026 since LTP identified to date are summarised below, with more detail for each movement provided in the following sections.

Capital movements for 2025/2026 since LTP

| Entity | Item | 2025/26 movement |
|--|--|------------------|
| Auckland Council | Category 3 buyouts | \$126m |
| | Technology and ICT Capex to Opex conversion | (\$26m) |
| | Speedway consolidation (transfer from TAU) | \$7m |
| | Other programme timing adjustments | (\$12m) |
| Auckland Transport | Agreed transport programme reduction as a response to lower central government co-funding | (\$204m) |
| | Level crossings removal acceleration | \$163m |
| | Other programme timing adjustments (including flood recovery and Climate Action Transport Targeted rate funded cycling and walking projects) | (\$11m) |
| Tātaki Auckland Unlimited | Speedway consolidation (transfer to Auckland Council) | (\$7m) |
| | Other programme timing adjustments | (\$4m) |
| Eke Panuku | Marina redevelopment | \$8m |
| | Own Your Own Home portfolio | \$6m |
| | Other programme timing adjustments | \$1m |
| Other entities | | - |
| Capital budget movement relative to LTP | | \$47m |

Operating movements for 2025/2026 since LTP

| Entity | Item | 2025/26 movement |
|----------------------------------|--|------------------|
| Auckland Council | Community – Local board movements | \$14m |
| | Community - Other | \$5m |
| | Category 3 buyouts – opex impact | \$8m |
| | Technology and ICT (operating funding impact) | \$12m |
| | Delays due to government planning reform | (\$5m) |
| | Other movements | \$0.5m |
| | Further mitigations for the council and group shared services to be worked through | (\$8m) |
| Auckland Council subtotal | | \$26m |
| Auckland Transport | Lower public transport revenue driven by lower patronage | \$26m |
| | Lower parking and enforcement revenue | \$18m |
| | Other revenue changes (mainly from AT HOP equipment) | (\$12m) |

| Entity | Item | 2025/26 movement |
|--|---|------------------|
| | lease revenue) | |
| | Other cost changes including savings from reviewing resourcing requirements | (\$2m) |
| | Lower public transport contract indexation and programme costing/timing | (\$30m) |
| Auckland Transport subtotal | | \$0m |
| Tātaki Auckland Unlimited | Utilities and staff costs | \$1m |
| Eke Panuku | Property revenue and other movements | (\$1m) |
| Auckland Future Fund | Higher distribution from the fund to Auckland Council | (\$1m) |
| Watercare & Ports of Auckland | | - |
| Group | Interest savings | (\$25m) |
| Net operating shortfall relative to LTP | | \$0m |

Auckland Council

Capital movements for 2025/2026

19. Auckland Council's refreshed capital budget is \$95 million higher compared to the LTP. The primary drivers of this movement include:
- **Category 3 buy-out - \$126 million increase:** In February, the Transport, Resilience and Infrastructure Committee (TRIC) approved the purchase of 300 more properties than previously budgeted. A total of \$352 million additional capital expenditure across the full LTP period was approved, to be funded by reallocating Category 2 funding and sales of remediated category 3 properties.
 - **Technology and ICT Capex to Opex conversion - \$26 million reduction:** as a result of a detailed review of the programme and the application of relevant accounting standards.
 - **Speedway consolidation at Waikaraka Park - \$7 million increase –** The Maungakiekie-Tamaki Local Board budget has increased by \$7 million for 2025/2026 compared to the LTP, due to the budget transfer from TAU approved by the Governing Body for the consolidation of speedway to Waikaraka Park (GB/2024/162). A total of \$11 million has been transferred from TAU across the full LTP period.
 - **Other - \$12m reduction –** due to rephasing of spend of other programmes into following financial years including city centre programmes, tsunami public alert system, and coastal landfill remediations, partially offset by bringing forward stormwater works at Greville Road, Wellpark Avenue, and Beach Haven.

Operating movements for 2025/2026

20. **Community (Local Board) - \$14 million increase.** In early March 2025 it was signalled that, due to cost increases seen in repairs and maintenance and utilities contracts, and revenue reductions seen across community facilities, local board budgets were facing in total operating pressures of around \$14 million on top of LTP budgets. Under the new fairer funding approach, Local boards would normally need to address these types of pressures within their funding envelope by making expenditure trade-off decisions. However, given the 2025/2026 year will be the first year of Fairer funding, it has been signalled to local boards that for the 2025/2026 year only these pressures will be addressed at a regional level. The \$14 million operating shortfall, plus any subsequent pressures identified, will need to be addressed by local boards more permanently in the 2026/2027 Annual Plan.

21. **Community (Other) - \$5m increase:** Regionally delivered community facilities and services are facing similar pressures to local board budgets – with cost increases in repairs and maintenance and utilities contracts. On top of this, other community programmes are forecasting increased costs, such as in Pools and Leisure contracts for Living Wage (being managed through regional budgets). These cost increases have been partially offset with a forecast \$11 million lower than previously budgeted spend in the Deliver Differently programme in the 2025/2026 year.
22. **Category 3 property buyouts (opex impact) - \$8m increase –** The opex impact of the additional capital expenditure discussed above includes:
- \$6 million in additional interest cost, with the associated debt yet to be repaid.
 - \$2 million in other consequential opex, including cost to maintain the purchased land.
23. **Technology and ICT - \$12 million increase –** A review of information technology budgets within Group Shared Services has identified potential for greater financial benefits in future years compared to the LTP, but less opportunity to reduce costs in 2025/2026 than previously anticipated. 2025/2026 has been impacted by:
- \$5 million for Software as a Service (SaaS) operating expenditure previously budgeted as capital expenditure, reclassified in line with changes to accounting standards. Of the \$26 million total impacted, \$21 million can continue to be debt-funded under council policies.
 - \$4.5 million for delays in implementing an initiative to reduce SAP maintenance costs. The delay was driven by a need to carefully manage the risk with such a transition, and to review and confirm the strategy for this critical piece of technology infrastructure.
 - \$2 million for other software costs due to the continued shift to subscription-based licensing.
24. **Delays due to government planning reform - \$5 million reduction –** The government's work on Resource Management Act (RMA) reform, will significantly impact on the council's requirements and choices in spatial planning. As a result, the timing of the budgets for the council's work on the Auckland Unitary Plan and the Future Development Strategy (FDS) have been adjusted to reflect when we expect to have the greater certainty required for us to progress this work.
25. Other operating movements for 2025/2026 have included other programme forecast reductions and mitigations offset by increased local government election related costs, and higher repairs and maintenance costs from an ageing vehicle fleet.
26. Auckland Council is actively working to identify a further \$8 million in operating expenditure mitigations for 2025/2026. This includes confirmed one-off and deferred savings, with a focus on General Managers taking primary responsibility for leading and delivering further mitigation opportunities.

Auckland Transport (AT)

Capital movements for 2025/2026

27. Auckland Transport's revised capital budget for 2025/2026 reflects a net reduction of \$52 million compared to the LTP. These updates primarily result from items previously considered by elected members and include:
- \$204 million reduction in the transport programme, agreed in October 2024 (GB/2024/150) in response to lower National Land Transport Programme (NLTP) co-funding, confirmed in September 2024. This lowered the three-year capital budget to \$3,890 million.
 - \$162.8 million increase to accelerate the level crossing removal programme to enhance safety and connectivity, agreed in March 2025 (GB/2025/23).
 - Programme delivery timing adjustments, including flood response projects which are expected to be largely completed in 2024/2025, and a bring-forward of capital expenditure of \$8 million and \$10 million over 2025/2026 and 2026/2027 respectively, for cycling and walking

infrastructure funded by the Climate Action Transport Targeted Rate (CATTR) revenue reserve, as outlined in the memo to councillors on 29 April 2025.

Operating movements for 2025/2026

28. The budget refresh process has resulted in further refinements to a number of transport programme areas. This includes budgets for City Rail Link (CRL) services (including enablement works preparing for go-live), parking and enforcement, the National Ticketing Solution (NTS), and overall public transport patronage projections. The review identified a reduction in revenue forecasts which are offset by lower public transport expenditure forecast.
29. The key movements to AT's operating budget since the LTP are:
- **Public transport revenue - \$26 million lower projection** due to lower patronage projections which are impacted by rail network disruptions and the ongoing prevalence of flexible working arrangements.
 - **Parking and enforcement revenue - \$18 million lower:** driven by improved compliance across the network, revenue projections have been revised based on current year trend.
 - **Public transport cost reductions - \$30 million savings:** from lower-than-forecast public transport contract indexation, procurement benefits, and programme costing and timing adjustments.
 - **Other revenue increases - \$12 million increase** mainly from continued recoveries from public transport operators for AT HOP equipment lease revenue due to NTS rollout timing changes.
 - **Other cost reductions of \$2 million**, including savings from reviewing resourcing requirement to mitigate pressures from revenue shortfall.

Eke Panuku (and subsequent responsible AC parent department(s))

Capital movements for 2025/2026

30. Eke Panuku's capital budget for 2025/2026 has increased by \$15 million, largely driven by two property-related proposals outlined in prior memos to councillors:
- **The Westhaven Marina Pile Mooring redevelopment**, detailed in the 28 February 2025 memo, requires \$8 million in 2025/2026 as part of a \$16 million investment over 2025/2026 and 2026/2027 to deliver 147 berths across five new piers, projecting a net cash surplus of \$37.4 million by 2046/2047 with an eight-year payback period.
 - **The Own Your Own Home (OYOH) alternative divestment approach**, outlined in the 17 October 2024 memo, an alternative approach to divesting Auckland Council's interest in the Own Your Own Home (OYOH) scheme. This sees Eke Panuku (and subsequent responsible AC Parent department(s) following CCO reform movements) taking over management of the OYOH portfolio and selling off all villages in the scheme until all properties have been sold and the scheme wound down. The capital budget requirement for refurbishment and repurchase of vacant units is around \$6 million for 2025/2026.

Operating movements for 2025/2026

31. Net operating surplus improved by approximately \$1 million, driven by net rental revenue from managing the OYOH portfolio. Revenue and expenditure budgets were also updated for tenancy timing and property related expenditure such as repair and maintenance, utilities and security which were fully offset by increases in property rental revenue.

Tātaki Auckland Unlimited (TAU)

Capital movements for 2025/2026

32. TAU's budget has reduced by \$11 million for 2025/2026 compared to the LTP, due to the budget transfer approved by the Governing Body on the consolidation of speedway to Waikaraka Park (GB/2024/162) and other minor programme timing adjustments.

Operating movements for 2025/2026

33. TAU has identified a net cost increase of \$1 million. This includes \$0.5 million from higher utilities costs, that can't be mitigated by passing onto customers or through internal cost savings. The remainder relates to staff cost due to living wage adjustments and market rate pressures.

Watercare

34. Changes to Watercare's financial projections, due to their financial separation from the council from 1 July, no longer impact on key funding parameters for the council group such as debt-to-revenue ratios.
35. Watercare submitted draft forecast revenue, expenditure and capital expenditure numbers in early March, which have not materially changed from the LTP projections. Staff are expecting a final budget submission from Watercare post its 29 April board meeting, which will be used for preparing the consolidated group financials for the final Annual Plan.

Port of Auckland (POAL)

36. POAL affirmed its LTP and Statement of Corporate Intent commitments for 2025/2026 with solid container and breakbulk volumes offsetting materially lower than expected vehicle and cruise business.

Auckland Future Fund (AFF)

37. The distribution from the Auckland Future Fund will be approximately \$1 million higher than anticipated next year due to higher than projected proceeds from the sale of the remaining Auckland International Airport Limited shares in December 2024. Distributions from the Auckland Future Fund have been set at a rate of 5.24 per cent for the first three years of the LTP.

Updated group budget position

Capital programme and debt position

38. While there has only been a relatively minor change to overall 2025/2026 capital expenditure projections, 2025/2026 closing net debt is expected to be higher than projected in the LTP due to increased 2024/2025 Category 3 capital expenditure, alongside reductions in NZTA subsidies. In total closing 2025/2026 net debt is expected to increase from \$15.5 billion projected in the LTP to \$15.8 billion
39. Council borrowings remain well within financial strategy limits, with 2025/2026 debt-to-revenue now projected to be 221%. This is slightly higher than the 213% projected in the LTP, but lower than both the group target of 250% and group limit of 270%.

Operating position and rates requirement

40. On top of changes signalled by the council group entities, a reduction in interest rates is expected to reduce the group's finance costs by around \$25 million compared to the LTP projection.
41. In total, for the council group, this leaves an operating budget position that is balanced and with no shortfall to be solved with one of the usual funding levers, such as rates. However, the budget position does:

- require council management to mitigate a further \$8 million of additional expenditure on top of the \$47 million savings targets set in the LTP.
- retain a need to find persistent solutions, due to the ongoing nature of the additional costs and temporary nature of many mitigations. These solutions will ultimately need to be found in addition to existing LTP savings targets as part of future budgets.

42. Therefore, there is no budget capacity available to accommodate additional expenditure and there remains a \$7 million events funding gap to be resolved as per the consultation materials. Separate advice on potential alternative options will be provided to elected members ahead of final decision-making.

Risks

43. Further to the overall 2025/2026 budget position, a number of risks have been identified that may materialise:
- **Global economic environment** – the final impact of new global tariffs is yet to be seen and due to their wide ranging and unpredictable nature are likely to hinder economic growth and increase the level of uncertainty across a range key of economic indicators.
 - **Interest** - in uncertain economic times, it is likely that interest rate projections will continue to shift. A 1 per cent change in market rates results in approximately \$20 million change in council's interest costs, so this can have a significant impact on the council's financials even with hedging currently in place.
 - **Staff costs** -There remain a number of key staff cost risks, including ongoing Multi-Employer Collective Agreement (MECA) negotiations, library assistant Pay Equity claim negotiations, and further increases to the Living Wage rate.
 - **Watercare/Port tax arrangement** – Currently the council is able to offset Port of Auckland tax expenses with Watercare tax losses. In its March submission on the Local Government (Water Services) Bill, the council recommended to the central government that Watercare's tax-exempt status and historical tax losses be preserved under the bill. Should the legislation not be updated as proposed, the council will need to address the operating gap this would create.
 - **Asset sales** – there remains significant challenges in meeting existing asset sales targets. While staff remain confident that these are achievable over time, not meeting targets increases the council's overall borrowings and interest requirements.
 - **Revenue and funding:** - for Auckland Transport, we continue to see lower than anticipated public transport patronage and revenue and lower parking and enforcement level than previously budgeted levels. Further reductions in transport revenue and higher than anticipated KiwiRail track access charges might impact the 2025/2026 year. For Port of Auckland Ltd, there is a risk of lower vehicle and cruise ship numbers, of which we will continue to monitor the impact.
44. Given the risks the council is exposed to, we need to continue to ensure there is enough flexibility in our budget to deal with the potential impacts.

Next steps

45. The Budget Committee has the following workshops scheduled as part of the Annual Plan 2025/2026 process:
- **30 April** - consider regional and Advisory Panel feedback.
 - **7 May** – further financial updates, including items requiring political direction ahead of decision making.
 - **14 May** – consider local board feedback.
 - **21 May** – Mayoral Proposal.
46. A review of budget carry forwards and depreciation is underway, and the results will inform our financial update to the Budget Committee on 7 May 2025.
47. Staff are currently drafting the advice reports to support the Mayoral Proposal in late-May. The Budget Committee will agree the Annual Plan 2025/2026 budget on 28 May 2025 followed by the Governing Body adopting the final Annual Plan document on 26 June 2025.
48. As a number of the budget challenges in outer years of the LTP require medium to long term solutions, staff will begin work to identify options ahead of the Annual Plan 2026/2027 process.

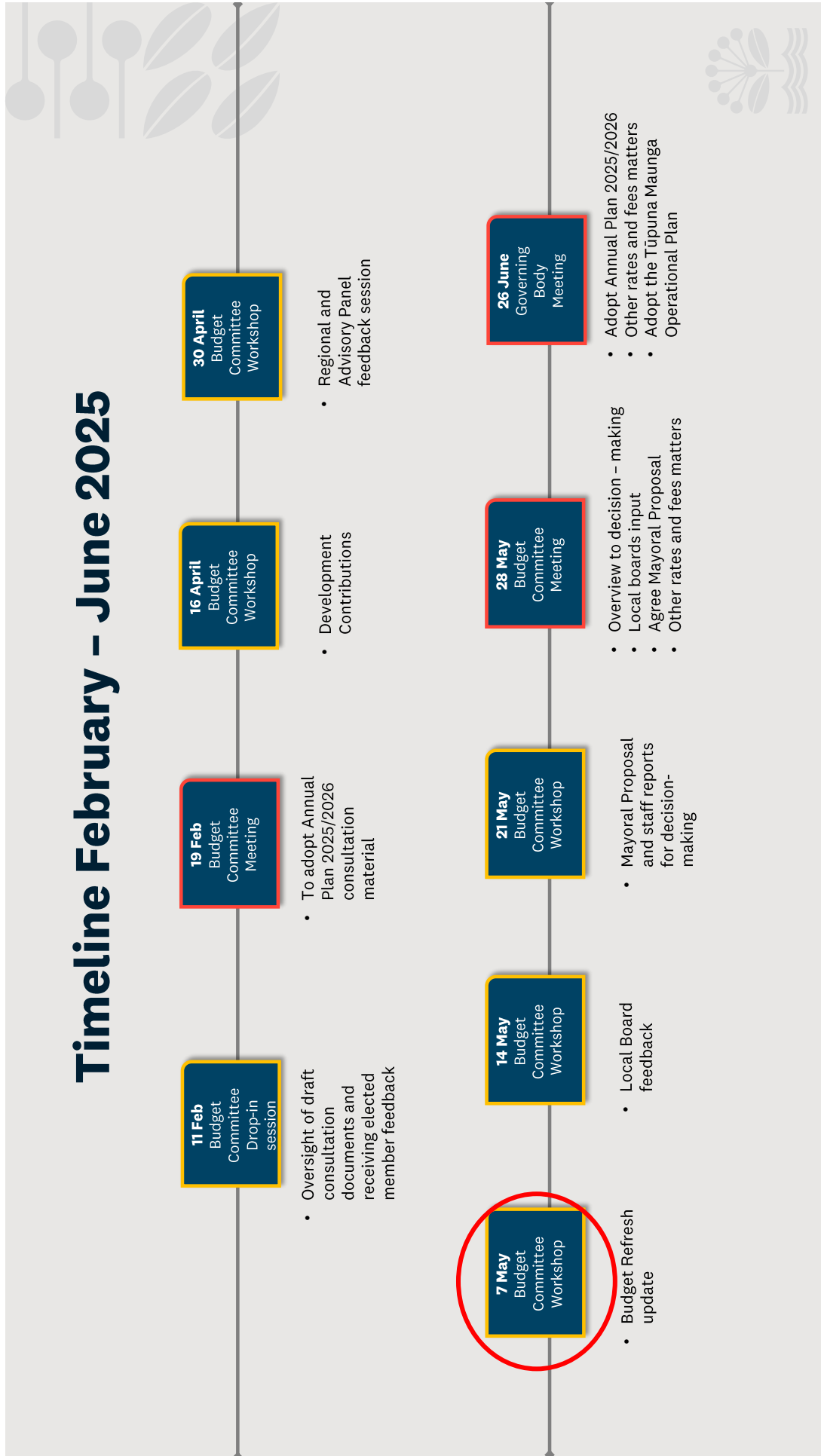


Annual Plan 2025/2026

Budget Refresh update

Budget Committee briefing

7 May 2025



Purpose of today's session

- To provide a refreshed view of the current Annual Plan 2025/2026 budget position for the council group
- To ensure political oversight of potential financial risks and challenges
- Summary and next steps.



Item 3

Attachment B



Key messages for the Annual Plan 2025/2026



Key messages for the Annual Plan 2025/2026

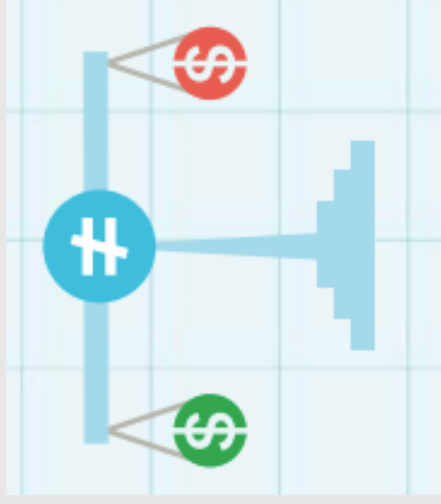
- **Annual Plan 2025/2026 delivers on Long-term Plan Year Two.**
- Consultation budget position maintained LTP funding settings for year 2
 - a 5.8% average residential rates increase
 - a \$47 million savings target
 - an assumption that a bed night visitor levy would be enabled
- Signalled a need to **maintain a level of financial flexibility** should any financial risks beyond the council's control emerge



Budget Refresh process undertaken

Budget refresh to review and refine financial projections across the council group including:

- Updated forecasting assumptions
- Programme timings
- Significant contractual commitments
- Updated revenue projections
- Recent political decisions
- Interest rate changes



The group budget position for 2025/2026 has not materially changed. There remains an operating budget gap of around \$10 million that council managers are working to close in addition to existing savings targets



Item 3

Attachment B



Auckland Council - opex movements

Movements in Auckland Council budgets include:

- **Community (Local Board)** – repairs, maintenance and utilities contracts, and revenue reductions.
- **Category 3 property buyouts** - opex impact of the additional capital expenditure
- **Technology and ICT** – potential for greater financial benefits in future years, but less opportunity to reduce costs in 2025/2026 than previously anticipated
- **Delays due to government planning reform** – Ongoing reforms impacting refreshes of key plans.
- On top of around **\$25 million lower interest costs**, management is actively working to identify a **further \$8 million in operating expenditure mitigations** for 2025/2026.



| Item | 2025/26 movement |
|------------------------------------|------------------|
| Community – Local board movements | \$14m |
| Community - Other | \$5m |
| Category 3 buyouts | \$8m |
| Technology and ICT | \$12m |
| Delays due to govt planning reform | (\$5m) |
| Other movements | \$0.5m |
| Further mitigations | (\$8m) |
| Sub-total | \$26m |
| Interest savings | (\$25m) |

Auckland Council - capex movements

Refreshed capital budget for 2025/2026 is \$95 million higher compared to LTP:

- **Category 3 buy-outs** - \$126 million increase (TICCC/2025/10)
- **Technology and ICT Capex to Opex conversion** - \$26 million reduction
- **Speedway consolidation at Waikaraka Park** - \$7 million transfer from TAU (GB/2024/162)
- **Other** - \$12 million reduction





Operating movements

Reduction in revenue forecast is offset by lower public transport expenditure forecast, key operating movements since the LTP are:

- **Lower public transport revenue of \$26 million** due to lower patronage projections
- **Lower parking and enforcement revenue of \$18 million** driven by improved compliance across the network and current year trend
- **Public transport cost reductions of \$30 million** from lower indexation, procurement benefits, and programme costing and timing adjustments
- **Other revenue increases of \$12 million** mainly from AT HOP equipment lease revenue
- **Other cost reductions of \$2 million** including staff cost savings.

There are still risks around **public transport patronage projection** and **KiwiRail access charges** that we continue to monitor.



Capital movements

Revised capital budget for 2025/2026 reflects a net reduction of \$52 million compared to the LTP, primarily resulting from items previously considered by elected members:

- **Reduction in the transport programme of \$204 million**, agreed in October 2024 (GB/2024/150) in response to lower National Land Transport Programme (NLTP) co-funding
- **Level crossing removal programme, \$162.8 million increase** agreed by the GB in March 2025 (GB/2025/23).
- **Timing adjustments in programme delivery - \$11 million reduction**, mainly from flood response projects, partially offset by proposed increase funded by Climate Action Transport Targeted Rate (CATTR) revenue reserve (refer to 29 April memo).



Item 3

Attachment B



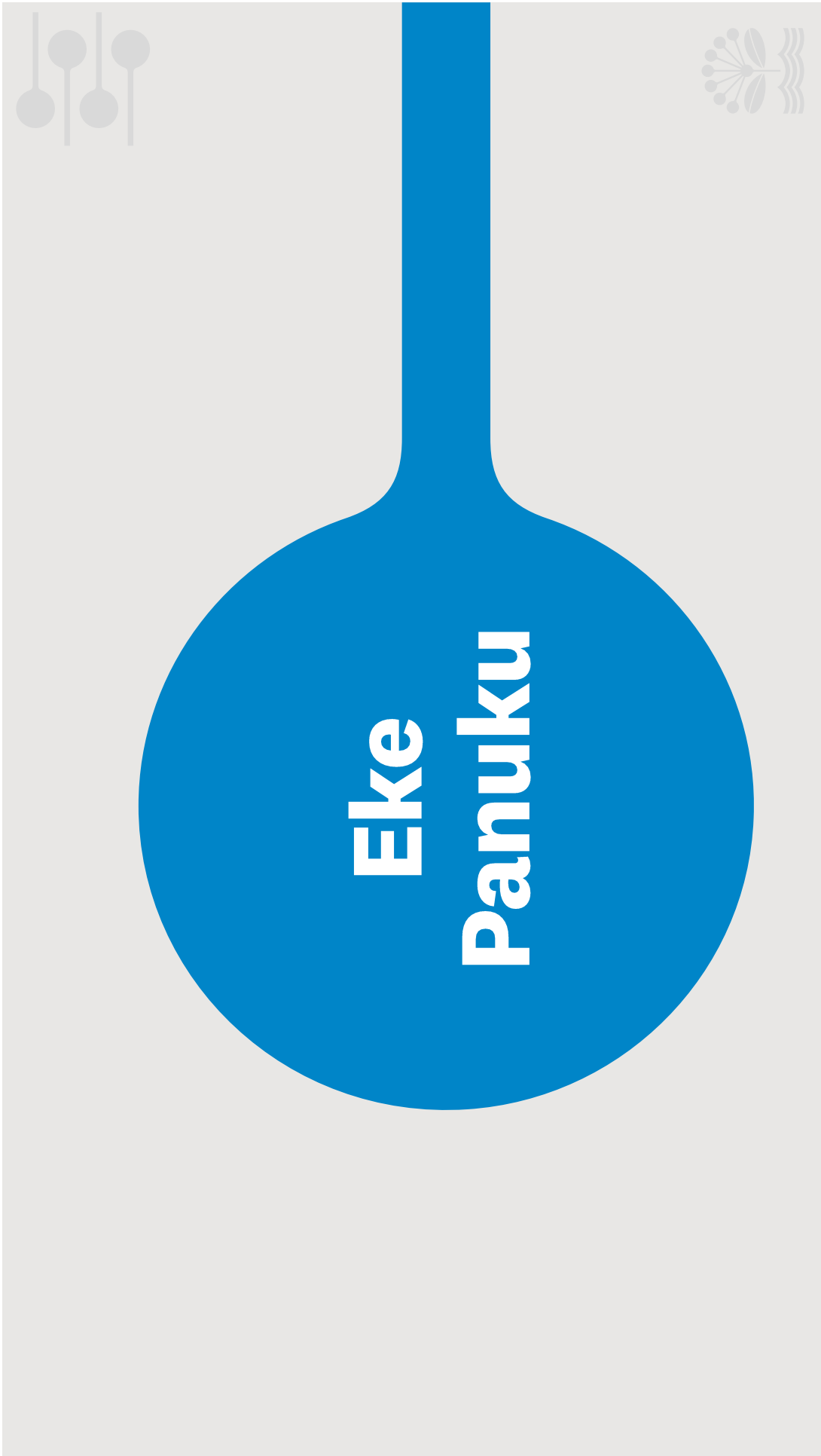
Tātaki Auckland Unlimited

- **Utilities cost pressure** of around \$500,000 projected for 2025/2026
- **Staff costs** – living wage and market rate pressures
- **Capital budget** has reduced by \$11 million for 2025/2026, due to budget transfer and other programme timing changes



Item 3

Attachment B



Eke Panuku and managed activities

Operating budget updates

- Higher utilities and security costs
- Fully offset by revenue increases reflecting updated timing of the sale of properties

Property-related budget change proposals

- Own Your Own Home programme (refer to 28 Feb memo)
- Marina redevelopment (refer to 17 Oct memo)



Item 3

Attachment B



Budget updates for other entities in the group

Watercare

- In alignment with the LTP projections

Port of Auckland Ltd

- In alignment with the LTP projections

Auckland Future Fund

- \$1m improvement in expected distribution for next year.



Item 3

Attachment B



What does this mean - consolidated funding impact

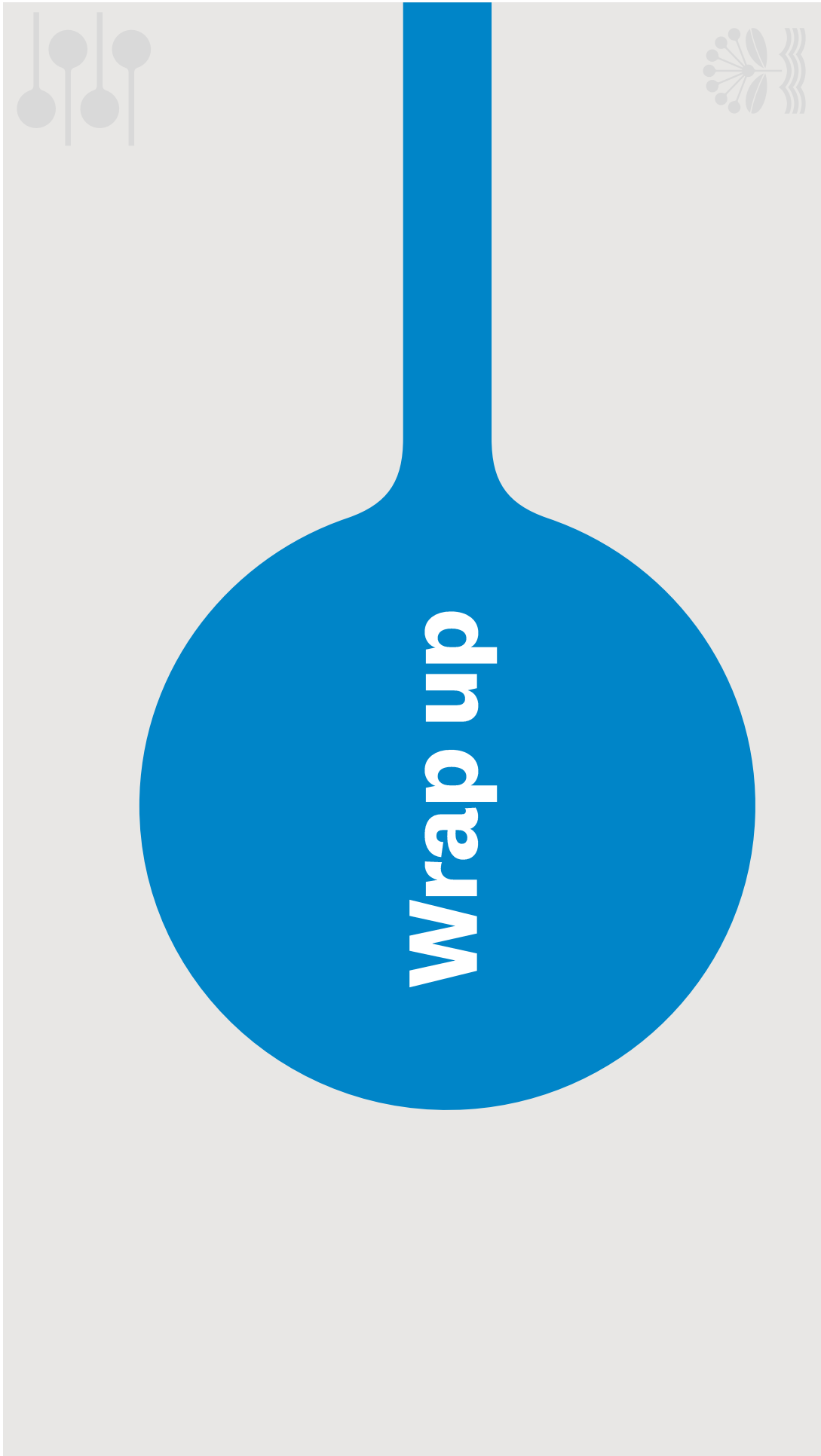
- Operating **budget position is balanced** with no shortfall. However:
 - management must **mitigate \$8 million of expenditure** on top of the existing \$47 million savings targets
 - there remains a need to **find persistent solutions** in future budgets
- **No budget capacity available** to accommodate additional expenditure.
- Also remains a **\$7 million events funding gap** to be resolved as per the consultation materials
- **Net debt projections increased by \$270m to \$15.8 billion** – primarily from Category 3 and level crossing removals
 - **Still well-within financial strategy limits** – i.e. debt-to-revenue of 221%



Other budget items/risks to watch

- **Global economic environment** – including impact of new global tariffs and trade barriers
- **Interest rates** – small changes in rates can have large impacts on costs
- **Staff costs** – e.g. MECA negotiations ongoing, Living wage, pay equity
- **Watercare/Port tax arrangement** – potential legislative changes
- **Asset sales timing** – challenges in meeting existing LTP targets.





Summary and next steps

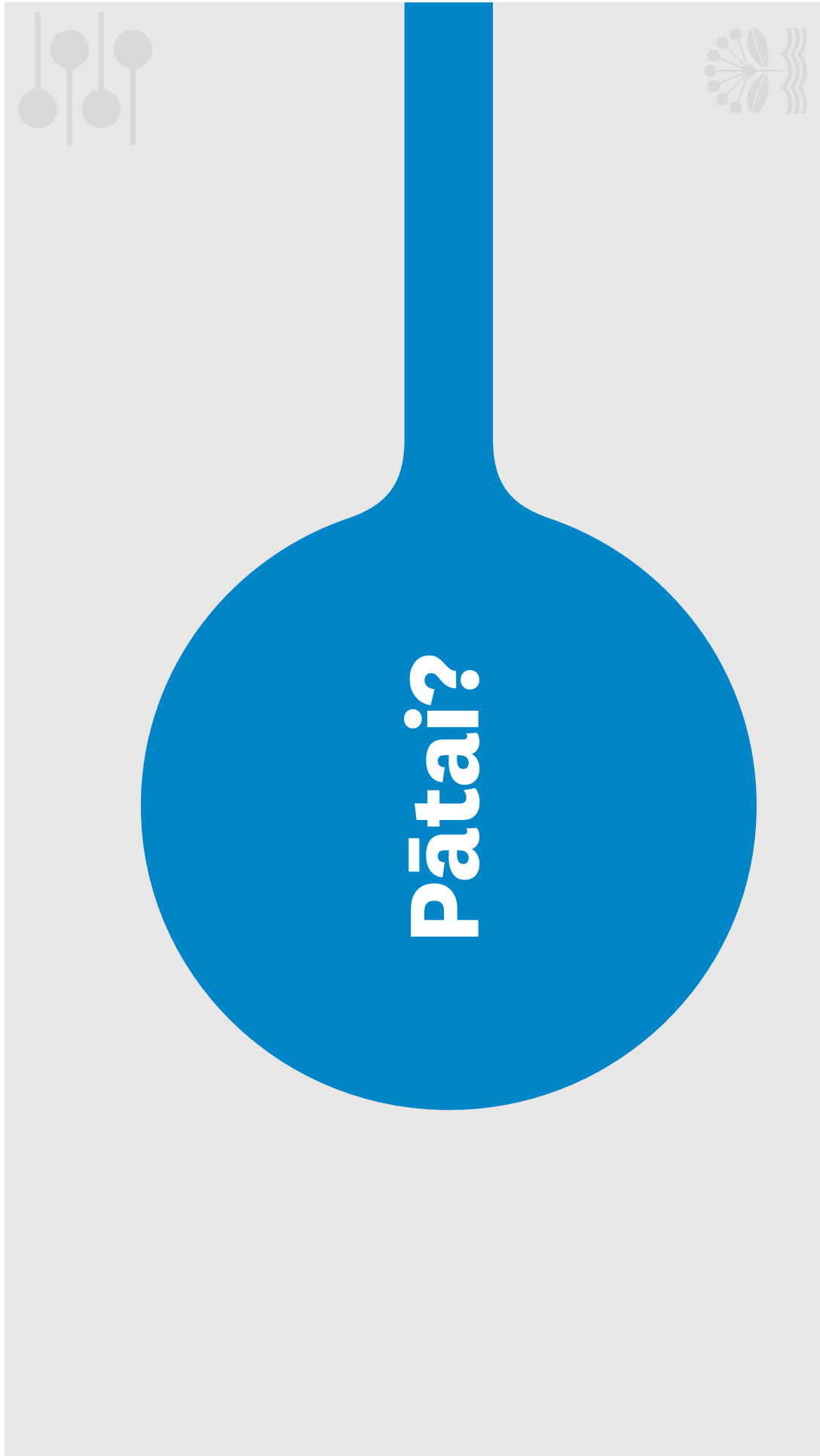
Summary

- Budget movements are manageable within LTP financial settings for 2025/2026
- Ongoing pressures and risks to be managed for future years and there is no budget capacity available for new expenditure
- There remains a \$7 million events funding gap to be resolved

Next steps

- Further budget reviews (carry-forwards, depreciation) ongoing, but not anticipated to materially impact final projections
- Advice to support Mayoral Proposal
- Reflection of political decisions made in final Annual Plan document and financial statements.





Appendix A: Summary of capital movements

| Entity | Item | 2025/26 movement |
|--|--|------------------|
| Auckland Council | Category 3 buyouts | \$126m |
| | Technology and ICT Capex to Opex conversion | (\$26m) |
| | Speedway consolidation (transfer from TAU) | \$7m |
| | Other programme timing adjustments | (\$12m) |
| Auckland Transport | Agreed transport programme reduction as a response to lower central government co-funding | (\$204m) |
| | Level crossings removal acceleration | \$163m |
| | Other programme timing adjustments (including flood recovery and Climate Action Transport Targeted rate funded cycling and walking projects) | (\$11m) |
| Tātaki Auckland Unlimited | Speedway consolidation (transfer to Auckland Council) | (\$7m) |
| Eke Panuku | Other programme timing adjustments | (\$4m) |
| | Marina redevelopment | \$8m |
| | Own Your Own Home portfolio | \$6m |
| | Other programme timing adjustments | \$1m |
| Other entities | | - |
| Capital budget movement relative to LTP | | \$47m |

Appendix B: Summary of operating movements

| Entity | Item | 2025/26 movement |
|--|--|------------------|
| Auckland Council | Community – Local board movements | \$14m |
| | Community - Other | \$5m |
| | Category 3 buyouts – opex impact | \$8m |
| | Technology and ICT (operating funding impact) | \$12m |
| | Delays due to government planning reform | (\$5m) |
| | Other movements | \$0.5m |
| | Further mitigations for the council and group shared services to be worked through | (\$8m) |
| Auckland Council subtotal | | \$26m |
| Auckland Transport | Lower public transport revenue driven by lower patronage | \$26m |
| | Lower parking and enforcement revenue | \$18m |
| | Other revenue changes (mainly from AT HOP equipment lease revenue) | (\$12m) |
| | Other cost changes including savings from reviewing resourcing requirements | (\$2m) |
| | Lower public transport contract indexation and programme costing/timing | (\$30m) |
| | Auckland Transport subtotal | |
| Tātaki Auckland Unlimited | Utilities and staff costs | \$1m |
| Eke Panuku | Property revenue and other movements | (\$1m) |
| Auckland Future Fund | Higher distribution from the fund to Auckland Council | (\$1m) |
| Watercare & Ports of Auckland Group | Interest savings | - |
| Net operating shortfall relative to LTP | | (\$25m) |
| | | \$0m |