

I hereby give notice that an ordinary meeting of the Finance and Performance Committee will be held on:

Date: Thursday, 24 July 2014
Time: 9.30am
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

Finance and Performance Committee

OPEN AGENDA

MEMBERSHIP

Chairperson	Cr Penny Webster	
Deputy Chairperson	Cr Ross Clow	
Members	Cr Anae Arthur Anae	Cr Calum Penrose
	Cr Cameron Brewer	Cr Dick Quax
	Mayor Len Brown, JP	Cr Sharon Stewart, QSM
	Cr Dr Cathy Casey	Member David Taipari
	Cr Bill Cashmore	Member John Tamihere
	Cr Linda Cooper, JP	Cr Sir John Walker, KNZM, CBE
	Cr Chris Darby	Cr Wayne Walker
	Cr Alf Filipaina	Cr John Watson
	Cr Hon Christine Fletcher, QSO	Cr George Wood, CNZM
	Deputy Mayor Penny Hulse	
	Cr Denise Krum	
	Cr Mike Lee	

(Quorum 11 members)

Crispian Franklin
Democracy Advisor

18 July 2014

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TERMS OF REFERENCE

Responsibilities

This committee will be responsible for monitoring overall financial management and the performance of the council parent organisation and the financial monitoring of the Auckland Council Group. It will also make financial decisions required outside of the annual budgeting processes. Key responsibilities include:

- Financial management
- Approval of non-budgeted expenditure
- Write-offs
- Acquisition and disposal of property relating to the Committee's responsibilities
- Monitoring achievement of financial and other measures of performance and service levels
- Recommending the Annual Report to the Governing Body

Powers

(i) All powers necessary to perform the committee's responsibilities.

Except:

- (a) powers that the Governing Body cannot delegate or has retained to itself (see Governing Body responsibilities)
 - (b) where the committee's responsibility is limited to making a recommendation only
- (ii) Approval of a submission to an external body
- (iii) Powers belonging to another committee, where it is necessary to make a decision prior to the next meeting of that other committee.
- (iv) Power to establish subcommittees.

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1 Apologies

Apologies have been received from Deputy Mayor Hulse, Councillor Anae, Councillor Filipaina and Councillor Webster.

2 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.

3 Confirmation of Minutes

That the Finance and Performance Committee:

- a) confirm the ordinary minutes of its meeting, held on Thursday, 19 June 2014, including the confidential section, as a true and correct record.

4 Petitions

At the close of the agenda no requests to present petitions had been received.

5 Public Input

Standing Order 3.21 provides for Public Input. Applications to speak must be made to the Committee Secretary, in writing, no later than **two (2)** working days prior to the meeting and must include the subject matter. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders. A maximum of **thirty (30) minutes** is allocated to the period for public input with **five (5)** minutes speaking time for each speaker.

At the close of the agenda no requests for public input had been received.

6 Local Board Input

Standing Order 3.22 provides for Local Board Input. The Chairperson (or nominee of that Chairperson) is entitled to speak for up to **five (5)** minutes during this time. The Chairperson of the Local Board (or nominee of that Chairperson) shall wherever practical, give **two (2)** days notice of their wish to speak. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders.

This right is in addition to the right under Standing Order 3.9.14 to speak to matters on the agenda.

At the close of the agenda no requests for local board input had been received.

7 Extraordinary Business

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“An item that is not on the agenda for a meeting may be dealt with at that meeting if-

- (a) The local authority by resolution so decides; and

- (b) The presiding member explains at the meeting, at a time when it is open to the public,-
 - (i) The reason why the item is not on the agenda; and
 - (ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting.”

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting,-

- (a) That item may be discussed at that meeting if-
 - (i) That item is a minor matter relating to the general business of the local authority; and
 - (ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- (b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”

8 Notices of Motion

At the close of the agenda no requests for notices of motion had been received.

Development contributions charge for Oceania Football Confederation Incorporated to develop sports fields at 62-80 College Road

File No.: CP2014/12836

Purpose

1. To report on the decision by Council staff not to waive development contributions for Oceania Football Confederation Incorporated's development of sports fields and facilities at 62-80 College Road.

Executive summary

2. The Orakei Local Board made a presentation to the Finance and Performance Committee requesting contributions be waived for this development.
3. Development Contributions for the development have been assessed at \$495,725.79 (\$492,240.96 for stormwater). The development is creating 35,420m² of impervious surface area for two artificial turfs and training areas, along with a sports complex. This impervious surface has no ability to absorb stormwater runoff.
4. Stormwater will flow from the site into the council's network. The consent for the development requires the applicant to construct some stormwater management capacity on the site. This is because the amount of impermeable surface being created exceeds that expected when the Council upgraded the stormwater network in the area to provide for development. This upgrade was to be paid for by developers through development contributions.
5. The Development contributions policy does not provide for the waiver of contributions. If the council wished to waive contributions it would need to make an "inconsistent decision" under section 80 of the Local Government Act 2002 and identify the reasons for the inconsistency.
6. Staff have recommended not to waive the development contributions because it would:
 - be inconsistent with the impact of the development on council's infrastructure
 - set a precedent for the grant of other waivers with associated risk to council revenue and integrity of council's development contributions policy
 - provide additional funding to an external party's project without appropriate transparency
 - require the foregone funding to be made up from either:
 - other developers
 - ratepayers
 - reduced spending on other projects.

Recommendation/s

That the Finance and Performance Committee:

- a) Note this report.

Comments

Background

7. Oceania Football Confederation (OFC) is funding a development on land owned by Auckland Council at 62-80 College Road, St John. OFC will take a 30 year lease on the

property when Stage One is completed. The development will create two football fields and training areas on artificial turf, along with a building complex including changing rooms, an indoor arena and offices. The artificial turf is being laid over concrete. This will capture stormwater that flows to onsite ponds and then the council's network. OFC are the consent holders.

8. Auckland Council recently acquired Colin Maiden Park (19 hectares) that adjoins this development, as open space land – at a cost of \$60m to Council.
9. The 2012 Contributions Policy does not make provision for any waiver of contributions. The council made this decision as development contributions are a cost recovery tool and a waiver would transfer the cost of that development onto other developers or rate payers.

Assessment of development

10. Contributions are payable where a development places demand on the council's infrastructure.
11. In response to the growth expected in the area, as part of the development of Stonefields, the council invested in a major upgrade of the stormwater network. No development would have been possible without the upgrade to the network. The network could not have managed the stormwater runoff from the additional impervious surface created by the conversion of the quarry to residential and commercial use. It was planned that development contributions would fund this investment.

The resource consent for the OFC development, section 42-44 of the R/LUC/2013/3381, requires the construction of stormwater ponds on site. Onsite ponds are required because the development is proposing a higher level of intensity/impermeable surfaces than was expected when Council upgraded the local stormwater network. Stormwater will flow from the ponds to the council's network. The onsite mitigation ensures that the:

- level of service of the stormwater network is not compromised
 - appropriate treatment quality is achieved.
12. The development is creating a demand on the Council stormwater network due to the proposed connection from the development into the public network. While the flows from the site will be limited to the rate(s) set under the Land Use Consent the overall volume will still discharge to the Council network there. This creates a demand on the network which is the test for whether development contributions should be applied.

Comparison to similar developments

13. A smaller artificial sportsfield development was recently completed at Michaels Ave. This development had a different design based on turf over compact gravel. The design requirements differ because the Michaels Ave turf has wetland surrounding it that can withstand the stormwater flows which therefore won't flow to the council network.
14. The Michaels Ave turf development paid a lower contributions charge because:
 - development is much smaller scale
 - flows to council network are lower
 - assessment was made under former council contributions policies.

Waiver of contributions

15. If the council wished to waive contributions it would need to make an inconsistent decision under section 80 of the Local Government Act 2002. This would require the reasons for the inconsistency of the decision to be recorded.
16. As noted above a demand is being placed on the stormwater network and accordingly a waiver would need to be for other reasons e.g. to support the provision of the services to be offered by the development. If this was the case other sources would need to be found to replace the lost funding for the stormwater development. This funding would have to come from either rates or other developments.

17. A waiver would allow for additional support to be provided to this development ahead of other demands on ratepayer, or contributions, funding without the opportunity to assess their relative merits for the Auckland Region.
18. Private development agreements and grants are alternatives to a waiver for the council to provide additional support for the OFC development. Both of these choices would require the council to increase its expenditure. They are more transparent means of funding and provide an opportunity for this project to be compared to other spending proposals within the council's normal planning process and cycle.
19. A private development agreement usually involves the developer constructing assets which the council purchases from them. The developer may then use the sale proceeds to fund any contributions assessed. However, in these circumstances there are effectively no public assets to purchase as the onsite stormwater ponds are a resource consent requirement. The council would only be purchasing the wider benefits from the development of the sports field and associated complex. Given this it would be better to use a grant. Grants are the appropriate mechanism for providing this kind of support.

Consideration

Local board views and implications

20. The Orakei Local Board passed a motion requesting that Council officers waive the development contribution for this development.
21. The Board's request was made because:
 - they considered that an incorrect assessment of contributions had been made given the onsite stormwater ponds required under the resource consent
 - the OFC has agreed to pay for the development of the sports field and complex, and that a further charge should not be applied to them.

Maori impact statement

22. The recommendations in this report have no impact on Maori.

Implementation

23. There are no implementation issues associated with the recommendations in this report.

Attachments

There are no attachments for this report.

Signatories

Authors	Aaron Matich - Principal Advisor Modelling Andrew Duncan - Manager Financial Policy
Authorisers	Matthew Walker - Manager Financial Plan Policy and Budgeting Andrew McKenzie - Chief Finance Officer

Release of legacy council reserves

File No.: CP2014/13810

Purpose

1. To approve the release of a reserve inherited from Franklin District Council.

Executive summary

2. The Franklin District Council established a reserve from funds received from the sale of shares in Auckland International Airport Ltd and Serco Viatech Ltd. As the reserve was not matched with an investment it serves no financial policy or accounting function. Council staff cleared the reserve to ratepayer equity in June 2013. Audit New Zealand has drawn to our attention a council resolution is required to approve the write back of the reserve. This report seeks that approval.

Recommendation/s

That the Finance and Performance Committee:

- a) receive the report.
- b) approve clearing the Capital Development Fund to ratepayer equity.

Comments

3. In 1999 Franklin District council sold its investments in Serco Viatech Ltd and Auckland international Airport Ltd.

The Council resolved the proceeds from the sales be applied to:

- i. Retiring specific debt of the 21 January 1999 flood event and the general rate accumulated deficit, \$4.5 million,
 - ii. the balance be invested with interest earned allocated to annual operating revenue for 1999/2000, and
 - iii. any disposal of the investment be included in the draft annual plan and be supported by 75% of Council.
4. On amalgamation, the Auckland Council received a reserve of \$6,005,586 referred to as the Capital Development Fund (Shares). According to the records the fund originated from the sales of the shares. Notwithstanding the 1999 resolution, there was no external investment matching the reserve. The reserve remained in the Auckland Council accounts at June 2011 and 2012. In 2013 we reviewed the correctness of the reserve. In our view, as there was no matching investment it was not a genuine reserve and the reserve was cleared to ratepayer equity.
 5. The fund serves no purpose from either a funding or accounting policy view. It appears the proceeds of the sales were used to settle debt with the balance taken into working capital. Through this process the intent of the Franklin 1999 resolution

(that rate demand on property owners be reduced through the investment income) has been achieved as debt and interest costs are lower.

6. Audit New Zealand, while agreeing with our conclusion to release the reserve, has drawn to our attention a final step in the process that we must complete. As the original Franklin District Council reserve was established by a Council resolution, a resolution is required to clear the reserve.

Consideration

Local board views and implications

7. Local board views have not been sought as releasing the reserve has no local board impact.

Maori impact statement

8. There are no impacts to Maori outcomes.

Implementation

9. There are no implementation issues.

Attachments

There are no attachments for this report.

Signatories

Authors	Robert Nelson - Financial Controller
Authorisers	Kevin Ramsay - Manager Finance, Auckland CFO Andrew McKenzie - Chief Finance Officer

Elected Members' Expenses Policy

File No.: CP2014/06607

Purpose

1. To amend the Auckland Council Elected Member Expenses Policy.

Executive Summary

2. Each electoral term, the Governing Body adopts an Elected Member Expenses Policy, which is sent to the Remuneration Authority for approval. The Governing Body last adopted an Expenses Policy in June 2011 and it is time to renew the Remuneration Authority's approval.
3. Various issues have arisen over the previous term in relation to the Expenses Policy and proposed amendments seek to address these. The body of the report summarises the key changes.

Recommendation/s

That the Finance and Performance Committee:

- a) Replace the Auckland Council Elected Members' Expenses Policy with the attached policy and forward it to the Remuneration Authority for approval.

Discussion

4. Elected Members may be reimbursed or paid allowances for personal costs that arise in the course of Council business. The Expenses Policy sets out the rules around such payments.
5. The Remuneration Authority requires each council to adopt an expenses policy to forward to the Authority for its approval each electoral term.
6. The current Auckland Council Expenses Policy was last approved in June 2011. It is necessary to review it and update it prior to sending it to the Remuneration Authority for approval.
7. The amended Expenses Policy is attached. The language and presentation of the policy have been updated to make it more accessible, and some provisions have been clarified.
8. The policy has updated provisions for a mileage and communications allowance in line with changes made by the Remuneration Authority.
9. Changes to travel approvals have been made to provide more options than previously, recognising there are sometimes difficulties contacting approvers. The changes to approval for international travel, development programme and conferences ensures that a mix of Elected Member and council staff approve such requests.
10. These changes to approval processes have been made following guidance from Audit NZ. They reflect the principle of 'one-up' approval. For Elected Members, this requires approval from another Elected Member. Staff will continue to attend to the paperwork that is required, but final approval will be as in the table that follows.

Item	Proposed	Previous term
Approvals for domestic travel - Mayor	<ul style="list-style-type: none"> The Chair of the Audit and Risk Committee or the Chair of the Finance and Performance Committee 	Chief of Staff
Approvals for domestic travel- Deputy Mayor	<ul style="list-style-type: none"> The Mayor or the Chair of a Committee of the Whole 	Two of: <ul style="list-style-type: none"> Mayor Chair of a Committee of Whole
Approvals for domestic travel - Councillors	<ul style="list-style-type: none"> The Deputy Mayor or the Chair of a Committee of the Whole 	Two of: <ul style="list-style-type: none"> Mayor Deputy Mayor Chair of a Committee of Whole
Approvals for domestic travel – Local Board Chair	<ul style="list-style-type: none"> Governance Director 	<ul style="list-style-type: none"> endorsement by Board approval by Manager Local Board Services
Approvals for domestic travel – Local Board members	<ul style="list-style-type: none"> The Local Board Chair 	<ul style="list-style-type: none"> endorsement by Board approval by Manager Local Board Services
Approvals for international travel, development programmes and conferences - Mayor	Both: <ul style="list-style-type: none"> the Chair of the Audit and Risk Committee and the Chief Executive 	Chief of Staff
Approvals for international travel, development programmes and conferences – Deputy Mayor	Both: <ul style="list-style-type: none"> the Mayor or the Chair of a Committee of the Whole and the Chief Executive 	Two of: <ul style="list-style-type: none"> Mayor Chair of a Committee of Whole
Approvals for international travel, development programmes and conferences - Councillors	Both: <ul style="list-style-type: none"> the Mayor or the Deputy Mayor and the Chief Executive or the Director Governance 	Two of: <ul style="list-style-type: none"> Mayor Deputy Mayor Chair of a Committee of Whole
Approvals for international travel, development programmes and conferences – Local Board Chairs and Local Board members	Both: <ul style="list-style-type: none"> Endorsement by the Local Board then approval by the Chief Executive or the Director Governance <p>If urgent approval is needed:</p> <ul style="list-style-type: none"> Endorsement by the Chair then approval by the Chief Executive or the Director Governance then retrospective endorsement by the Local Board 	Two of: <ul style="list-style-type: none"> Mayor Deputy Mayor Chair of a Committee of Whole
Requirement for business case prior to approval	International travel All development programmes and conferences	International travel including conferences
Hosting official visitors	Personal expenditure can be reimbursed	Not noted

Other changes have been made throughout the policy to update, clarify or align the policy with current good practice.

Consideration

Local Board Views

12. Local boards have had an opportunity to comment on the draft Auckland Council Elected Members' Expenses Policy. Feedback has been received querying the 5,000 km cap on the mileage allowance, asking what constitutes "electioneering" and querying the rule against flowers.
13. The mileage cap is imposed by the Remuneration Authority and the Council has no discretion to change it.
14. It is difficult to define all appropriate and non-appropriate scenarios for claiming reimbursement for expenses such as mileage. Paragraph 2 sets out in some detail the nature of events that constitute Council business. Paragraph 55 prevents a mileage allowance being paid for electioneering purposes. "Electioneering" becomes an issue in the three months prior to an election and the Council has policies in place that give guidance to Elected Members on the use of Council resources during this period. "Electioneering" is an activity associated with soliciting votes.
15. The provisions for expenditure on flowers and gifts state that this is not to be a general practice but may be approved in special circumstances. It is recommended that the Council takes a conservative approach and makes the giving of flowers and gifts a matter requiring approval as in the Policy.

Māori Impact Statement

16. The recommendations in this report relate to internal procedures and rules and do not have an impact on the Māori community.

General

Implementation Issues

17. The Elected Members' Expenses Policy will be implemented once approved by the Remuneration Authority.

Attachments

No.	Title	Page
A	Elected Members' Expenses Policy	17

Signatories

Authors	Warwick McNaughton - Principal Advisor - Democracy Services
Authorisers	Marguerite Delbet - Manager Democracy Services Grant Taylor - Governance Director Andrew McKenzie - Chief Finance Officer



AUCKLAND COUNCIL ELECTED MEMBERS' EXPENSE POLICY

GOVERNING BODY AND LOCAL BOARDS

24 July 2014

**(Reflecting the Remuneration Authority's October 2013
Determination for Auckland Council)**

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BREACH OF EXPENSE AND REIMBURSEMENT RULES..... 17

This document sets out the policy on the business expenses of Elected Members.

This policy is administered by Auckland Council's Democracy Services Department. For queries on the policy please contact:

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Business Support Manager
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michelle.smith@aucklandcouncil.govt.nz

Other documents containing information relevant to this policy include:

- the Elected Members' code of conduct
- the Elected Members' technology policy.
- catering guidelines.

This policy may be reviewed regularly and is current until superseded.

Overarching Principles

1. The guiding principles for expenditure are those contained in the Office of the Controller and Auditor-General's (OAG) good practice guide "Controlling sensitive expenditure: Guidelines for public entities". The expenditure should be subject to standards of probity and financial prudence that are to be expected of a public entity and able to withstand public scrutiny (both perceived and actual).
2. From time to time Elected Members incur expenses on the Council's behalf, for which they can be reimbursed. Reimbursement and use of council-supplied resources apply only to Elected Members personally, and only while they are acting in their official capacity as Elected Members.
3. To be reimbursable, expenses must:
 - Have a justifiable council-related business purpose; Council business includes formal council meetings, committee meetings, workshops, seminars, statutory hearings, training courses, site visits, meetings with staff, meetings with community groups, meetings with members of the public. It does not include events where the primary focus is on social activity.
 - Be moderate and reasonable having regard to the circumstances, i.e. able to pass the test of being prudent use of ratepayers' money under public scrutiny.
 - Be actual and justified by an original receipt.
 - Be approved by the relevant authoriser.
 - Be within relevant budget provisions.
 - Be presented on the approved Auckland Council Claim Form.
 - Be signed as true and correct by the claimant.
 - Be consistent with the rules set by the Remuneration Authority, who has responsibility under the Local Government Act 2002 to determine remuneration and expense/allowance rules for local authority members.
4. Transparency and accountability guide the reimbursement of Elected Members' expenses. The Council's internal audit work programme includes annual sampling expense claims and allowances paid to Elected Members and staff. External auditors also regularly review Elected Members' expenses. To ensure transparency, Democracy Services publishes Elected Members' remuneration, expenses and mobile technology costs on the Council's website on a quarterly basis.
5. If Elected Members accept upgrades while travelling on Council business, they should declare them in accordance with the Elected Members' code of conduct.

Travel rules and processes

Booking travel

6. Domestic and international travel, with the exception of travel to Hauraki Gulf Islands, must be arranged through the Travel Administrator, Democracy Services.
7. Travel to Hauraki Gulf Islands can be arranged via support staff.
8. In some cases a business case may be required – see paragraph 84.
9. All travel should be booked as far as practical in advance of the actual travel date to enable "best price" to be obtained.

Claiming expenses

10. All reimbursements are made via the payroll system. To be reimbursed, elected members must submit their expense claims in the financial year expenses were incurred. On election years, at the end of the electoral term, the Business Support manager will inform elected members about the final cut-off date by which expense claims must be submitted.
11. To satisfy IRD requirements, mileage payments are subject to deduction of tax at the appropriate rate.

Travelling with family and mixing business and private travel

12. Where appropriate, Council will pay for the Mayor's partner to accompany the Mayor when the Mayor's partner is also taking part in Council business, upon relevant approval – see paragraph 85.
13. The Council will not pay for any other Elected Members' family member or partner to accompany them on Council-related travel, except in very exceptional circumstances with the prior approval of the Chief Executive.
14. The travel coordinator can make bookings for an Elected Member family member provided a credit card is given for payment.
15. Elected Members can have a stop-over or undertake private travel before, during or at the end of travel paid for by Council provided there is no additional cost to Council. They can also vary their route for private travel at their own expense. They must pay the cost of any private travel before travel is undertaken.
16. If the duration of the business trip extends over a weekend, Elected Members may return home for the weekend, provided the cost of doing so is less than the cost of staying.

Accommodation

17. The standard of the accommodation reserved should reflect what is appropriate to the length of stay and to the business need. The Travel Coordinator can advise about options.
18. Auckland Council is able to procure preferential public sector rates at many New Zealand and Australian hotels. These rates are significantly lower than standard rates offered to business customers and are often lower than rates offered through conference organisers. For this reason conference accommodation should be booked through the Travel Coordinator where possible.
19. Elected Members' responsibilities include:
 - checking the accuracy of the accommodation account when checking out
 - signing the account to indicate it is correct
 - retaining a copy of the accommodation account for reconciliation purposes.
20. When travelling on Council business the Elected Member travelling may stay in private accommodation. When this occurs the Elected Member will be paid an allowance of NZ\$60 per night which includes accommodation, breakfast and dinner. It is intended that at least a portion of this allowance will be paid to the accommodation provider.
21. Elected Members sometimes attend events as a representative of the Governing Body or a Local Board. If the event will not conclude prior to 10.30 pm and travel back to the Elected Member's residence is impractical, the Council will reimburse the cost of overnight accommodation at a moderately priced hotel or motel.
22. Whenever practical the Elected Member should obtain prior approval from the approvers listed in paragraph 92.

Air travel

23. Elected Members can fly with any airline provided the flight booked is at best value for Council and most appropriately scheduled to best meet the needs of the Elected Member.
24. All travel is economy class. An upgrade to business class is authorised in instances when the Elected Member will fly more than six hours continuously and will be engaged in Council business within 24 hours of arrival. If an upgrade is authorised, Elected Members must not convert the whole, or part of, the ticket into cash or any other benefit and travel on a cheaper ticket class.

Frequent flyer memberships

25. Elected Members are expected to have regard to the total cost of travel and use the lowest appropriate fare at the time of departure. Flight choice will not be influenced by the Elected Members' own airline loyalty memberships.
26. The council will pay one airline club membership for the Mayor and Deputy Mayor given their frequent travel needs. The Council will not pay for any other airline frequent flyer or club memberships.

Travel expenses

Travel expenses reimbursed

27. The following business-related travel expenses will be reimbursed by Auckland Council when the travel takes an Elected Member away from his/her home for more than one night. Receipts are required.
28. For overseas travel, reimbursable expenses are subject to the daily expense guideline rates for the country of travel. Guideline rates are published on the Council Intranet. The Council uses the guideline rates of Ministry of Foreign Affairs and Trade. Daily expenses are only payable for days the member is on official business, including a weekend if official business requires this.

Expense	Details
Meals	<ul style="list-style-type: none"> • On the basis of actual and reasonable expenditure, or according to the daily rates for international travel • Reimbursements will be only be paid for days when Elected Members are on official business, including a weekend if official business requires it <p>Meal expenses cannot be claimed if:</p> <ul style="list-style-type: none"> • a complimentary meal is provided by an airline • a meal is prepaid through an accommodation package (eg hotel breakfast) • the cost of the meal is included in the cost of a seminar or conference • Elected Members are entertained by their hosts
Alcohol	<ul style="list-style-type: none"> • Council will not pay for any alcohol, except for the approved entertainment of third parties – see paragraph 83. However such expenditure is clearly regarded as sensitive expenditure and accordingly should be at a moderately priced level, to avoid any perception of lavishness
Entertainment	Before travel, any anticipated entertainment events must be specified on the travel booking form and must at all times be directly related to Council business – see paragraph 69
Rental cars	<ul style="list-style-type: none"> • When required to travel outside Auckland and the most economical mode of travel • Unless needed at short notice for unexpected reasons, rental cars

Expense	Details
	must be pre-booked through the travel coordinator
Taxis	<ul style="list-style-type: none"> • When the most practical and cost effective way to travel for business within or outside of Auckland • for safety/security reasons
Car parking	<ul style="list-style-type: none"> • Casual car parking or parking meter charges incurred on Council business • Airport parking if it is economical for the Elected Member to leave his/her car at the airport rather than take a taxi
International driver's licence fee	If a rental car is used as part of the trip
Telephone and data expenses	<ul style="list-style-type: none"> • Reasonable calls home from overseas • Reasonable data usage to access emails and the internet overseas • Calling from overseas can be expensive from hotels or roaming cell phones and should be kept to a minimum. The Travel Administrator can advise the traveller on the most cost effective way to call home, which may include a calling card
Laundry	Actual and reasonable laundry expenses <ul style="list-style-type: none"> • for trips in excess of three days • if an accident necessitates it
Tips (Gratuities) - International travel	In some countries tipping airport baggage handlers, taxi drivers, hotel porters and waiters/waitresses is expected. The Council will reimburse reasonable tips. It is accepted that the Elected Member will not have receipts for these, but a record should be kept to accompany any claim
Visa and vaccination fees	If needed for travel to some international countries

Travel expenses not reimbursed

29. Council will not reimburse any the expenses listed in the table below.

Expense	Details
Mini-bars	Any alcohol items consumed from mini bars
Movies	Any in-room movies
Traffic infringements	Any speeding fines and any other traffic infringement notices incurred while on Council business
Passport application fees	Elected Members are responsible for obtaining or renewing their passport and ensuring that it will not expire within six months following the return date of travel

Other international travel expenses

30. Elected Members undertaking international travel should use their personal credit cards and submit an expense claim on their return. However, in some cases cash advances can be issued to cover incidentals such as taxi fares. The Travel Administrator, Democracy Services will process these requests. Cash advances are kept as low as possible to ensure compliance with Council's cash handling procedures, which aim to minimise risks of theft and loss.
31. The maximum cash advance cannot exceed the expected total cost of daily meals and incidentals.
32. On return all foreign exchange must be reconciled within 10 working days. The reconciliation, together with all receipts and unused cash, should be returned to the Travel Administrator.

Travel insurance

Coverage

33. The Council's travel insurance policy only covers travel outside New Zealand. It covers Elected Members who travel overseas to represent the Council for periods not exceeding three months, and will be performing 'low risk' work activities such as marketing, administration or management functions. The insurance will also cover an Elected Member's partner if they are approved to travel with the Elected Member – see paragraphs 12 and 13. Partners accompanying the Elected Member in a private capacity are not covered.
34. The primary purpose for the travel must be business. The travel insurance extends to provide cover for normal tourist and holiday activities that form part of or are added to the business trip, provided the Council business-related portion of the travel is substantially larger than the portion allocated to personal or holiday activities.
35. The travel insurance certificate details the types of cover provided and the monetary limits of the cover. Auckland Council's insurance consultants can provide detailed information on any aspect of the insurance cover. There is no cover under this travel insurance for any loss or event or liability which is covered under any other insurance policy, Act of Parliament or reciprocal health agreement between governments.

Provisions for pre-existing medical conditions

36. The travel insurance may not provide cover for medical expenses incurred for the treatment of an injury or sickness the traveller is suffering prior to the departure date of travel. Should Elected

Members suffer from a terminal condition or be aware of a pre-existing injury or sickness that may necessitate treatment whilst overseas, specific arrangements must be made with the insurer to confirm whether or not cover for treatment will be provided.

Claims procedure

37. If an event gives rise to a claim, the Elected Member must immediately follow these steps:
- Do as much as they can to prevent any further loss or expense.
 - If the Elected Member is to be hospitalised, evacuated or repatriated, or has lost their luggage or money, they must contact the "Overseas Emergency Assistance " number provided on their itinerary, advising they are on Auckland Council business.
 - As soon as possible after suffering injury or sickness, obtain and follow proper medical advice from a legally-qualified medical practitioner.
 - Lodge a claim with the insurance company providing all medical certificates, accounts, receipts and information required by the insurance company to support the claim (original documents must be produced).
 - Forward a written claim against any person, party, hotel or transporter who may be legally liable for the loss, injury or sickness.
 - Provide full particulars of any claim made against the traveller or Auckland Council by any other person and all legal documents served on the traveller or Council.

Professional development programmes and conferences

Principles

38. Auckland Council recognises the need for Elected Members to broaden their knowledge base and experience through specialised development programmes and conferences relevant to Council business. Because related travel and expenditure such as accommodation and meals are classified as sensitive expenditure, the policy aims to balance Elected Members' development needs with prudent use of rate payer funds and to provide transparency and confidence to the public through publication of expenses.
39. Professional development includes a variety of learning and development methods, including on the job training, external and internal courses, conferences or workshops.
40. The following considerations apply:
- The number of Elected Members attending the same event must be decided with care (eg. 1 Local Board member per board attend the more expensive conferences).
 - Each professional development opportunity must have well defined objectives linking the development needs of the elected member with the opportunity to improve Auckland Council performance.
41. A business case must be submitted – see paragraph 84. Conference or development programme registrations and travel reservations should not be made until approval has been obtained. Registration and bookings will be made by the Elected Member's relevant support staff, who will liaise with the Travel Administrator in Democracy Services to book the requisite travel arrangements.

Allowances and reimbursements

42. The policy for allowances and reimbursement is based on the Remuneration Authority Determination, which sets guidelines on allowances payable to Elected Members.

Vehicle use

43. The Mayor is provided with a vehicle for full business and private use.
44. A rental car or private vehicle can be used by Elected Members holding a current driver's licence for work related travel outside of the Auckland region if other means of travel are more costly, impractical or an inefficient use of time. The class of the car should be the most economical and consistent with the requirements of the trip (e.g. length of journey, number of passengers).
45. All bookings must be made through the travel coordinator using the travel booking form.
46. Rental cars are not to be used for personal travel.
47. The Council's insurance policy provides insurance for the use of rental cars anywhere within New Zealand. It is not necessary to purchase further insurance from the rental agency.
48. The Council's insurance policy does not provide cover for the use of rental cars overseas. Full insurance is required from the rental agency before the vehicle is driven. This cost will be reimbursed following completion of an expense claim form.
49. Rental cars must be refilled with fuel before returning them to avoid the high refuelling charges of hire companies.
50. The Deputy Mayor and Councillors are able to use Council fleet vehicles for Council-related travel in instances where they are the most appropriate means of transport. With the prior approval of the Manager Local Board Services, Local Board members are able to use Council fleet vehicles for Council-related travel in instances where they are the most appropriate means of transport. The Elected Member must hold a current driver's licence.
51. Staff of Democracy Services or Local Board Services can book a Council Vehicle for an Elected Member using the Fleetsmart booking system.

Vehicle mileage allowances

52. Council will pay Elected Members on Auckland Council business a vehicle mileage allowance for travel by the member, if:
 - the member is not otherwise provided with a vehicle by the Council, and
 - the distance travelled by the member on the day exceeds the threshold distance, and
 - travel is in a private vehicle, and
 - travel by the most direct route that is reasonable in the circumstances.
53. The maximum vehicle mileage allowance payable to Elected Members during any twelve month period commencing 1 July and concluding on 30 June the following year is:
 - \$0.77 per kilometre for the first 5,000 kilometres for which the allowance is payable
 - \$0.37 per kilometre for any distance over 5,000 kilometres for which the allowance is payable.
54. Auckland Council business includes travel to and from a member's residence to an office(s) of the Auckland Council.
55. Threshold distance means the lesser of:
 - (a) the distance equivalent to a round trip between the member's residence and any nearest office of the Auckland Council, excluding libraries by the most direct route that is reasonable in the circumstances; or
 - (b) 30 kilometres, if the distance equivalent to a round trip between the member's residence and the nearest office of the Auckland Council is greater than 30 kilometres.
56. The mileage rates and thresholds are set by The Remuneration Authority.
57. No mileage allowance will be paid in respect of travel undertaken for electioneering purposes.
58. No mileage allowance will be paid to persons other than current Elected Members of the Auckland Council (eg a private company).
59. For the sake of clarity the Elected Member is not required to be a member of the committee or subcommittee to claim mileage for attendance.

60. Mileage expenses for Elected Members conducting District Licensing Committee business will be subject to the rules for District Licensing Committee members.

Bus, rail, ferry expenses, road tolls and parking fees

61. Fares for bus, rail and ferry travel, road tolls and parking fees incurred by an Elected Member while on Council business will be reimbursed.

Parking

62. Parking is provided at the “home” office of Elected Members: for Governing Body members at the Head Office of Auckland Council, for Local Board members at their Local Board office. Given the amount of CBD-based meetings Local Board members attend, parking vouchers for the Aotea underground car park are available through the Local Board offices. There are also additional parking spaces allocated for Local Board members at the head office of Auckland Council.
63. In some Local Boards areas there is no dedicated parking available for Elected Members. Until Auckland Transport have developed a regional parking strategy in consultation with Local Board Services, Local Board members who do not have dedicated parking can apply for a general parking permit through Local Board Services if this is deemed to be necessary for local business.

Taxis

64. Elected Members are expected to use their private vehicle, public transport or Council vehicles when on council business. In some circumstances it may be more practical and cost effective to use taxis, in which case the Elected Member will pay for the taxi and claim the cost.
65. Taxis may also be used for council business, instead of private vehicles or public transport:
- for safety/security reasons, and
 - when outside of Auckland if a taxi is the most appropriate form of transport.
66. Taxis may not be used if significant travel distances mean that use of a taxi is not the most cost effective option.

Communication technology

67. Members who opted not to take Council communication technology (Mobile phone, laptop with SIM and printer) will receive the allowances set out by the Remuneration Authority. These will be automatically paid pro rata in the members' fortnightly payment cycle.
68. Members who use Council technology must reimburse Council for the costs of personal calls and data usage. Members will receive a monthly report to identify personal costs and calculate the amount they will reimburse to Council.

Catering, hospitality and entertainment

Principles

69. These rules cover expenditure incurred by all Elected Members while entertaining members of the public, official visitors to Council, attendance at conferences, workshops, meetings and functions. Entertainment and hospitality can cover a range of items including, but not limited to, tea, coffee and biscuits, catering such as meals and alcohol, and gifts.
70. The incurring of catering, hospitality and entertainment expenditure must:
 - have a justifiable business purpose and that purpose must be the dominant purpose for the expenditure
 - align with Council's strategic goals and objectives and provide benefits to Council and public generally
 - impartiality must be preserved
 - be made with integrity and transparently
 - be moderate and conservative in the circumstances
 - be both perceived to be and actually be appropriate
 - be justifiable to interested parties such as ratepayers
 - not adversely affect the image of Council.
71. There may be occasions where the proposed expenditure is not specifically covered by these rules. If this situation arises, Elected Members should discuss the proposed expenditure with either, the Manager Democracy Services, the Manager Local Board Services, the Director Governance or the Chief Executive and obtain written approval prior to entering into any arrangement or incurring such expenditure.

Catering at meetings

72. Tea and coffee may be offered for morning and afternoon tea. Lunch may be provided if appropriate to the event.
73. Elected Members will be provided with a meal when attending official meetings which commence prior to and continue over recognised meal times.

Civic receptions/functions and official delegations

74. Arrangements will be made by relevant staff in accordance with these rules on behalf of Elected Members.
75. Serving alcohol may be permissible at some Council events. The expenditure on alcohol must be approved by Manager Democracy Services or Manager Local Board Services, after they are satisfied that:
 - the costs relating to alcohol are reasonable
 - the ratio of alcohol to food is sensible and reasonable

- the event meets the requirements of the Sale and Supply of Alcohol Act (2012)
- the purpose of serving refreshments at the event is to extend hospitality
- the criteria set out in paragraph 70 have been met.

76. Only the Catering Manager has the authority to purchase alcohol. Alcohol will be supplied at functions and events in accordance with the provisions of the Sale and Supply of Alcohol Act (2012).

Flowers and gifts

77. Generally, no Council contribution will be made towards flowers, gifts, gift vouchers or cards for birthdays, weddings, bereavements, births and farewells. The Mayor, Deputy Mayor, Chief Executive, Director Governance, Manager Democracy Services or Manager Local Board Services may give prior approval that in specific circumstances an Elected Member's contribution may be appropriate.
78. Where approved the gifts should be appropriate to the occasion and expenditure should be moderate and conservative. Wherever possible, the purchase of gifts should generally reflect sustainable procurement.

Use of Council cafes

79. Elected Members may use the Council cafes at their personal cost. Catering may be provided in these venues from time to time to support formal meetings and events.

Venues

80. It is likely most events will be held at Council premises to minimise the cost of holding the event. Use for functions of the Council's committee and meeting rooms are subject to the approval of the Chief Executive, Mayor's Chief of Staff, Director Governance, Manager Democracy Services, Local Board Relationship Manager or their delegates.
81. Functions are generally not to be held during normal office hours in sight of the public at the public counters. To do otherwise may give the public an unfavourable impression.

Hosting official visitors

82. Elected Members may occasionally host official visitors. In most circumstances this is to be managed via the International Relations or Civic Events teams.
83. If an Elected Member is required to host a guest at a dinner or purchase a gift in recognition of an event, this expenditure can be claimed back and reimbursed if the situation is deemed appropriate. For Councillors prior approval is to be obtained from the Manager Democracy Services. For Local Board Members prior approval is to be obtained from the Manager Local Board Services or the relevant Relationship Manager.

Approval process

Approval for international travel and for development programmes and conferences

84. Activities involving international travel require a business case. A business case is also required prior to attending development programmes or conferences, both in New Zealand and overseas. The business case will be prepared by staff on behalf of the Elected Member and will outline:
- the purpose of the trip
 - who wishes to attend
 - why the Elected Member is an appropriate representative or spokesperson
 - expected benefits
 - demonstrated prudent use of ratepayer's money
 - itinerary

- all anticipated costs
- which budgets will meet the costs
- how the outcomes of the trip will be reported back on return.

85. The list of authorised approvers is as follows:

Elected Member	Approver
Mayor	<ul style="list-style-type: none"> • the Chair of the Audit and Risk Committee • and the Chief Executive
Deputy Mayor	<ul style="list-style-type: none"> • the Mayor or the Chair of a Committee of the Whole • and the Chief Executive
Councillors	<ul style="list-style-type: none"> • the Mayor or the Deputy Mayor • and the Chief Executive or the Director Governance
Local Board members	<ul style="list-style-type: none"> • Endorsement by the local Board • then approval by the Chief Executive or the Director Governance <p>If urgent approval is needed:</p> <ul style="list-style-type: none"> • Endorsement by the Chair • then approval by the Chief Executive or the Director Governance • then retrospective endorsement by the Local Board

Approval of expense claims post international travel, development programmes and conferences

86. If expenses are in line with current policy and the approved business case, the list of authorised approvers is as follows:

Elected Member	Approver
Mayor	<ul style="list-style-type: none"> The Chair of the Audit and Risk Committee or the Chair of the Finance and Performance Committee
Deputy Mayor	<ul style="list-style-type: none"> The Mayor or the Chair of a Committee of the Whole
Councillors	<ul style="list-style-type: none"> The Deputy Mayor or the Chair of a Committee of the Whole
Local Board Chair	<ul style="list-style-type: none"> Governance Director
Local Board members	<ul style="list-style-type: none"> The Local Board Chair

87. If expenses are outside of these parameters, they need to be approved by the business case approvers – see paragraph 85.

88. The relevant Mayor’s Office, Democracy Services or Local Board Services staff will do the initial check for completeness of documentation and appropriateness of expenditure and then sit with the relevant approver for sign-off.

Approval for domestic travel

89. A business case is not required for routine domestic travel undertaken for council business. Travel is booked by completing an Elected Members travel booking form – see paragraph 6.

90. To enable flight bookings to be made in a timely manner, approval may be notified by email and signed later.

91. Pre-approval may be given for a schedule of travel arrangements on an annual basis. An example is a commitment to attend scheduled LGNZ National Council meetings in Wellington due to the member’s appointment to the National Council.

92. The list of authorised approvers is as follows:

Elected Member	Approver
Mayor	<ul style="list-style-type: none"> The Chair of the Audit and Risk Committee or the Chair of the Finance and Performance Committee
Deputy Mayor	<ul style="list-style-type: none"> The Mayor or the Chair of a Committee of the Whole
Councillors	<ul style="list-style-type: none"> The Deputy Mayor or the Chair of a Committee of the Whole
Local Board Chair	<ul style="list-style-type: none"> Governance Director
Local Board members	<ul style="list-style-type: none"> The Local Board Chair

Approval of expense claims (including domestic travel related expense claims)

93. If expenses incurred are in line with current policy, the list of authorised approvers is as follows:

Elected Member	Approver
Mayor	<ul style="list-style-type: none">• The Chair of the Audit and Risk Committee• or the Chair of the Finance and Performance Committee
Deputy Mayor	<ul style="list-style-type: none">• The Mayor or the Chair of a Committee of the Whole
Councillors	<ul style="list-style-type: none">• The Deputy Mayor or the Chair of a Committee of the Whole
Local Board Chair	<ul style="list-style-type: none">• Governance Director
Local Board members	<ul style="list-style-type: none">• The Local Board Chair

94. If expenses are outside of these parameters, they need to be approved by the business case approvers – see paragraph 85.

95. The relevant Mayor’s Office, Democracy Services or Local Board Services staff will do the initial check for completeness of documentation and appropriateness of expenditure and then sit with the relevant approver for sign-off.

Breach of expense and reimbursement rules

96. Instances where this policy has not been followed this may lead to an investigation pursuant to the Elected Members’ Code of Conduct.

Extending Auckland Council's Guarantee of Eden Park Trust's \$40 million ASB bank facility

File No.: CP2014/14356

Purpose

1. To provide an update on Eden Park Trust's (EPT) financial position and to seek approval to extend the guarantee of EPT's \$40 million ASB Extendible Term Committed Cash Advances Facility Agreement (ASB bank facility) and the principal holiday repayment of Council's \$6,544,550 loan to 1 December 2017.

Executive summary

2. Council's has provided EPT with a guarantee on EPT's \$40 million ASB bank facility and a \$6,544,550 direct loan.
3. Council has shared security with ASB over all of EPT's titles, which were valued at approximately \$290 million at 30 April 2014.
4. The ASB bank facility matures on 30 November 2015 and can be extended on or before 30 November 2014. ASB have proposed extending the Facility until 30 November 2017 on the condition that Council extend their guarantee until 1 December 2017.
5. Council's loan to EPT has an interest rate below the ASB bank facility. Therefore, to allow EPT to repay the ASB bank facility ahead of the direct loan, the Guarantee Side Deed allows a principal repayment holiday on Council's direct loan for the term of the guarantee.
6. Staff have reviewed EPT's half yearly financial reports ending 30 April 2014. EPT are forecast to meet interest obligations, fund operational expenditure and remain compliant with interest rate cover covenants until 30 October 2014. Based on EPT's revenue and expenditure plans there is currently no capacity to reduce debt further, address major maintenance issues or fund depreciation.
7. Staff recommend the expiry date of Council's guarantee of EPT's Facility and the principal repayment holiday on the \$6,544,550 loan is extended to 1 December 2017. Extending the guarantee provides a platform of financial stability for EPT.
8. If Council does not extend the guarantee, ASB will not extend the Facility. Staff believe EPT will find it difficult to refinance the facility elsewhere before 30 November 2014. This will impact EPT's ability to operate as a going concern and impact on Council if the guarantee is called.

Recommendation/s

That the Finance and Performance Committee:

- a) Approve delegation to the Chief Finance Officer to approve the terms to extend Auckland Council's guarantee for Eden Park Trust's \$40 million ASB Extendible Term Committed Cash Advances Facility Agreement by two years to 1 December 2017.
- b) Approve delegation to the Chief Finance Officer to approve the terms of the Guarantee Side Deed to extend the principal repayment holiday of Auckland Council's \$6,544,550 loan to Eden Park Trust to 1 December 2017.

Comments

Analysis

9. Prior to the Rugby World Cup 2011 (RWC), EPT's total debt was \$18.5 million, of which \$6,544,550 was owed to Auckland City Council arising from various loan agreements dating back to 1999. The loans transferred to Auckland Council at amalgamation.
10. As part of the RWC 2011 preparations, EPT upgraded the stadium complex. The upgrade was mainly funded by the government with a \$190 million loan (later converted to a grant) and a \$40 million loan from ASB. The ASB bank facility was guaranteed by Auckland City Council, which was subsequently transferred to Auckland Council.
11. The stadium upgrade increased the value of EPT's assets to approximately \$320 million and increased EPT's debt to \$55.4 million.
12. Table One provides a summary of EPT's actual and forecast debt levels from pre and post RWC 2011.

Table One: Debt Actuals and Forecast

\$000	2009 Actual	2012 Actual	2013 Actual	2014 Forecast	2015 Forecast
ASB loan guaranteed by AC		40,000	40,000	40,000	40,000
ASB bank facilities*	10,015	7,204	4,850	4,780	6,983
Auckland Council**	6,545	6,545	6,545	6,545	6,545
Auckland Rugby Football Union**	1,290	1,090	1,090	1,090	1,090
Auckland Cricket Association**	600	600	600	600	600
Total Term Loans***	18,450	55,439	53,085	53,015	55,218

* From 2013 onwards the unguaranteed credit facilities with ASB include approved facilities of \$7.138 million and \$500,000 overdraft.

** The loans from ARFU and ACA are unsecured and non-interest bearing, whilst the Council loans have a principal repayment holiday until December 2015.

***Total term loans giving ASB and council shared security over all of EPT's titles.

13. Since the RWC, EPT has met all operational maintenance expenditure and interest obligations. In 2013, EPT sold several properties with the majority of the disposal revenue used to reduce debt. EPT paid down debt bearing the highest interest rates. As has been previously reported, while EPT meets all of its loans obligations, it does not generate sufficient profit margins to be able to materially reduce debt levels, deal with major maintenance issues or fund depreciation. Extending Councils loan guarantee will not materially alter that situation.
14. EPT's debt is forecast to marginally increase in 2015 to fund the estimated \$1.8 million installation of an acoustic screen. The screen was within the original design for the redevelopment, but has not yet been completed. EPT comply with the noise level limits within its resource consent conditions by using a limiter on the PA system to ensure noise reaching the boundary is within permitted levels. While included in the 2015 forecast, EPT has not confirmed when the work will be undertaken.
15. Table Two shows EPT's financial performance from 2012 and forecasted performance for 2014.

Table Two: Eden Park Financial Performance

\$0	2012 Actual	2013 Actual	2014 Budget
Total operating income	\$12,563	\$12,731	\$14,078
Total operating expenses	(\$10,277)	(\$10,528)	(\$11,188)

Net operating profit	\$2,286	\$2,203	\$2,890
Interest expense	(\$2,213)	(\$2,075)	(\$2,328)
Other comprehensive income*	\$361	\$1,053	\$0
Profit before depreciation	\$434	\$1,181	\$562
Depreciation	(\$8,397)	(\$8,395)	(\$8,400)
Total comprehensive income / (loss)	(\$7,963)	(\$7,214)	(\$7,838)
Total assets	\$311,337	\$300,869	\$291,770
Total liabilities	\$70,036	\$66,682	\$66,705
Total equity	\$241,301	\$234,187	\$225,065

* Other comprehensive income mostly arises upon the annual revaluation of land and investment properties which is not budgeted for.

16. EPT has outperformed its budget forecast for the financial year ending October 2013 (FY2013) and the six months ending 30 April 2014. Operating profit for FY2013 was close to budget while interest costs and asset revaluations were better than budget. For the six months ending 30 April 2014 operating profit exceeded budget, due to a better than expected return from hosted events.
17. In 2015 Eden Park will host four ODI Cricket World Cup matches and one rugby test. From 2016, EPT will recommence hosting two rugby tests per year until 2021.
18. The Warriors have announced all home games will be held at Mt Smart stadium in 2015. No league tests or other NRL events, other than the NRL Nines (still under negotiation), are planned for Eden Park in 2015. EPT will also continue to pursue other major event opportunities.
19. The quantum of debt and interest bearing costs prevents EPT from provisioning for future major maintenance issues, capital renewals or paying down debt. EPT's current financial position needs to be improved by increasing revenue and reducing costs. The opportunities to increase revenue through attracting new stadium based business are relatively limited. The Governing Body noted in its resolution on 27 September 2012 that "reducing Eden Park's costs is an important requirement to retire debt obligations to Auckland Council".
20. For context, EPT pays rates of \$0.350 million, interest of \$0.200 million and water charges of \$0.200 million to the council group annually.
21. Based on the information available, staff believe EPT will be able to meet interest obligations, fund operational capital maintenance and remain compliant with interest rate cover covenants until 30 October 2014. However, EPT's surplus is not sufficient to materially reduce debt or fund depreciation and EPT will be unable to maintain or replace major infrastructure as required.
22. Staff recommend the guarantee is extended to 1 December 2017 to allow EPT to operate in a stable financial environment while working towards improving their financial position.

Rationale for extending Council's guarantee of EPT's \$40 million ASB bank facility

23. As at 30 June 2014, Council's total financial exposure to EPT was \$46,544,550. The recommendation to extend the guarantee does not increase Council's financial exposure to EPT above current obligations.
24. Council's maximum exposure under the guarantee is limited to:
 - I. \$40 million; and
 - II. An amount equal to six month's interest (including default interest) on the lesser of \$40 million and the principal amount of the guaranteed indebtedness; and
 - III. Any reasonable costs incurred by ASB as beneficiary.

25. In the event that Council's guarantee is called upon, Council has sufficient security over EPT's assets to ensure Council's position is adequately covered.
26. Staff recommend that Council extend its guarantee of the ASB bank facility because
 - I. EPT require the \$40 million facility to operate as a going concern.
 - II. ASB will not approve the extension of the Facility without a Council guarantee.
 - III. EPT will find it difficult to refinance the facility elsewhere before 30 November 2014.
27. An alternative to extending Council's guarantee would be to establish a \$40 million credit facility between Council and EPT. Staff do not recommend this option at this point in time as:
 - I. The cost involved with establishing, monitoring and operating a direct credit facility would be greater than extending the ASB facility and maintaining Council as guarantor.
 - II. Maintaining ASB as the lender means ASB also monitor EPT's credit risk. While the Council's financial exposure to EPT will remain the same under a direct lending scenario, the higher level of monitoring reduces Council's risk.
28. As Council already guarantees EPT, the costs and benefits outlined below remain unchanged if the guarantee of the ASB bank facility is extended until 1 December 2017.
29. The benefits of supporting the guarantee are:
 - I. Council is promoting and supporting a major Auckland regional facility, which would otherwise find it difficult to operate as a going concern without Council's financial backing. In the event that EPT was not a going concern, it is probable that Council would be expected to intervene, or provide alternative facilities for major events.
 - II. Major events held at Eden Park provide economic benefits to the Auckland region.
 - III. Events held at Eden Park provide a social, recreational and sporting benefit to Aucklanders.
 - IV. On a smaller scale, the Council receives benefits from EPT as compensation for providing the guarantee, including free signage and advertising rights, complementary room hire and acknowledgement of support on the EPT website.
30. The cost of providing the guarantee is the counterparty credit exposure to Council during the term of the guarantee. Factors mitigating this risk include
 - I. Council's financial exposure is known and limited.
 - II. The ASB bank facility and guarantee restricts EPT from being able to undertake additional borrowing without Council approval.
 - III. Council has security over approximately \$290 million of EPT's titles.
 - IV. The credit risk of EPT is monitored and managed by both ASB and Council.
 - V. The ASB facility requires EPT to meet monthly, quarterly and annual reporting requirements. This allows for regular and timely monitoring of EPT's ability to meet their financial obligations.
 - VI. The ASB bank facility outlines terms for Council to terminate the guarantee prior to maturity.
 - VII. The ASB bank facility and guarantee have been in place for four years. During this time EPT have met all their financial obligations under the ASB bank facility.
31. EPT continue to meet interest rate cover covenants requirements and are forecast to remain compliant until 30 October 2014. EPT do not have forecasts beyond 2014.

Rationale for extending the principal repayment holiday of the direct loan

32. When the guarantee was provided, Council also provided a principal repayment holiday on the \$6,544,550 direct loan to allow EPT to prioritise debt repayments on the ASB bank facility which carries a 0.915 percent higher interest rate than the direct loan.
33. Staff recommend extending the principal repayment holiday to 1 December 2017 to align with the extension of the guarantee.
34. After 1 December 2017, EPT will be required to commence principal repayments on the direct loan.

Opportunities to reduce debt

35. On 23 August 2012, the Governing Body requested EPT report back on options, including options for capitalising on sponsorship or commercial possibilities, to provide for repaying principal off debt. Staff worked with EPT to prepare a review on EPT's financial position including EPT's ability to repay debt which was presented at the 13 March 2013 Accountability and Performance Committee meeting. ATEED has helped negotiate the successful inauguration of the NRL Nines at Eden Park, which has increased operating revenue for EPT. Other revenue generating events will be explored when relevant. Councillors have also been advised that there are opportunities to reduce costs for EPT if some of their operating functions could be cost shared across a number of stadiums and venues.

Consideration

Local board views and implications

36. Local Board views have not been sought as the recommendations relate to financial obligations of the council and not a local board.

Maori impact statement

37. There are no identifiable Maori impacts relating to the decision required.

Implementation

38. There are no implementation issues.

Attachments

There are no attachments for this report.

Signatories

Authors	Hannah Willis - Treasury Advisor
Authorisers	Mark Butcher - Treasurer Andrew McKenzie - Chief Finance Officer