

Options for Community Investments

Purpose

1. Provide options for sustainable investment in a community portfolio that responds to diverse and changing customer, community and environmental needs.

Summary of the council's proposal(s) / issue(s)

2. Community services help ensure our diverse communities are socially connected so they are more resilient to social, economic, cultural and environmental change. This becomes more important in a recovery environment where some communities may be more impacted than others.
3. A predominantly council-owned community asset portfolio means that council incurs both the initial cost and ongoing costs to maintain those assets over their lifecycle.
4. At current funding levels council is not able to sustain the extensive community asset portfolio. Prioritisation ensures we invest in critical renewals to maintain compliance and satisfy health and safety requirements but at current funding levels the portfolio will continue to degrade over time.
5. Options have been developed to create a more sustainable community portfolio that responds to diverse and changing customer needs.

Background

6. Regional community services provide opportunities to connect Aucklanders at a regional scale through regional parks, programmes and services, cemeteries and crematoria, parks, regional grants and events.
7. Local community services connect local communities through community facilities and venues, local events, programmes and activities, library information and literacy services, arts and culture, parks and open spaces, sport and recreation and events facilitation. Community-led action and volunteering is supported through provision of local grants programmes, community leases, advice and activities.
8. Community services help ensure our diverse communities are socially connected so they are more resilient to social, economic, cultural and environmental change. This becomes more important in a recovery environment where some communities may be more impacted than others.
9. The local communities in Auckland are changing and are increasingly diverse. Community services also need to adapt and respond to different community requirements and preferences.
10. There are several adopted policies, strategies and plans that guide our investment in both service and asset delivery for Parks and Community. They set expectations with the stakeholders and the community about the services council will provide and the scale of investment in assets required to support them.

11. A predominantly council-owned community asset portfolio means council incurs both the initial cost and ongoing costs to maintain those assets over their lifecycle.
12. The investment required to provide regional and local community services is significant and continues to increase as our community asset portfolio ages and grows as we respond to Auckland's growth and adapt to and mitigate climate change impacts.
13. As our portfolio has grown the investment required to support assets over the long term has also increased. At current funding levels council is unable to sustain the extensive community asset portfolio. Prioritisation ensures we invest in critical renewals to maintain compliance and satisfy health and safety requirements but at current funding levels the portfolio will continue to degrade over time. The gap between capacity and renewals requirement is approximately \$800 million over 10 years.
14. Because some of our assets are old and in poor condition it is prudent to consider how well they meet our current and future service requirements before we continue to invest significantly in them. In some instances, alternate options may offer greater value and benefit to our customers and communities.
15. Auckland is growing and will continue to do so. This means that council also needs capacity to support new communities with infrastructure and allow for the ongoing investment required to sustain it.
16. Options have been developed to consider how council can ensure the portfolio is effective and affordable.
17. Alongside the portfolio management options efforts to enhance operating efficiency will continue including revenue generating opportunities such as partnerships and philanthropy. However, these options will not address the funding gap without changes to the council asset portfolio.

Attachment A: Options Table

| | | • Option 1 Status Quo | • Option 2 Additional investment | • Option 3 Focused investment |
|--|--------------------------|---|---|---|
| Principal options for addressing the issues | | <ul style="list-style-type: none"> Our current operating conditions continue | <ul style="list-style-type: none"> Increased funding to retain existing portfolio and provide for anticipated growth based on current provision guidelines | <ul style="list-style-type: none"> We tailor our services and reframe our portfolio to ensure it is effective and affordable |
| Implications | Budget impacts | <ul style="list-style-type: none"> Same budget Insufficient renewal budget to retain extensive existing asset portfolio in good operating condition Insufficient development budget to meet expectations for new assets Limited ability to differentiate and tailor service provisions | <ul style="list-style-type: none"> Significant budget increase Significant increase in renewal budget to enable total existing asset portfolio to be retained in good operating condition Significant increase in development budget to enable addition to asset portfolio to meet mandated expectations for new assets | <ul style="list-style-type: none"> Moderate budget increase Moderate increase in operating budget to support activity by others and alternate service approaches Insufficient renewal budget to retain existing asset portfolio in good operating condition, requiring identification of assets that are not well-positioned to meet current and future requirements Moderate increase in development budget to meet expectation for new assets |
| | Budget allocation | <ul style="list-style-type: none"> 10 year CAPEX (Renewal & new assets) \$3.4 billion OPEX (Asset delivery) \$3.8 billion OPEX (Service delivery) \$2 billion | <ul style="list-style-type: none"> 10 year (change from option 1) CAPEX (Renewal & new assets) \$5.3 billion (\$1.9bn increase) OPEX (Asset delivery) \$3.9 billion (\$0.1m increase) OPEX (Service delivery) \$2.6 billion (0.6m increase) | <ul style="list-style-type: none"> 10 year (change from option 1) CAPEX (Renewal & new assets) \$3.4 billion (no change) OPEX (Asset delivery) \$3.8 billion (no change) OPEX (Service delivery) \$2.7 billion (\$0.7m increase year 4 -10) |
| | Asset impacts | <ul style="list-style-type: none"> Constrained funding will mean increasing asset deterioration and risk of failure Reduced asset portfolio | <ul style="list-style-type: none"> Similar asset portfolio | <ul style="list-style-type: none"> Focus on strategy to reduce asset portfolio (and resulting operating costs) in response to constrained funding |
| | Service impacts | <ul style="list-style-type: none"> Reduced services due to asset impacts | <ul style="list-style-type: none"> Similar services | <ul style="list-style-type: none"> Tailored and alternative service delivery |
| Potential risks and opportunities | | <p>Opportunities</p> <ul style="list-style-type: none"> Budget requirements consistent with 2018 Long-term Plan Forced adaption – constraints can incentivise innovation <p>Risks</p> <ul style="list-style-type: none"> Renewals budget gap likely to mean increasing asset deterioration and failure Required rationalisation (reduction) of asset portfolio likely to be difficult and unpopular Limited development in short to medium term likely to be unpopular | <p>Opportunities</p> <ul style="list-style-type: none"> Reduced renewals budget gap (medium to long-term) enables asset portfolio to be retained in good condition Increased development budget in medium to long term <p>Risks</p> <ul style="list-style-type: none"> Budget requirements significantly higher than 2018 Long-term Plan Scale of capex budget required unlikely to be affordable | <p>Opportunities</p> <ul style="list-style-type: none"> Additional opex budget provides capacity to test and validate alternate service delivery approaches to meet changing demand Alternative service delivery approaches will help mitigate impact of rationalised asset portfolio Financial capacity to support key partnerships such as with mana whenua, mataawaka and community providers Prioritises recovery and investment to support key shifts <p>Risks</p> |

| | | • Option 1 Status Quo | • Option 2 Additional investment | • Option 3 Focused investment |
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| | | <ul style="list-style-type: none"> Limited opex budget capacity to change service delivery approaches to meet changing demand | <ul style="list-style-type: none"> Scale of consequential opex required to manage increasing asset portfolio unlikely to be affordable Limited opex budget capacity or incentive to change service delivery approaches to meet changing demand Continue to retain assets that offer limited benefit | <ul style="list-style-type: none"> Budget requirements moderately higher than 2018 Long-term Plan Additional budget requirement may be challenging in constrained financial environment Renewals budget gap likely to mean increasing asset deterioration Required rationalisation (reduction) of asset portfolio likely to be difficult and unpopular Limited development in short to medium term likely to be unpopular |
| Alignment to key shifts in addressing the key challenges | We tailor services to different communities focusing on growing participation in areas of greatest needs | Negative: <ul style="list-style-type: none"> Limited opportunity to tailor services in forced asset/service reduction environment | Positive: <ul style="list-style-type: none"> Financial capacity and flexibility to tailor services to different communities | Positive: <ul style="list-style-type: none"> Specific investment allocation for delivering services in a new (non-asset based) way should enable focused effort for target communities |
| | We invest in a range of delivery approaches so we can adapt and are responsive | Negative: <ul style="list-style-type: none"> Limited financial capacity to invest in a range of delivery approaches | Positive: <ul style="list-style-type: none"> Financial capacity to invest in new channels to increase adaptive and responsive provision | Positive: <ul style="list-style-type: none"> Specific investment allocation in new, adaptable and more responsive service provision |
| | We contribute to Te Tāruke-ā-Tāwhiri through a sustainable and resilient service network | Negative: <ul style="list-style-type: none"> Selective decommissioning of poorest performing assets Limited financial capacity to deliver significant change to retained assets/services that are currently performing poorly in relation to climate impacts | Positive: <ul style="list-style-type: none"> Financial capacity to invest in existing assets to improve network performance Financial capacity to ensure new assets minimise carbon footprint (Sustainable Building Standard) | Positive: <ul style="list-style-type: none"> Opportunity for selective decommissioning of poorest performing assets (i.e. climate impact key criteria) Specific financial allocation to deliver significant change to retained assets/services that are currently performing poorly in relation to climate impacts (e.g. boiler replacement) |
| | We operate a fit-for-service and cost-effective service network | Negative: <ul style="list-style-type: none"> Constrained funding likely to result in increasing degradation of current asset portfolio Operating a fit for service network becomes increasing difficult Corresponding increase in cost of reactive repair | Negative: <ul style="list-style-type: none"> Continued investment in assets will continue to exacerbate long term public cost burden OPPORTUNITY to modify investment approach to mitigate and/or reduce future costs | Neutral: <ul style="list-style-type: none"> Planned change in asset portfolio allows focused investment on high priority assets/services and decommissioning of other parts of portfolio RISK - reduction of portfolio not deliverable which will in turn result in: <ul style="list-style-type: none"> increasing degradation and costs operating fit for service network becomes difficult |

