



Auckland Future Fund Policy



Auckland Council Long-term Plan 2024-2034

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Policy purpose and overview

The purpose of this policy is to set out the strategy for the governance and management of the Auckland Future Fund (AFF or the Fund) to ensure that the Fund meets its intended purposes, for the benefit of current and future Aucklanders. This includes reflecting the strict protections to be maintained to protect the long-term real value of the Fund.

The policy outlines how the Fund is to be established and protected, how distributions will be managed, and how this policy relates to other key policies.

Policy background

As part of the Long-term Plan 2024-2034, the council decided to establish a regional wealth fund, to be called the Auckland Future Fund, to improve Auckland Council's (council's) financial and physical resilience.

The Fund will be initially capitalised with council's shareholding in Auckland International Airport Limited (AIAL), and council will work to identify opportunities to make further capital contributions to the Fund.

It was resolved that the Council's Airport Shareholding Policy be amended to enable the sale of AIAL shares by the fund manager to achieve the purposes of the Fund. Diversification of council's investments, both financially and geographically, will improve the council's financial and physical resilience.

Policy details

Structure of the Fund

The council considers that the Fund (as a whole) is a strategic asset for the purposes of the Local Government Act 2002, and will treat it as such for the purposes of the Significance and Engagement Policy.

The Fund shall be held in trust by the Trustee pursuant to a Deed of Trust, materially in the form approved by Governing Body.

The Trustee shall be a 100 per cent subsidiary of Auckland Council. As such the Trustee will be a substantive Council-Controlled Organisation (CCO). There shall be at least three and no more than five directors of the Trustee. Directors of the Trustee shall be appointed and removed in accordance with the council's Appointments and Remuneration Policy for Board members of Council Organisations.

Trust decisions will be made independently by the Trustee in accordance with the governing documents of the Fund which include:

- The Auckland Future Fund Trust Deed
- The Responsible Investment Policy
- The Auckland Future Fund Distribution Policy

The Trust Deed shall not be amended other than in accordance with this Policy or the Trust Deed.

Distributions, investment and Trust powers and objects are as set out in the Trust Deed and this Policy

Purpose of the Fund

The purposes of the Auckland Future Fund are to:

- a. Protect the real value of the Trust's assets over time, so they can continue to benefit future generations; and
- b. Provide a strong return to council to fund services and infrastructure

Powers of investment

All investment and transactional decisions of the Fund shall be made by the Trustee in accordance with the Trust Deed, Trusts Act 2019, this policy, and the other policies and documents referenced in the section entitled 'Interrelationships with other Policies and Documents' below.

Auckland Council shall not direct the Trustee through any other channel as to the investments or activities of the Fund, including any related party transactions or investments.

Distributions from Fund

Distributions to Auckland Council will be made in accordance with the Auckland Future Fund Distribution Policy.

Liquidity Support

In consideration of council capitalising the Fund, the Trustee shall provide liquidity support to council on the following basis:

- There shall be no commitment fees or margin payable for the existence of the liquidity support facility.
- Liquidity support shall otherwise be on arms-length terms including interest payable at a rate of BKBM (benchmark interbank interest rate in New Zealand) plus 200 basis points on any drawdowns.
- Appropriate documentation shall be entered into between the Trustee and council to document the terms of the facility.

Changes to the Fund or Trust

Provided that the purpose and levels of protection of the Fund are unaffected, the council may amend the operational structure and terms of the Fund, the Trust Deed, Trustee or director appointment processes without the need to amend this Policy, including to account for:

Change of law (including tax) which might materially adversely impact council or the Fund.

- Inclusion of additional assets in the Fund.
- Operational efficiencies or changes to council practice.
- Transfer of the Fund to an alternative trust structure (including resettlement of the trust).

- Structural changes such as changes to the form of the corporate trustee or restructuring the council's rights and interests between entities within the council group.
- Creating sub-funds or specific asset and investment classes within the Fund.

Inter-relationships with other policies and documents

This policy sets out the overarching strategy for the Fund with strong inter-relationships with other policies as outlined below:

- **Auckland Airport Shareholding Policy** – The Auckland Airport Shareholding Policy provides for the council to transfer its shareholding in Auckland International Airport Limited (AIAL) to the Fund and enables the **Trustee** to sell AIAL shares to achieve the purposes of the Fund. To the extent that there is any inconsistency between this policy and the Auckland Airport Shareholding Policy, this policy takes precedence.
- **Auckland Future Fund Distribution Policy** – The AFF Distribution Policy sets out the rules regarding distributions from the Fund to Auckland Council.
- **Auckland Future Fund Trust Deed** – The AFF Policy and AFF Trust Deed are intricately linked, with the Trust Deed elaborating on the role of the Trust, the relevant parties, the role and powers of the Trustees, and the objectives of the Trust.
- **CCO Accountability Policy** – The nature of the AFF is different from other substantive CCOs as it is not a direct provider of services. To the extent that there is any inconsistency between this policy and the CCO Accountability Policy, this policy takes precedence.
- **Responsible Investment Policy** – This policy sets out the guidelines for responsible investments including Environmental, Social and Governance (ESG) and climate change considerations, as well as detailing council's preferences in so far as the types of company activities that council would wish to exclude from any portfolios held.
- **Significance & Engagement Policy** – The council considers that the Fund (as a whole) is a strategic asset. Therefore, any decisions in relation to the Fund (as a whole) must be made in accordance with the relevant provisions of the council's Significance & Engagement Policy.
- **Statement of Investment Policy & Objectives for Auckland Future Fund (SIPO)** – The SIPO elaborates on the details around investment rules such as the asset allocations, and any specific objectives.
- **Statement of Intent (SOI)** – The Statement of Intent, as required by, and described in Schedule 8 of the Local Government Act 2002, will be developed by the Trustee and agreed to by council.

Amendments of this Policy

Any proposed amendments to this policy will be made through a long-term plan or long-term plan amendment process.