

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

Date: Thursday, 23 October 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

17 October 2014

Contact Telephone: (09) 373 6205
Email: crispian.franklin@aucklandcouncil.govt.nz
Website: www.aucklandcouncil.govt.nz

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.

ITEM	TABLE OF CONTENTS	PAGE
1	Apologies	5
2	Declaration of Interest	5
3	Confirmation of Minutes	5
4	Petitions	5
5	Public Input	5
6	Local Board Input	5
7	Extraordinary Business	5
8	Notices of Motion	6
9	Disposal Recommendation Report	7
10	Auckland Council 2014 General Revaluation Process and Outcomes	13
11	Auckland Art Gallery Foundation	19
12	Consideration of Extraordinary Items	

1 Apologies

Apologies have been received from Councillor Cameron Brewer and Councillor Arthur Anae.

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 Wednesday, 24 September 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.

Disposal Recommendation Report

File No.: CP2014/24029

Item 9

Purpose

1. This report seeks approval to sell four non-service council owned sites that Auckland Council Property Limited (“ACPL”) consider suitable for sale.

Executive summary

2. ACPL is required to identify properties from within council’s portfolio that may be suitable for potential sale to a combined value of \$30 million by 30 June 2015. ACPL and Auckland Council Property Department (“ACPD”) work collaboratively on a comprehensive review process to identify such properties.
3. Capital receipts from the sale of surplus properties will contribute to all Auckland Plan outcomes by providing the council with an efficient use of capital and prioritisation of funds to achieve its activities and projects. The sites presented in this report have a cumulative desktop value of \$8.7 million and relate to the \$30 million target.
4. These sites have been through the agreed consultative process including organisation wide internal officer consultation, local board and Iwi engagement. The feedback has been supportive of the proposed disposal of the sites. A detailed overview of the rationalisation process undertaken for these sites is outlined in the Comments, Local Board Views and Implications, and Maori Impact Statement sections of this report. Site specific detail, including information and feedback gathered through the rationalisation process, is contained herein under the property attachment.

Attachment A

Recommendation/s

That the Finance and Performance Committee:

- a) approve the disposal of the land, subject to the satisfactory conclusion of any required statutory processes, at:
 - i. 1/187 Flat Bush School Road, Flat Bush comprised of an estate in fee simple, containing approximately 23,390m² more or less being part of lot 2 deposited plan 48950 part contained in certificate of title Part NA69A/619;
 - ii. 3/187 Flat Bush School Road, Flat Bush comprised of an estate in fee simple, containing approximately 7,783m² more or less being part of lot 2 deposited plan 48950 part contained in certificate of title Part NA69A/619;
 - iii. 4/187 Flat Bush School Road, Flat Bush comprised of an estate in fee simple, containing approximately 8,693m² more or less being part of lot 2 deposited plan 48950 part contained in certificate of title Part NA69A/619;
 - iv. 5/187 Flat Bush School Road, Flat Bush comprised of an estate in fee simple, containing approximately 29,738m² more or less being part of lot 2 deposited plan 48950 part contained in certificate of title Part NA69A/619;
- b) approve the final terms and conditions under the appropriate delegations

Comments

5. ACPL and ACPD work collaboratively on a comprehensive review process to identify properties in the council portfolio that may be suitable to sell. Once identified as a potential sale candidate ACPL takes the property through a multi stage engagement process.
6. The first phase of the process involves engagement with all council departments and relevant CCOs. The engagement establishes whether a property is needed for a future funded project or whether it must be retained for some clear strategic purpose. This is determined by an Expression of Interest (“EOI”) process whereby officers can request that all or part of a property is retained. Alternatively officers may request that the property be encumbered or covenanted as part of the disposal process. If the EOI sets out a robust financial analysis and evidence based rationale to retain the properties, then the EOI is endorsed.
7. If however the reasoning is more subjective a thorough business case is required. An inter-disciplinary council and ACPL steering group comprised of senior managers, called the Property Review Steering Group (“PRSG”) meets on a monthly basis to assess the business cases. The PRSG provides an opportunity for properties to be considered in a cohesive and integrated manner by relevant council departments and CCOs.
8. The Heritage Unit is invited prior to the EOI process to flag any sites of particular archaeological merit that need to be assessed further. ACPL also engages with the Closed Landfills and Contaminated Land Response team prior to the EOI process commencing to ensure any possible contamination issues that may be associated with a property are identified.
9. The EOI process provides the Maori and Strategy Relations team the opportunity to flag any issue that is of particular relevance to Maori in connection with the potential disposal of a site.
10. Once a property has been cleared of any service requirements, ACPL then consults with Local Boards, Ward Councillors, Mana Whenua and the Independent Maori Statutory Board.
11. All sale recommendations must be approved by the ACPL Board before it makes the final recommendation to the Strategy and Finance Committee.

Consideration

Local board views and implications

12. Local Boards are informed of the commencement of the rationalisation process for specific properties. Following the close of the EOI period, relevant Local Boards are engaged with. ACPL attend a workshop with the relevant Local Board and provide information about properties being rationalised in their local board area. Local Boards may then request that ACPL prepare a report for their business meeting so that their views can be formalised.
13. If a Local Board wishes to retain a site, its’ views are considered by ACPL and if necessary referred to relevant council departments for consideration. The Local Board is asked to prepare a business case which sets out the clear service need that will be met by retaining the site, along with how the use will be funded.
14. ACPL and relevant council departments or CCOs work with Local Boards in preparing the business case. The business case is then considered by the PRSG. If the PRSG accepts the business case and funding is identified, the property is transferred back to the service portfolio. If the PRSG does not accept the business case, the business case is included in the report to the Finance & Performance Committee for a political decision.
15. The views of the relevant Local Board are contained in the respective property attachments.

Māori impact statement

16. The importance of effective communication and engagement with Maori on the subject of land is understood. ACPL has accordingly developed a robust form of engagement with Mana Whenua groups across the region. Each relevant mana whenua group is contacted independently by email based on a contact list which is regularly updated. Each group is provided general property details, including a property map, and requested to give feedback within 15 working days. Contacts are sent reminder notices a week out from the due date, and alerted of the passing of the due date in the week following if no feedback has been submitted. Confirmation of any interest expressed is sent in writing and recorded for inclusion in the disposal recommendation report. A feedback spreadsheet is provided to facilitate responses. Any requests for extensions of a due date are handled on a case by case basis.
17. ACPL's engagement directs mana whenua to respond with any issues of particular cultural significance the group would like to formally express in relation to the subject properties. We also request express notes regarding any preferred outcomes that the group would like us to consider as part of any disposal process.
18. From discussions with our Maori and Strategy Relations team we are developing an understanding of what could amount to a 'matter of significant cultural relevance' to Iwi. We are also developing a range of reasonable outcomes that could be employed when such a matter of cultural significance is raised in relation to a potential disposal property. Possible outcomes could include commemoration or physical acknowledgment in the form of plaques or other mutually agreed means of recognition. In the event of any issues of particular cultural significance being raised, ACPL will work with the relevant council departments to assess the merits of any such requests and keeps the interested parties informed along the way.
19. Mana whenua groups are also invited to express potential commercial interest in any sites and are put in contact with ACPL's Development team for preliminary discussions if appropriate to the property. This facilitates the groups' early assessment of the merits of a development opportunity to their Iwi. In the event a property is approved for sale all groups are alerted of the decision, and all groups are alerted once a property comes on the market.
20. Lastly a report is presented to the Independent Maori Statutory Board ahead of presenting any recommendations to sell to the Finance and Performance Committee detailing how Maori have been engaged throughout the process.

Implementation

21. As part of the overall review process each property is also legally assessed to see if there are any impediments to sell or if there is a prescribed legal way in which it must be sold. The last stage of the process is triggered once a resolution to sell is obtained. This involves a robust 'add value' assessment as part of the development of the final sales strategy. There is specific attention applied to the possible suitability of the site for housing purposes.

Attachments

No.	Title	Page
A	Flat Bush School Road report	10

Signatories

Authors	Letitia McColl, Senior Engagement Advisor, Portfolio Review, Auckland Council Property Limited
Authorisers	David Rankin, Chief Executive, Auckland Council Property Limited
Authorisers	Ian Wheeler, Manager Property, Auckland Council Property Department
Authorisers	Kevin Ramsay, Chief Financial Officer, Auckland Council

Sections 1, 3, 4 and 5, 187 Flat Bush School Road

Item 9

Property summary

1. The subject sites are vacant sections that have been identified as Special Housing Areas (SHA). No alternative service uses have been identified for these sites. The Howick Local Board and relevant Iwi have been consulted and do not oppose the proposed disposal of these sites. As these sites are not required for current or future service requirements, we recommend that they be sold.

Property information

2. Sections 1, 3, 4 and 5, 187 Flat Bush School Road, Flat Bush have been identified as potentially surplus to council requirements through the review process. The entire site was acquired by Manukau City Council in 2000 for public open space, stormwater management and the ability to sell the residual land for residential development in the future. The site to the south of Lot 1 (Lot 2) has been identified as a potential school site and as such has not been included in the rationalisation process.
3. These sections are all vacant, cumulatively comprise 69,604m² and have a combined desktop valuation of \$8.7 million. The sections have been allocated as SHAs and have Proposed Auckland Unitary Plan zonings of mixed housing suburban and terrace housing and apartment buildings. ACPL's Development team is working on the proposed development of these sites.

Attachment A

Consideration

Internal consultation

4. The rationalisation process commenced in April 2014. No alternative uses for these sites was identified during this process.
5. The Heritage Unit was invited prior to the EOI process to raise any particular archaeological issues. The Closed Landfills and Contaminated Land Response team were also asked to assess these sites prior to the EOI process commencing to ensure any possible contamination issues were identified. Neither party has flagged any relevant issues.
6. The EOI process provided the Maori Strategy Relations team the opportunity to flag any issue that is of particular relevance to Maori. No issues have been raised.

Local board views and implications

7. The Howick Local Board endorsed the proposed disposal of these sites at its business meeting held on 8 September 2014.

Iwi feedback

8. Eleven iwi authorities were contacted regarding the potential sale of sections 1, 3, 4 and 5, 187 Flatbush School Road, Flatbush. The following feedback was received.

- a) **Ngati Whatua o Orakei**

Ngati Whatua o Orakei has no commercial or site specific cultural interest in this property.

- b) **Te Kawerau**
Te Kawerau has expressed potential commercial interest in any council owned properties that may become available for sale.
- c) **Ngai Tai ki Tamaki**
Ngai Tai ki Tamaki has expressed the general cultural significance of this site to the iwi; along with potential commercial interest should it become available for sale.
- d) **Te Akitai Waiohua**
Te Akitai Waiohua has expressed potential commercial interest in any council owned properties that may become available for sale.
- e) **Ngati Te Ata Waiohua**
Ngati Te Ata Waiohua has expressed potential commercial interest in any council owned property that becomes available for sale. Particularly where there may be opportunities for iwi housing development in their rohe. Their representative has additionally stated that due to the cost of land in Auckland it would be important for council to consider discounted rates for land sales to iwi to enable displaced iwi to live in their rohe.
- f) **Ngati Paoa**
Ngati Paoa has expressed potential commercial interest in any council owned properties that may become available for sale.
- g) **Patukirikiri**
Paturikirikiri confirms that other tribes have stronger interests than Patukirikiri in the subject property. They are comfortable with being omitted from feedback on this site in favour of those with stronger interests.

Technical Considerations

- 9. Sections 1 and 5 are subject to s40 Public Works Act 1981 offer back requirements if they are not used for housing purposes. Sections 3 and 4 are exempt from s40 Public Works Act 1981 offer back requirements.
- 10. The Land is not one of council's strategic assets to which the Significance Policy applies unless the assessment meets the thresholds under the general category and produces mix degrees of significance or the financial planning, policy and budgeting unit of the Finance Department advises otherwise.

ACPL's independent commercial advice

- 11. The results of the rationalisation process to date indicate that these sections are not required for current or future service requirements. As such we recommend that the sites be sold. These sites sit within a SHA and ACPL's Development team have been working on the proposed development of these sites. Under the Operative District Plan, Lot 1 could accommodate 30 to 40 individual sites. If Lot 1 was developed under the provisions of the Terraced Housing and Apartment Building zone a higher intensity could be achieved. Lot 5 will be the last of the sites available for development due to roading and infrastructure timing.

Images of 187 Flat Bush School Road, Flat Bush

Item 9

Attachment A



Auckland Council 2014 General Revaluation Process and Outcomes

File No.: CP2014/20858

Purpose

1. The purpose of this report is to provide an overview of the Auckland Council 2014 General Revaluation process and outcomes.

Executive summary

2. Valuations presented to this committee 21 August 2014 on average indicative residential value movements by Local Board.
3. Background as to the Revaluation process can be found by referencing that report.
4. Values will be publicly notified to ratepayers and owners from 10 November 2014 and used for rating purposes from 1 July 2015. The effective date of the revaluation is 1 July 2014, which means that all new rating values will reflect what each property would most likely have sold for on 1 July 2014.
5. Individual properties on the District Valuation Roll (DVR) are legally defined as rating units and Auckland Council with approximately 525,000 entries is the largest DVR in the country.
6. Ratepayers have the statutory right of objection to their valuations. An objection to valuation does not necessarily mean that the published value is incorrect and not every objection meets the criteria for reappraisal.
7. Part of the development of the Long Term Plan 2015-2025, Council will be reviewing the Revenue and Financing policy, which includes the Rates policy. Information and analysis of options will be work-shopped with council in late -October ahead of the Mayor's proposal for financial policies at the end of October.

Recommendation/s

That the Finance and Performance Committee:

- a) receive the report of the Auckland Council 2014 General Revaluation Process and Outcomes.
- b) note the summary presentation by Council officers by Councillors when discussing rating value movements with constituents
- c) thank the Valuer-General for his presentation on the statutory process relating to Rating Valuations

Comments

Background

8. In 2011 Accounting Services engaged with the Valuer General (VG) to change the certification process for Rating Valuations which under the Rating Valuation Rules 2008 provides for the audit being undertaken in a 15 day window immediately prior to certification. The VG agreed to a "front end" audit process in 2011 which involved the VG providing a regulatory overview of the Revaluation process from start to finish. 'Front-end' regulation enables Council to minimise the risk of non-approval by addressing issues as they arise during the revaluation period as well as enabling the VG to obtain a more in depth understanding of the process and a higher level of confidence with regards valuation

outcomes and movements. The front end regulatory approach was successful in 2011 and has been adopted again for the 2014 Revaluation.

9. The enabling legislation for Auckland Council specified that Capital Value was to be used as the rating base for the 2012/2013 year and this remains unchanged. In accordance with statutory definitions in the Rating Valuations Act 1998 (the Act), Capital Value is the most likely selling price of a property if offered for sale on the open market as at the effective date of valuation exclusive of chattels. Land Value is the value of the vacant land as at 1 July 2014 and the Value of Improvements is the residue.
10. The council developed its new uniform rating policy as part of the Long-term Plan 2012-2022. This was first used, along with the new values from the last general revaluation, to set rates for 2012/2013. The key aspects of the new rating policy were:
- the council was required to use capital value as the basis to set rates, previously rates were set on annual value and land value
 - a standard uniform annual general charge, starting at \$350 and increased over time in-line with the average increase in rates
 - a standard set of differentials, including business, rural, and farm differentials. Including the long-term differential strategy which slowly lowers the business differential over time
 - a transition policy where changes to rates due to the implementation of the new policy were phased in over time. Rates increases for residential properties were capped at 10% per year and changes for business properties were phased in with equal steps over three years.
11. As part of the Long-Term Plan, Council will be reviewing the Revenue and Financing policy, which includes the Rates policy, as part of the development of the Long-term Plan 2015-2025. Information and analysis of options will be work-shopped with council in late-October ahead of the Mayor's proposal for financial policies at the end of October.

Project Objectives

12. The main objectives of the Auckland Council 2014 General Revaluation are to:
- Harmonise outputs from the Auckland Council and Quotable Value valuation teams to ensure the assessed values are accurate and consistent
 - Produce a fair and equitable set of values for Rating purposes
 - Obtain the Valuer-General's certification
 - Publish a transparent and seamless General Revaluation which will obtain ratepayer confidence
 - Provide a "no surprises" environment for the ratepayer through good communication and on-line access to information
 - Develop a transparent and effective on-line objection process for the benefit of ratepayers
 - Establish a strong legacy for Auckland Council to build on for future revaluations

Valuation Process

13. The 2014 Revaluation will see all properties in Auckland Council being valued at the same effective date of valuation 1 July 2014. The process is led by the Valuation Team in Accounting Services and has touch points with many business units within Council such as Information Services, Communications and Building Control. The revaluation process takes approximately 14 months.

14. The new values will be published on 10 November 2014 although they will have an effective date of valuation of 1 July 2014. It is standard practice in Rating Valuations to adopt a retrospective date of valuation as this ensures that there is a sufficient volume of sales to base the values upon as at the effective date of valuation. There is typically a time delay of between one to three months between when sales occur in the market place and when they are formally notified to council.
15. Rating valuations are calculated using mass appraisal techniques and are not full valuation reports of every property like those undertaken by private valuers. Mass appraisal valuation techniques enable accurate estimates of value on a time and cost effective basis. Mass appraisal valuation techniques are the only practical way of valuing the 525,000 rating units at the same effective date.
16. Rating valuations are based on the data held in records analysed by the Valuers. Where a property owner thinks the valuation is incorrect they may enter the statutory objection process.
17. A fundamental part of the revaluation process is the capture, review and coding of sales to market or non-market classifications. Only market sales are used to set value levels for the new 2014 values.
18. The revaluation process is near completion and the proposed values are currently being audited by the Valuer-General.
19. Before the values can be used for rating purposes they must first be certified by the Valuer-General. Council is anticipating that this will be provided on 31st October 2014

Capital Value, Land Value and Improvement Value

20. Capital Value: The assessment of the most likely selling price had the property (including building/s and all other improvements on the land but excluding chattels) been sold on 1 July 2014.
21. Land Value: The assessment of the probable price that would have been paid for the bare land as at 1 July 2014. It includes development work such as drainage, retaining walls and levelling, but disregards any buildings or other improvements to the property.
22. Improvement Value: This is the difference between Capital and Land Value. It does not necessarily reflect replacement value (how much it would cost to rebuild the home) or depreciated replacement value. It should not be used for insurance purposes.
23. Home owners should obtain insurance valuations specifically for insurance purposes from suitably a qualified Registered Valuer, Quantity Surveyor or Builder detailing the cost to rebuild the home and other necessary allowances.

Objections

24. Any owner or Ratepayer can object to values assessed within the prescribed period of 30 business days. The Council website will have detailed information in relation to Frequently Asked Questions and information for owners and ratepayer to lodge an objection on-line if they believe their valuation is incorrect. The contact centres will be well briefed to ensure the customer experience is as informative as possible so that ratepayers do not need to lodge unnecessary objections.
25. Objectors will have the statutory 30 days to lodge an objection which begins on 10 November 2014 and ends on 19 December 2014. The Valuer-General advises that level of objections for revaluations falls between 2.0% and 3.0% nationally. The objection rate for Auckland Council was 2.3% in 2011 and we can expect a similar level in 2014.

Time frame for Objection Processing

26. The valuers will process the majority of objections before the 2014/2015 rates are generated to ensure property owners are rated on accurate values. Where objections have not been settled before the 2014/15 rating year rates will be struck on the notified 2014 values. Objectors can elect to have their case heard by the Land Valuation Tribunal if they do not agree with Auckland Council's initial review of their objection.

Rates impact

27. As part of the Long Term Plan, staff will be providing information on the impact of the General Revaluation on rates in late October. This will be included in the analysis of options on rating policy as part of the long-term plan work programme. The analysis will include the impact of:
- changing the level of the uniform annual general charge
 - changes to differentials
 - the end of the transition policy and options available for transition from 2015/2016.

Effect on Rates

28. The 2014 valuations will be used for the next three rating years from 1 July 2015.
29. A revaluation does not impact on the total amount of rates collected by Council, just the distribution of rates
30. Properties owners' rates are normally affected by a revaluation in the following ways:
- Properties that increase in value at a revaluation by more than the average can expect rate increases greater than the average
 - Properties that increase in value by the average will generally have an average rate increases
 - Properties that experience increases less than the average have lower rate increases or possibly even decreases.

Communications

31. Auckland Council's communications group has developed an extensive communications plan to ensure the general public and key stakeholders are aware of the revaluation process and key dates.
32. The objective of the communications plan is to ensure transparency around the revaluation process and provide a no surprises environment for ratepayers and owners with respect to value levels and movements.
33. Plans are in place to communicate with stakeholders, staff, elected members, ratepayers and the general public.

Consideration

Local board views and implications

34. We have presented to Local Boards chairs to provide them with an overview of the revaluation process. We will continue to engage with them and appear at individual Board Level when requested.

Māori impact statement

35. There are approximately 270 parcels of Maori Freehold Land in the Auckland Council area. Maori Land must first be valued the same way as General Land then adjustments are made to take into account the affects of the 'Mangatu Case'. This means valuers will make adjustments to the rating valuation of Maori Land to recognise the difficulty of alienation (selling the land) due to additional processes Maori Land must go through before it can be sold. The 'Mangatu Case' says the valuer must also make adjustments to reflect sites with cultural significance.

Implementation

36. There are approximately 50 valuers working on the project from Auckland Council and Quotable Value Limited.
37. A Project Team has been formed for the implementation of this project led by a Steering Committee who meet monthly to monitor progress.
38. The Valuer-General is consulted as required to ensure regulatory compliance and to reduce the risk of non-certification through the application of required quality assurance measures

Attachments

There are no attachments for this report.

Signatories

Authors	Mindy James - Revaluation Manager
Authorisers	Sharmaine Naidoo – Manager Accounting Services Deborah Acott – Manager Rates and Valuations Kevin Ramsay - Manager Finance, Auckland CFO

Auckland Art Gallery Foundation

File No.: CP2014/22928

Purpose

1. To advise councillors of the Auckland Art Gallery Foundation's final payment towards the redevelopment of the Auckland Art Gallery.
2. To advise councillors of an offer of private funding for gallery acquisitions, subject to a matching contribution from Auckland Council.

Executive summary

3. The Auckland Art Gallery Foundation ("the foundation") is a charitable trust that was established in February 2005 with the purpose of promoting and funding development work in respect of the Auckland Art Gallery. The foundation has recently advised council that they will be making a final payment of \$245,000 towards the redevelopment of the Auckland Art Gallery, which was completed in 2011. This takes the foundation's total contribution to \$20.145 million, compared to their initial target of \$33.4 million.
4. The total cost of the redevelopment project was \$121 million, of which Auckland (City) Council paid \$69.36 million. Auckland City Council's 2009 – 2019 long term council community plan (LTCCP) provided for council funding of \$56.1 million. There are no accounting issues with the shortfall in expected funding from the foundation and consequential increase in council's share of the project costs.

Recommendation/s

That the Finance and Performance Committee:

- a) acknowledge that the Auckland Art Gallery Foundation has contributed \$20.145 million to the Auckland Art Gallery redevelopment, compared to a \$33.4 million target.
- b) acknowledge that the foundation will make a final payment of \$245,000 towards the redevelopment project.
- c) note that Auckland Council's share of the \$121 million redevelopment cost was \$69.36 million, compared to \$56.1 million provided for in 2009 by the legacy Auckland City Council.
- d) note the foundation has changed its trust deed to clarify its ongoing role in supporting the gallery through acquisitions, assistance in exhibitions, research, education and other matters.

Comments

5. The foundation is a charitable trust that was established in February 2005 with the purpose of promoting and funding development work in respect of the Auckland Art Gallery.

Auckland Art Gallery redevelopment project

6. The Auckland Art Gallery is part of Regional Facilities Auckland's portfolio of assets. Prior to amalgamation it was directly owned by Auckland City Council. The redevelopment project was intended to ensure that the Auckland Art Gallery, a heritage building, was protected and able to meet modern requirements for a world class public art gallery. The project included seismic strengthening and heritage restoration of the existing building (the bulk of which dates from 1887) along with the expansion and modernisation of the gallery as a whole. The redevelopment project created 50 per cent more display space. The redeveloped Auckland

Art Gallery has won a number of national and international awards, including World Building of the Year at the 2013 World Architecture Festival.

7. Key dates:

Milestone	Date
Building condition report reveals significant structural work required to parts of the Auckland Art Gallery. The gallery would need to close for 18 months	2000
Feasibility study undertaken to identify opportunities presented by the closure and understand the potential for development	2003 - 2004
Auckland Art Gallery Foundation established	February 2005
Art gallery redevelopment project allocated budget in Auckland City Council's 2005 – 2015 LTCCP	June 2005
Environment Court decision granted resource consent in principle for the building component of the project	December 2007
Construction tender let and the main building was closed	Early 2008
Central government committed \$30 million of funding	March 2008
Environment Court granted resource consents	August 2008
Construction began	September 2008
Construction completed and building handed back to Auckland Council	Early 2011
Redeveloped Auckland Art Gallery opened to the public	September 2011

Gallery redevelopment funding

8. The original cost of the redevelopment project, included in Auckland City Council's 2005-2015 LTCCP, was \$88.4 million. This increased, due to a range of factors including timing and resource consent issues (which resulted in Environment Court hearings and additional components of the project), to \$121 million by the time the redeveloped gallery opened in September 2011. Auckland City Council's share of that cost was expected to be \$56.1 million, provided for in the 2009 – 2019 LTCCP.

9. Summary of financial contributions to the redevelopment project:

Funder	Expected contribution	Actual contribution
Central government	\$31.5 million	\$31.5 million
Auckland Art Gallery Foundation	\$33.4 million	\$20.1 million
Auckland (City) Council	\$56.1 million	\$69.4 million
Total	\$121 million	\$121 million

10. Central government committed \$30 million through its Regional Museums Policy for Capital Construction Projects. This increased to \$31.5 million by the time it was provided, due to interest earned.

11. The foundation had a fundraising target of \$33.4 million for the redevelopment project. As at March 2008, the foundation had raised \$15.4 million with another \$4.65 million "reasonably assured". A report to Auckland City Council's Finance and Strategy Committee noted that

“the Foundation has a comprehensive plan in place to secure the balance before the developed building reopens to the public”. A resolution was passed stating “that council accept the fundraising risk noting that the Foundation is confident this risk is small”.

12. The foundation has made ten payments to date, ranging from \$900,000 to \$6.5 million. These payments were made between April 2009 and May 2012. A schedule of payments is provided as Attachment A. In July 2014 the foundation advised Auckland Council that a final payment of \$245,000 would be delivered. This final payment is made up of outstanding pledges made before completion of the building (some donors had set up staged payments). Since the redevelopment project was completed and the new building opened in 2011, the foundation has had no effective capacity to continue fundraising for the new building.
13. This final payment would bring the foundation’s financial contribution to a total of \$20.145 million (60 per cent of the expected \$33.4 million). The shortfall can be attributed to the delays caused by the resource consent issues – fundraising was effectively put “on hold” from October 2006 to March 2008 while the Environment Court was considering the project. When fundraising recommenced the effects of the Global Financial Crisis were being felt.
14. Finance staff have confirmed that neither Auckland Council nor RFA carry an asset in their financial statements for unpaid foundation grants and that the grants received to date from the foundation have been recorded as income in the year of receipt. Therefore there are no accounting issues arising from the shortfall in expected grants from the foundation.
15. The shortfall means that Auckland Council’s share of the gallery redevelopment costs was \$69.36 million, compared to \$56.1 million provided for in 2009.

Ongoing relationship and offer of funding for acquisitions

16. In March 2014, the foundation changed its trust deed to clarify its ongoing role in supporting the gallery through acquisitions, assistance in exhibitions, research, education and other matters.
17. The foundation has advised council that it has received an offer of funding from a private donor, to be used for acquisitions. This is conditional on a matching contribution from Auckland Council. This is an attractive offer and the availability of council funds to match this donation could be explored through the long term plan (LTP) process. The foundation and the Auckland Art Gallery advise that establishment of an endowment is required for the long term financial sustainability of the Art Gallery to augment existing funding. Proposed matched contribution would provide significant seed funding to align with similar publically-funded art galleries nationally and internationally. Staff recommend this opportunity be considered as part of the current LTP process.

Consideration

Local board views and implications

18. There are no implications for local boards from this report.

Māori impact statement

19. Auckland Art Gallery has a Māori advisory group, Haerewa, which provides advice and support to gallery management.
20. This report and the decisions it seeks have no impact (positive or negative) on Maori outcomes.

Implementation

21. The CFO will write to the Chair of the foundation to acknowledge the final payment towards the gallery redevelopment.

22. Council staff will work with RFA, Auckland Art Gallery staff and the foundation to further explore the offer of private funding and the possibility of providing for a matching contribution through the LTP.

Attachments

No.	Title	Page
A	Auckland Art Gallery Foundation schedule of payments	23

Signatories

Authors	Kirsty Colquhoun - Advisor
Authorisers	John Bishop - Treasurer and Manager CCO Governance & External Partnerships Kevin Ramsay - Manager Finance, Auckland CFO

AUCKLAND ART GALLERY FOUNDATION FUNDS DISTRIBUTION SCHEDULE

- (1) First funds distribution
Payment schedule: (12)
Amount distributed: \$2 million
Date distributed: 28 April 2009

- (2) Second funds distribution
Payment schedule (14)
Amount distributed: \$6.5 million
Date distributed: 22 June 2009

- (3) Third funds distribution
Payment schedule (20)
Amount distributed: \$1 million
Date distributed: 1 March 2010

- (4) Fourth funds distribution
Payment schedule: (24)
Amount distributed: \$1.5 million
Date distributed: 27 April 2010

- (5) Fifth funds distribution
Payment schedule (34)
Amount distributed: \$1 million
Date distributed: 4 March 2011

- (6) Sixth funds distribution
Payment schedule: (36)
Amount distributed: \$1.5 million
Date distributed: 3 June 2011

- (7) Seventh funds distribution
Payment schedule (38)
Amount distributed \$2 million
Date distributed 26 September 2011

- (8) Eighth funds distribution
Payment schedule (39)
Amount distributed \$1 million
Date distributed 27 October 2011

- (9) Ninth funds distribution
Payment schedule (44)
Amount distributed \$2.5 million
Date distributed 15 February 2012

Item 11

(10)	Tenth funds distribution	
	Payment schedule	(47)
	Amount distributed	\$900,000.00
	Date distributed	28 May 2012
(11)	Eleventh funds distribution	
	Payment schedule	(60)
	Amount distributed	\$245,000.00
	Date distributed	TBC
	Total to date:	\$20.145M

Attachment A