

## Summary of CCO first quarter reports (ending 30 September 2017)

### Watercare

#### Highlights

- **Water NZ Conference Awards:** Watercare was recognised with three awards – Hunua 4 won the Project Award; Rosedale relief process controller won the Opus Trainee of the Year award; the Central Interceptor team was also recognised as runner up in the Hynds Paper of the Year award for its report on "innovations from planning through detailed design".
- **Section 17A Reviews:** Watercare worked alongside the council's Value for Money team in relation to two reviews: Three Waters and Communications and Engagement. Areas to be reviewed are Parks & Open Spaces and Procurement.
- **Western Isthmus Water Quality Improvement Programme:** Watercare Board approved in principle an agreed preferred option with the council to provide stormwater and wastewater services in the Western Isthmus area. Currently working with council's Healthy Waters team to engage with local boards.
- **Safe-swim programme:** Partnered with the council's Safe-swim programme forecast model. The programme went live on 1 November 2017.
- **Auckland Waters Strategy:** Watercare is working alongside the council on development of the strategy which covers six waters (drinking, waste, storm, estuarine and marine, natural bodies, and groundwater/aquifers).
- **Housing Infrastructure Fund (HIF):** Watercare is supporting council in the completion of the Strategic Business Case for the servicing of Redhills and Whenuapai South, which will be submitted to MBIE in Nov 2018.
- **Auckland Water Efficiency Strategy 2017-20:** This has been finalised and will be released publicly in Nov 2017. It replaces the previous 2013-16 Auckland Regional Demand Management Plan.
- **Replacement for Huia Water Treatment Plant** – Watercare is carrying out community engagement on this. It intends to lodge an outline of works and resource consents in early 2018. An Environment Court appeal brought by the Titirangi Protection Group and others (re validity of designation under s 310 Resource Management Act) was heard on 25 October 2017. A decision is expected prior to the end of 2017.
- **Benchmarking:** Finalised Water Services Association of Australia benchmark on energy efficiency. Rosedale and Mangere treatment plants were ranked 5<sup>th</sup> and 12<sup>th</sup> respectively out of 22 (Type 1 category)
- **Māori Responsiveness Plan:** Watercare has not completed this yet. The report refers to carrying out further research.

#### Financial

- Year to date revenue was \$10m favourable to budget primarily due to infrastructure growth charge revenue favourable \$2.8m and vested asset revenue favourable \$5.9m, water and wastewater revenue favourable \$1.7m with volumes 0.75% higher than budget.
- Operating expenses of \$76m was \$3m unfavourable to budget. This comprised \$1.9m for asset operating costs, professional services, net labour due to lower labour capitalisations as well as

interest expense of \$0.7m as a result of less capitalised interest due to lower capital expenditure.

- Depreciation and amortisation was \$2m favourable to budget.
- Capital expenditure was under budget by \$14m (16%) due primarily to unexpected timing delays, project efficiencies and favourable contract negotiations as well as reprioritisation of some electrical and control system projects. As a result, overall net borrowings were \$8m below budget.

\$'m	FY18 Q1 YTD Actual	FY18 Q1 YTD Budget	Variance YTD Favourable/ (unfavourable)
<b>Operational</b>			
Revenue	161	151	10
Expenditure excluding depreciation	76	73	(3)
Depreciation and amortisation	53	55	2
<b>Capital Expenditure</b>			
Capital Expenditure	72	86	14
Net borrowings - AC	1,301	1,309	8
Net borrowings – External	316	316	-

#### Performance Measure

- Out of 23 performance measures covered by the Statement of Intent, two were annual measures. All other targets were met.

## Auckland Transport

### Highlights

- NZTA Board approved 15 EMUs rather than 17 IPEMUs as previously proposed.
- New **electronic ticketing gates** installed at Otahuhu and Henderson Stations in Aug 2017.
- Increase in **public transport patronage** (89.9 million boardings) for the 12 months to Sep 2017 is up 7% compared with the same period last year.
- Arterial road productivity**, which measures the efficiency of key arterial routes in moving people during the peak hour, continues to exceed the SOI target of 55%, with the 12 month rolling average result in Sep 2017 reaching 62.4%.
- North West Transformation:** Complete upgrading of Westgate shopping centre by December 2018

### Financial

- AT's surplus before tax for Q1 was \$121m, \$64.1m **higher than budget**, mainly due to unbudgeted vested assets revenue of \$48m.
- Deficit from operations (this excludes funding for capital items) was \$71.4m, \$8.3m favourable to budget mainly due to \$6.1m lower depreciation. Operating expenditure excluding depreciation and amortisation is within budget and expected to be within budget by the end of the year.
- Depreciation and amortisation was \$6.1m favourable mainly due to revised useful life of roading assets following June 2017 revaluations.
- Capital expenditure excluding vested assets was \$125.3 million, \$7.4 million ahead of budget mainly due to accelerated property acquisition for Mill Road and advanced construction for Pukekohe Station.

### Performance Measure

- Out of 36 measures set out in SOI, 13 exceeded, 8 met, 6 not on target, 3 targets will only be available in March quarter and 6 are annual measures reported in the June quarter.

Measures not on target	Reasons & Resolutions
Customer satisfaction index: Road quality (61%; 70% target) Footpath quality (57%, 65% target)	These scores are below the SOI targets of 70% and 65% respectively.

Change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number (649 – 12mth rolling total; 537 target)	<p>There were 649 fatalities and serious injuries on the local road network in the 12 months to June 2017, 20 percent higher than the target trajectory of 542 and 18 percent higher than for the 12 months to June 2016. Local road deaths have increased by 23 percent (from 39 to 48) and local road serious injuries have increased by 17 percent (from 515 to 601) for the 12 months to June 2017 compared to the 12 months to June 2016.</p> <p>Contributory crash factors are alcohol, speed and failure to give way/stop and poor handling. Majority of crashes were on Major Urban Roads during weekdays and daylight hours. Additional deaths occurred in Urban Central, Urban North and Urban South. Car occupants included 20-29 and 35-39 year age groups.</p> <p>In the last quarter AT delivered a number of community and road safety education initiatives including: 144 travelwise/safer community events; 11 new walking school bus routes; 51 walking school bus events; 30 cycling events; 32 police checkpoints attended by AT; 138 community based interventions; 7 road safety events; adult restraining campaign and Maori road safety education; three road safety infrastructure projects (signalisation Blockhouse Bay/Chalmers, roundabout at Beach Haven/Rangatira, and Woodcock and Southhead signing and delineation.</p>
New cycleways added to regional cycle network (0.4km Year-To-Date; 10km target)	In September 2017, no new cycleways were added to the regional cycleway network despite a planned target of three kilometres. The Waterview Shared Path was due to open in September is now due to open in October 2017.
Percentage of the sealed local road network that is resurfaced (0.6% Year-To-Date; 7.5% target)	No reasons provided
PT farebox recovery (46.4%, 47-50% target)	No reasons provided

**ACIL***Highlights*

- **Auckland International Airport Limited (AIAL):** International passengers (excluding transits) were up by 5.4% compared to September 2016. The later timing of NZ and Australian school holidays combined with the impact from the temporary fuel disruption resulted in lower passenger growth. AIAL's share price has decreased from \$7.13 (30 June 2017) to \$6.44 (30 September 2017).
- **Ports of Auckland Limited (POAL):** Paid a final dividend of \$26.1m on 31 Aug 2017. A tax benefit of \$9.2m was included in the actual dividend income but not budgeted in the annual plan.
- **Auckland Film Studios Limited (AFSL):** Transferred shares in AFSL to Auckland Council, who is undertaking a restructure of the company in conjunction with Panuku and ATEED.

*Financial*

- ACIL's parent YTD net surplus after tax was \$25.9m, \$7m higher than the YTD budget of \$18.8m. This is due to the increase in revenue of \$7m.
- The detailed financial performance is shown below:

\$'m	ACIL Parent Actual YTD 30 Sep 2017	ACIL Parent Budget YTD 30 Sep 2017	Variance	ACIL Parent Full year Budget 2018	ACIL Parent Full year Forecast 2018
<b>Operational</b>					
Revenue	26.1	19.1	7.0	92.5	92.5
AC funding	0.0	0.0	0.0	-	-
Expenditure excluding interest	0.2	0.3	0.1	1.3	1.3
Interest expense	0.0	0.0	0.0		
Net surplus after tax	25.9	18.8	7.0	91.2	91.2
Dividend to Council	0.0	0.0	0.0	91.2	91.2
<b>Capital</b>					
Expenditure	-	-	-	-	-
AC funding	-	-	-	-	-
External funding	-	-	-	-	-

*Performance Measure*

- All of the 7 performance measures covered by SOI met the target. AFSL's measure has been removed from here due to the transfer to Auckland Council.

**ATEED****Highlights**

- **Visitor economy:** 10% increase in international visitors to Auckland - 2.63 million. This is an increase of 10% from the previous year (as at year end August 2017).
- **Awards:** Most Innovative Tourism Board at the Virtuoso Alliance Partner Awards; Gold award for Auckland Innovation Dashboard and Bronze award for the Smart Move Campaign at the International Economic Development Council's Annual Awards; 2017 Customer Feedback Award (Skycity i-SITE team) at the Annual National i-SITE Conference.
- **GridAKL:** Since 1 July 150 events held, over 4,000 attendees.
- **Regional Business Partner Network programme:** 335 clients actively engaged, allocated more than 1/3 of the total \$1.7 million pool of NZTE Capability Development fund.
- **Auckland Youth Employers Pledge:** Increased 'live' signatories to the (up to 69).
- **CBD Jobs and Skills Hub:** 79 jobs created and five apprenticeship placements. 70% of employees were retained for a 12 month period.
- **Major events:** Emirates Team NZ homecoming, DHL NZ Lions Series 2017, and series of other events sponsored. NRL Auckland Nine Events 2018 has been cancelled by NRL. Replacement event is being considered.
- **Accommodation provider targeted rate:** ATEED worked alongside the council on development of governance options.
- **Local economic development:** ATEED is considering a framework to engage the council group and others to support local economic development. A report will go to a future Environment and Community Committee.
- **New board members:** Evan Davies and Glenys Coughland were appointed to replace Norm Thompson and Franceska Banga (effective 1 November 2017).
- **Section 17A reviews:** ATEED participated in the Business Attraction & Global Partnership and Communications and Engagement reviews.
- **America's Cup:** ATEED is working with the council group and central government on options for hosting this.
- **Central government:** ATEED engaged with central government agencies to discuss alignment/areas for collaboration.

**Performance Measure**

- Out of 27 measures set out in SOI, 14 on target, three are not on track, and nine were annual measures - 1 result pending).

Measures not on track	Reasons & Resolutions
Total visits to <a href="http://www.aucklandnz.com">www.aucklandnz.com</a> (0.5million YTD; 3.8million target)	Total user sessions to aucklandnz.com are tracking below target for the year. The relevance of the current single measure is being reviewed as it is aligned to the old website design, rather than the new website drivers measuring targeted engagement. This review will determine new improved metrics for digital engagement that align with the objectives of the new website and ATEED's market focus. New KPIs will be included in the drafting process of the 2018-2021 SOI.
Percentage of visitors to <a href="http://www.aucklandnz.com">www.aucklandnz.com</a> located outside of Auckland (44% YTD; 50% target)	

Number of intensively account managed customers in ATEED Aftercare programme (Aroha Auckland) (22 YTD; 85 target)	The Aroha Auckland programme is under review, which will include the methodology, tiered services, target companies and communications strategy.
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**Financial**

- This report covers the operational performance of the ATEED group, including World Masters Games 2017 Ltd (WMG2017).

Financial Performance for the Period Ended 30 September 2017					Comments
\$'m	Actual	Budget	Variance f/(u)	Full Year Budget	
<b>Operational</b>					
External Revenue	2.9	3.3	(0.3)	15.4	Rental revenue for the two new GridAKL buildings, due to a delayed opening of the buildings. There is a corresponding decrease in property rental expense as a result.
<i>AC Funding</i>	<b>11.1</b>	<b>13.7</b>	<b>(2.6)</b>	<b>46.9</b>	ATEED's funding from Council is lower than budget due to revenue for Diwali being received earlier than planned, higher external revenue, and timing-related project underspend across ATEED's business units.
Operational expenditure excl. depreciation	14.6	12.7	(1.9)	63.2	The budget does not include the approved deferred key project underspend of \$2.4m from last year. The deficit for this quarter relates to last year's planned activities delivered this quarter and there is no overall impact to the bottom line for ATEED.
Depreciation	0.2	0.3	0.1	1.4	
<b>Capex</b>					
Expenditure	3.7	0	(3.7)	0.2	The capex full year forecast has increased from budget due to the carry forward of underspent capex from FY17
<i>AC Funding</i>	<b>3.7</b>	<b>0</b>	<b>(3.7)</b>	<b>0.2</b>	

## Panuku Development Auckland

### Highlights

- **Transform Wynyard Quarter:** Madden/Pakenham St upgrade completed in Sep 2017.
- **Transform Manukau:** In discussion with the Crown on development of an inter-agency strategic business case, focussed on Manukau.
- **Transform Onehunga:** In negotiation to acquire the Onehunga wharf land.
- **Unlock Takapuna:** Gasometer carpark funding has been approved and project is progressing.
- **Unlock Northcote:** Completed the refresh of the Awataha Greenway masterplan & made public. Ongoing negotiation for the acquisition of strategic leasehold interest.
- **Unlock City Centre:** Council's Planning Committee voted to advance the City Centre and Waterfront refresh plan to the next stage.
- **Unlock The Airfields, Hobsonville Point:** Construction underway for 43 out of a total of 102 standalone terrace house.
- **Unlock Papatoetoe Town Centre:** Progressing Papatoetoe Mall refurbishment. In negotiation with potential development partners for Tavern Lane.
- **Unlock Ormiston Town Centre:** Commencing construction on residential and medical block. Strated civil works on two Blocks to prepare 66 terraced homes.
- **Housing for older people:** Resource consent granted to develop 40 new homes in Henderson.
- **America's Cup:** Panuku is working with the council group and central government on options for hosting this.
- **Central government:** Panuku is working with the Crown at some of its Transform and Unlock locations.

### Financial

- The Net Surplus after Tax is \$0.8m higher than budget year to date.
- Revenue and External funding was (\$0.7m) behind budget due to (\$0.8m) less in recharges of Panuku staff to capital budgets, acquisitions and disposals of Council properties and development opportunities and Marina income ahead of budget (\$0.1m) due to additional occupancy and an increase in rates.
- Expenditure excluding depreciation is \$2.4m favourable compared to budget mainly due to various savings in interest expense (\$0.9m), consultancy cost (\$0.3m), people costs (\$0.5m), repairs and maintenance (\$0.6m) and marketing and communications (\$0.3m).
- Depreciation is \$0.9m favourable compared to budget due to slower than anticipated capitalisation of assets from both the prior and current years.
- Year to date capital spend was \$2.6m behind budget due to timing differences to phased budget for AC funded projects(\$1.8m) and External funded/commercial projects (\$0.8m).
- The detailed financial performance for Q1 is shown below:

\$'m	Budget YTD	Actuals YTD	Variance YTD	Full year budget	Full year forecast	Variance
<b>Operational</b>						RAG*
Revenue/External funding	9.4	8.7	(0.7)	38.4	38.4	-
AC funding	7.6	5.8	(1.8)	44.1	41.9	(2.2)
Expenditure excluding depreciation	14.0	11.6	2.4	50.8	47.0	3.8
Fair value decrease / (increase) on investment property	-	-	-	-	-	-
Depreciation	2.8	1.9	0.9	11.1	11.1	-
Tax	-	-	-	-	-	-
Net Surplus/(Deficit) After Tax	0.2	1.0	0.8	20.6	22.2	1.6

\$'m	Budget YTD	Actuals YTD	Variance YTD	Full year budget	Full year forecast	Variance
<b>Capital</b>						
Expenditure	4.7	2.1	2.6	43.4	41.2	2.2
AC funding	3.1	1.3	1.8	26.2	24	2.2
External funding	1.6	0.8	0.8	17.2	17.2	0

### Performance Measure

- Out of 19 measures in SOI, five are on target, 14 are annual targets.

## Regional Facilities Auckland

### Highlights

- **Auckland Zoo:** Achieved Carbon Zero certification. South-East Asia precinct development programme will commence in late 2017. Poor weather conditions, closures due to constructions have contributed to low visitor numbers but the opening of the Bug Lab (immersive & interactive experience) in Dec will boost visitation number.
- **Stadiums:** QBE Stadium hosted the All Blacks v South Africa rugby match in this quarter. During this summer, international touring artists set to perform at RFA stadiums – Sir Paul McCartney, Ed Sheeran, Sia & Foo Fighters.
- **Aotea Centre:** Renewal of the exterior & interior will commence in Feb 2018 to Feb 2019 to address weather tightness issues & improve customer experience.
- **Conventions:** NZ Fashion Week 2017's huge success boosts attendance with over 70,000 people over 7 days. Nearly 4,000 people attended Semi Permanent (industry event for entrepreneurs, creatives & future thinkers).
- **Art Gallery:** Visitor numbers increased 13% YTD. 5 recent design projects from the Gallery were shortlisted for the 2017 Designers Institute of NZ Best Design Awards.

### Financial

- RFA finished the first quarter with net direct expenditure of \$9.0m, which is \$0.1m unfavourable to budget.
- External revenue to date is \$12.9m, which is \$0.6m / 8% unfavourable to budget primarily due to decreasing zoo revenue (affected by wet weather), conventions revenue negatively impacted by more disruption than envisaged to business activities from capital development works at the Aotea Centre and renewals work at the ANZ Viaduct Events Centre and declining other revenue as a result of lower donations and sponsorship revenue.
- Direct expenditure is \$21.9m, which is \$0.5m / 2% favourable to budget as a result of lower staff costs, marketing, and other zoo expenditure.
- Capital expenditure in the first quarter is sitting at \$6.2m, which is \$10.2m / 62% behind budget due to unexpected timing delays in the construction of the plant shared services facility, the refurbishment of the interior and exterior of the Aotea centre, the Zoo administration building extension project and the concept design phase for the Jamuna/Old Elephant House Restaurant.
- The detailed financial performance is shown below:

## UNAUDITED FINANCIAL PERFORMANCE

RFA Consolidated	YTD ACTUAL SEP 2017	YTD BUDGET SEP 2017	VAR \$	VAR %	FULL YEAR ANNUAL PLAN 2018
	\$000s	\$000s	\$000s		\$000s
<b>OPERATIONAL</b>					
Fees and user charges:	10,893	10,855	38	35%	54,501
Auckland Art Gallery	540	505	35	7%	3,564
Auckland Zoo	2,082	2,346	(264)	(11%)	14,580
Auckland Conventions	2,801	3,170	(369)	(12%)	10,830
Auckland Live	4,502	3,798	704	19%	13,158
Auckland Stadiums	876	912	(36)	(4%)	11,875
Corporate Services	92	124	(32)	(26%)	494
Grants and subsidies	87	80	7	9%	580
Other revenue	1,909	2,552	(643)	(25%)	12,747
<b>Revenue</b>	<b>12,889</b>	<b>13,487</b>	<b>(598)</b>	<b>(8%)</b>	<b>67,829</b>
Employee benefits	9,245	10,035	790	8%	40,826
Grants, contributions and sponsorship	308	311	3	1%	1,259
Other expenditure:	12,369	12,069	(300)	(3%)	53,179
Cost of Sales	6,112	5,774	(338)	(6%)	27,119
Facilities management	3,703	3,555	(148)	(4%)	14,092
Marketing	453	632	179	28%	2,604
Information Systems	324	399	75	19%	1,583
Travel and entertainment	203	277	74	27%	1,306
Professional Services	284	306	22	7%	1,220
Other	1,290	1,126	(164)	15%	5,254
<b>Direct expenditure</b>	<b>21,922</b>	<b>22,415</b>	<b>493</b>	<b>2%</b>	<b>95,263</b>
<b>Net direct expenditure (income)</b>	<b>9,033</b>	<b>8,928</b>	<b>(105)</b>	<b>1%</b>	<b>27,434</b>
Funding from Auckland Council	(6,500)	(8,842)	(2,342)	26%	(26,957)
Revenue from vested assets	(229)	-	229	-	-
Other non-operating expense (income)	(1)	-	1	-	-
<b>Net finance expense (income)</b>	<b>(148)</b>	<b>(136)</b>	<b>12</b>	<b>9%</b>	<b>(478)</b>
Depreciation and amortisation	6,389	7,918	1,529	19%	31,670
Net losses (gains) on disposal of assets	-	-	-	-	-
Income tax	-	-	-	-	-
<b>Net expenditure (income)</b>	<b>8,544</b>	<b>7,868</b>	<b>(676)</b>	<b>(9%)</b>	<b>31,670</b>
<b>CAPITAL EXPENDITURE</b>					
Total capital expenditure	6,167	16,363	10,196	62%	65,453

### Performance Measure

- Out of 15 measures set out in SOI, 10 on target, 3 not on target but on track for end of the year, and 1 not on track. The remaining 1 new measure, in which its data is not yet available for the percentage of Mana Whenua satisfaction with quality of engagement.

Measures Not met	Reasons & Resolutions
Number of community event days at stadiums (142 YTD; 645 target)	The increased volume of commercial activities at Auckland Stadiums venues resulted in reduced capacity for community events at certain times of the year