Tira Kāwana / Governing Body

OPEN MINUTE ITEM ATTACHMENTS

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Note: The attachments contained within this document are for consideration and should not be construed as Council policy unless and until adopted. Should Councillors require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.
C1 Office of the Auditor-General Briefing

A. 27 September 2018, Governing Body: C1 - Office of the Auditor-General briefing, Summary Audit Opinion 31

Declaration by Member

I, Paul Chung-Che Young

declare that I will faithfully and impartially, and according to the best of my skill and judgement, execute and perform, in the best interests of Auckland, the powers, authorities, and duties vested in, or imposed upon, me as a member of the Auckland Council by virtue of the Local Government Act 2002, the Local Government Official Information and Meetings Act 1987, or any other Act.

Dated at Auckland this 27th day of September 2018

[Signature]
Member

[Signature]
Mayor

Signed in the presence of:

[Signature]
Chief Executive
Tēnā koutou, tēnā koutou, tēnā koutou katoa

(Chinese Greetings x 3)

Good morning. I'd like to start by acknowledging Your Worship Mayor Phil Goff, Deputy Mayor Bill Cashmore, my fellow Councillors, Council staff and all my guests who have joined us for this event. I hope you all enjoyed our Lion Dance performance by Master Lu.

I'd like to give special thanks to Dean Martin for the beautiful welcome earlier this morning.

I'd also like to make special mention to Councillor Dick Quax. I knew Dick Quax for many years as a customer of my previous photolab business in Howick, but I am also aware of the huge contribution he made to the Howick Ward, and to the people of Auckland as a Manukau City Councillor, and an Auckland Councillor. Dick has left a lasting legacy and I will do my very best to honour this as I continue to represent our communities in East Auckland. I send best wishes to Dick’s wife Roxanne and their children during this difficult time.

...

My full name is Paul Chung-Che Young, I was born in Taichung, Taiwan in 1963 – he is now 93 years old1 My father was born in China and moved to Taiwan 1949 as a student. My mother was born in Tainan, Taiwan. I graduated from Feng Chia University with a Major in International Business and then completed my two years of compulsory military service.

In 1989, aged 25, I travelled to Aotearoa, NZ and have lived here ever since, studying Marketing at Auckland University before embarking
on my business career. It was here in NZ that I met my wife Rosana who is originally from Hong Kong, and whose father is from Guang Dong in China. We have two children together, who were born in New Zealand - they are Auckland-born-Chinese or A.B.C. as I like to call them. Both Kelly and Martin are studying at Auckland University.

I'd like to thank my family, supporters and my community for their continued support over the years - this is my sixth time running for election! I'd like to give special thanks to my wife, my mother-in-law, my father-in-law and my parents.

I also give thanks to my team for this election, my staff at my company and all my business associates. There are a few individuals who have been critical in my success throughout my career. My first campaign manager in 2011 was respected kaumātua Mr Eru Thompson, who died a few years ago. I feel very grateful that he chose to share his advice, wisdom and knowledge with me. A few other important people worthy of mention are my mentor; Mr Keith; Mr Greg, Mr Sun, Sam, Willy, Shu, Gary, Raymond, Wakin and Mr Richard Clayderman.

While I'm aware of my primary focus on East Auckland, I am very much looking forward to working together with Mayor Goff, Deputy Mayor Cashmore and with my fellow Councillors to achieve the best outcome for Auckland.

I'd like to make special mention to my fellow Howick Ward Councillor Sharon Stewart, a thoughtful, community-focused representative who is extremely knowledgeable on issues in the area. I look forward to working closely with her, along with the Howick Local Board and Local MPs Simeon Brown and Jamie-Lee Ross.

...
23.1% of people living in Auckland identify ethnically as 'Asian' and it's important that this is reflected in the diversity of governing bodies like this - I'd like to acknowledge my Chinese sister, Councillor Josephine Bartley.

It's an honour for me to be a Chinese-Kiwi Councillor, an Asian-Kiwi Councillor but first and foremost: an Auckland Councillor. I am proud to represent my Asian and Asian-Kiwi electors but I will strive to serve all Aucklanders.

Encouraging integration of our new migrants into Kiwi society and supporting them to make valued contributions is an absolute priority for me. Doing this successfully will have a positive impact on migrants' experiences, but is also good for our city as a whole. I am committed to engaging citizens from all backgrounds in the democratic process.

Another priority for me is pushing for improved travel options for East Aucklanders. I attended my first AMETI Eastern Busways Stakeholder Forum earlier this week and am very excited about the project! The Councillors around this table have been doing lots of incredible work for Auckland so far this term and I’m delighted to be a part of it.

...

Once again I'd like to acknowledge all of my supporters and promise that I will do my best for all of Auckland.

*Success is not based on how rich you are, but on how many people you can help.*

Thank you.

(Thank you in Chinese)
Keep The Auckland Dockline Tram Running - Citizen movement

Presentation to Governing board
27th September 2018

ATTENDEES

Puneet Dhall (Members of the ‘Keep the Auckland Dockline Tram running' Movement)

1. Thank the Board, Chairman and all participants in the room for their continued support on this issue

2. Panuku has a fundamental dilemma.
   a. Its mission to maximise R.O.I
   b. Its mission to serve the public interest
   c. The need to balance both of these missions with the narrower interests of private clients - It's Difficult!

3. We believe in this case that the balance simply got lost
   a. Willis Bond’s interests were trumped over those of the tram in order to achieve the best possible deal - This was a judgement call and a difficult one - but made in a vacuum
   b. At this point the law was broken
i. General Obligation under the local Government act to consult

ii. Local Government Act 2002 – part 5

    c. At this point the tram became ‘dead duck’ to those within Panuku unbeknownst to ‘Joe Public’

4. The public mandate and also the Waitemata board and also the Governing Body member for Waitemata & Gulf, have made clear to Panuku that the tram loop must be made fully operational again – we will not rest until this is the case. Rt Hon Nikki Kaye and the Auditor-General are all following closely.

5. We want to work a solution with the board

    a. Revisit the 2014 agreement and allocate the appropriate funds to provide for the Auckland dockline tram to continue operation and derive compensation funds from AT for tram suspension during works

    b. provide us with a firm promise date when the tram loop will be fully reinstated

        1. We suggest Monday the 20th January 2019

            a. The tram to work on weekends following this date

    c. provide us with a firm date when the tram will be fully operational 7 days/week

        1. We suggest Monday the 20th July 2019

            a. Handing the asset to the movement – we will establish a tram Tzar and a bona fide 5 Year business plan and report directly to the Mayor’s office
‘House all Aucklander’s in secure, healthy homes they can Afford’
– Auckland Council’s Housing Strategy

THE GREAT DIVIDE
THE EVIDENCE IS IN FROM AUCKLAND CITY DOCUMENTATION

In 25 years - Auckland’s population will increase by almost 900,000 people – 2.3 MILLION will live within the AUCKLAND REGION (Statistics NZ)

By 2040 Auckland will need 400,000 additional dwellings to accommodate its growth

Auckland needs to build 13,000 houses each year to achieve this (Greater Auckland Housing Plan)
It presently builds 7000 per year (approximately half the need)
AUCKLAND’S HOUSING CRISIS – THE FACTS

- No other OECD country has experienced a fall in home ownership as big as New Zealand’s since 1991 (Housing Shareholders Advisory Group)

- Home Ownership unaffordability in Auckland sees over 60% of Auckland’s population in rental homes and has created a generation of renters
- Average yearly rent in Auckland is $27,040 per annum ($520 per week)
- The average income in Auckland is $58,378 per annum
- For those on pensions, benefits or minimal income up to 90% of their income is spent on rent in Auckland
THE HUMAN COST

- **3609** people on the Social Housing Register waiting list (Ministry of Social Development, June 2018)

- Due to **unaffordability** and **inaccessibility**, over **250,000** of Auckland’s population live in crowded households

- **43% of Pacific Children** & **25% of Maori children** live in crowded houses (Statistics NZ)

- Pensioners are reportedly turning themselves into hospitals in order to be fed after spending their money on rent
AUCKLAND COUNCIL RESPONSE LEAD BY PANUKU (meaning - to move)

WHAT IS PANUKU?
- A $1 billion operating unit of Auckland Council
- Sits on the most valuable and strategic land holdings in Auckland
- It has the worst performance of any like property company in its Return on Investment to Ratepayers
- Has capped housing on its land for 3 cohorts of People, our:
  - Elderly
  - Beneficiaries
  - Low Income Earners
INCLUSION & ACCESSIBILITY TO HOUSING

> A cap on poor people in poor areas but no cap on rich in rich areas

Social Housing capping examples

Old Papatoetoe 11%
Mangere 45%
REMUIERA GOLF COURSE – An example of capital locked away which put to use would service the wider vision and needs for all of Auckland

> In 2016 (NZ Herald) as Mayoral candidate, Mayor Goff stated of Remuera Golf Course “… If you are looking at assets which return almost nothing to the ratepayer, this is one”. “My view is you must retain ownership of strategic assets. On the Remuera Golf Course sale, you can’t say, ‘It’s not on the agenda, it's not an option’.

This is quoted to ensure the mayor does not suffer from amnesia.

> 63.6 hectares
> 1400 members - subsidisation of private interests vs virtually no return to taxpayers

> Valued for rates at $22.5million
> $517.1 million alternate use value
(Cameron Partners Report to Council)
WAIPAREIRA/NGAI TAI KI TAMAKI

- Agreed to a Joint Venture on 72 Tavern Lane Papatoetoe and have agreed all commercial terms

- Remembering we have 120 Units – 68% completed at 1550 Great North Road, Waterview

- Waipareira was the first mover developer of Westgate 1

- New Zealand Government, through Housing New Zealand and MBIE want to invest on this estate but are being locked out by the Council’s Social Housing Cap

- We have asked for policy and paperwork to justify the Cap and have been told there is none by Panuku

continued over the page
WAIPAREIRA/NGAI TAI KI TAMAKI

- We have provided a legal opinion asserting the Cap is in breach of the Human Rights Act. We have asked for Council’s legal opinion and been told to go away.

- All of this has been provided to the Mayor and Council.

- We appeal to the Full Council to overturn this policy.
ETHICS AND VALUES

> We have a Council Controlled Organisation. A Billion Dollar Property Company - Panuku

> Its arrogance knows no bounds, it even sues this Council, its owner

> It uses a legal firm, that one of its Director’s was a Partner in for 17 years - a clear conflict...Jobs for mates

> Its returns, over 10 years, of a bull property market sitting on the most strategic parcels of land, demonstrate under performance and very poor returns to the Ratepayer

> Their Executive remains untouched and are above reproach, regardless of a lack of performance

continued over the page
ETHICS AND VALUES

> Numerous deals have fallen over because of the arrogance of this Company

> They assert a social engineering cap on 3 cohorts of Aucklanders that discriminate and prejudice their rights to Housing. The over 65 years, beneficiaries and those earning under $80k they and Council know this despite the housing crisis.

> The Executive and Board of the Company, the Mayor and some Councillor’s have received our legal opinion informing them that this social engineering is in breach of the law in regard to Human Rights

> They have been consulted by us at length
BUT HERE’S WHERE WE PART COMPANY BIG TIME

> We were asked to keep quiet over this breach of law

> We were asked to sign a Development Contract, take the money and look the other way

> We were asked to not contest this prejudice and discrimination

> The Mayor is complicit because he is on notice. He has the audacity to go out looking for the homeless, yet will create more homeless by this policy and knowingly

> In Mexico City this would be called Graft and Corruption, what should we call it in Auckland?
WHAT WE WANT FROM THE GOVERNING BOARD

1) The council must take back control of its Council Controlled Organisations (CCOs) - particularly Panuku.

2) It is also the Council, not Panuku, that should and must determine its social engineering housing policy. They can do that by way of a full consultation process with the citizens of this city.

3) I want speaking space on the March 2019 Council meeting, by way of report back on these matters I have raised.
Letter of support for delivery of Affordable Housing and the Importance of creating Mixed Tenure Housing

A letter from the Auckland Community Housing Providers’ Network
27 September 2018

The Auckland Community Housing Providers’ Network (ACHPN) is a coalition of 20 community housing providers. These not for profit organisations provide 5778 supported emergency, social and affordable houses for a range of low-income families. Many of these families were previously living in expensive, poor quality, crowded accommodation with at best, limited security of tenure.

Community Housing Providers determine housing as affordable when housing costs are established by what the household can afford to pay, based on their income. They apply the universally recognised benchmark that housing is affordable when a household spends at or around 30% of their gross income on their housing costs.

While ACHPN supports all initiatives that increase the supply of new housing, including housing intensification, this support is always on the basis that higher levels of housing density must provide a broad range of housing solutions. These solutions should reflect the housing needs of people in the existing community, who are impacted by the regeneration or redevelopment of their neighbourhoods.

ACHPN is concerned about plans to develop high concentrations of limited tenure housing in many communities in Auckland, which is predominantly public (social) housing owned by HNZC. ACHPN has real concerns about how these communities will fare in 10-20 years. Historical evidence shows that they typically become areas of underinvestment and neglect, with households becoming marginalised as a consequence of being defined by where they live and the home they live in.

Furthermore, high concentrations of single tenure housing, especially in new developments removes housing choices for households, as these developments only normally deliver either private sale housing or a mix of social and private housing. Such housing removes the ability for households to transition from social rental housing in to affordable housing (as there is none) or from households renting in the market trying to become a home owner of new housing that is either too expensive or the wrong size.

Consequently, when existing households in the community have no housing choice, they become marginalised and are forced to move elsewhere, usually to the edges of Auckland, with the added costs of travel and separation from their communities, schools and jobs.

The new housing approach taken by ACHPN is different. We try to understand and define the existing community’s housing need, this then informs and determines how to provide the
most appropriate housing. ACHPN members work on the basis that no one tenure should be

dominant using the rule of thumb that a new housing development should roughly have a

housing tenure mix that provides social rental housing (between 20% to 30%), affordable

housing options (30% to 40%) and competitively priced market housing (20% to 40%). The

final split of tenures is determined by the household cohort needs.

We know that providing existing and new households with a wide range of stable affordable

housing options enables households to become active participants and contributors within

their communities over the long term. The wider community benefits achieved through the

supply of such housing is considerable. It retains and improves diversity within communities,

leads to more engaged communities and households as they no longer need to worry how

they will pay their rent, whether they will be able to stay in their home, no matter how bad it

is, and therefore the fear and stress from worrying where they might be living next week.

Independent research conducted for the Housing Foundation found stable, secure affordable

housing results in improved education outcomes, reduced health costs and fewer work days

lost through illness. Households move from subsistence living to being active members of

their community and their neighbourhood and importantly, they can economically participate

in their community and Auckland.

Government has a target to delivery approximately 6,400 new public rental houses by 2022.
Most of these new homes will be built by heavily intensifying existing HNZC sites. In

addition, Government has recently launched its KiwiBuild programme and aims to build

100,000 new homes across New Zealand, with 50,000 targeted for Auckland these next ten

years. Some of these homes will also be built on HNZC owned land. These plans will

considerably change the makeup of these communities, reducing the range of tenure options

for families and households who do not have a housing option as they are not eligible for

social housing, KiwiBuild and cannot afford the more expensive market priced housing.

KiwiBuild is targeted at households who in Auckland will generally need a gross household

income greater than $100,000. The Auckland Chief Economist recently reported that for a

household wanting to purchase a KiwiBuild home priced at $649,000 will need a minimum

gross household income of at least $110,000, on the assumption they have a deposit of

$130,000 (20% of the house price)! If they have a 10% deposit, $65,000 then they will need

gross household income of $125,000.

Other research reports identify there are upwards of 200,000 households who are too poor

for KiwiBuild but too wealthy to be eligible for public housing. Typically, these households

have gross incomes of between $55,000 to $100,000. They have no choice but to rent

expensive and frequently poor quality or and overcrowded housing some distance from their

place of work and their home community.

Many of these households are employed in key sectors and roles that are essential for

Auckland’s economy. There is no Government housing programme or even policy that is

targeted at assisting these households. It is highly unlikely the private sector will build homes

to meet their needs without further incentives from the Government. Consequently, they

remained trapped and increasingly marginalised in Auckland’s housing sector and are the

households most likely to flee Auckland for more affordable locations. These key workers
are essential for Auckland’s economy and economic and social growth and are commonly being referred to as the working poor.

ACHPN actively supports the work currently underway in Auckland Council through the Mayoral Housing Taskforce as we believe it will make a positive difference in how housing affordability is defined and delivered as well as influencing how different types of housing tenure are supplied within Auckland.

We recognise that Council is able to influence in several ways how affordable housing is supplied as well as directly ensuring developments provide a range of affordable housing choices for including for key workers, who are vital to the performance of Auckland’s economy.

Council influencing should include inputting into state regeneration programmes to ensure a range of options are provided for existing communities and also through Inclusionary zoning.

Council can also influence the supply of affordable housing through the rezoning and consenting of new developments through Inclusionary Zoning. This is where Council through planning regulations can ensure affordable housing, particularly retained affordable housing, is supplied in new consented developments and that the affordable housing is classified as retained affordable housing.

This definition of retained affordable is important as it ensures the new affordable housing remains affordable for the duration of the house and is not lost to the open market once affordability restrictions are removed after a set period of time. These restrictions typically apply to housing that is defined as Market Affordable Housing and are sold at a price point artificially set below the market price. However, houses designated as such can be sold in to the open market after a set period of time with the private buyer reaping all the capital gain once the house sale occurs. ACHP believes this will be the case with KiwiBuild houses and other housing programmes where houses are priced at a discount to market.

Finally, Council can also directly influence the delivery of affordable housing by using its own assets in key location, such as the redevelopment of Council-owned assets through Panuku’s Transform and Unlock programmes through providing a larger number of

The Auckland Community Housing Providers network is keen to support and work with Council, both directly through the Mayoral Taskforce and with Council officers in supporting Council deliver on its Mayoral Housing Taskforce targets.

On behalf of the Auckland Community Housing Providers’ Network

Hope Simonsen
Chair
## 2017 Capital Valuations for Residential Properties

<table>
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<tr>
<th>LB</th>
<th>Category</th>
<th>No of ex</th>
<th>Cur ave CV</th>
<th>New ave CV</th>
<th>%</th>
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<td>Albert-Eden</td>
<td>Residential</td>
<td>31,093</td>
<td>1,023,086</td>
<td>1,449,462</td>
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<td>Devonport-Takapuna</td>
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<td>Franklin</td>
<td>Residential</td>
<td>17,827</td>
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<td>781,969</td>
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<tr>
<td>Great Barrier</td>
<td>Residential</td>
<td>870</td>
<td>291,173</td>
<td>325,863</td>
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<td>Henderson-Massey</td>
<td>Residential</td>
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<td>829,161</td>
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<td>Hibiscus and Bays</td>
<td>Residential</td>
<td>37,415</td>
<td>780,703</td>
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<td>Howick</td>
<td>Residential</td>
<td>42,487</td>
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<td>Kaipatiki</td>
<td>Residential</td>
<td>27,817</td>
<td>707,563</td>
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<td>Mangere-Otahuhu</td>
<td>Residential</td>
<td>16,428</td>
<td>489,874</td>
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<td>Manurewa</td>
<td>Residential</td>
<td>21,991</td>
<td>470,669</td>
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<td>Maungakiekie-Tamaki</td>
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<td>23,462</td>
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<td>Orakei</td>
<td>Residential</td>
<td>30,521</td>
<td>1,302,102</td>
<td>1,896,644</td>
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<td>Otara-Papatoetoe</td>
<td>Residential</td>
<td>19,036</td>
<td>453,823</td>
<td>734,307</td>
<td>62%</td>
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<td>Papakura</td>
<td>Residential</td>
<td>16,475</td>
<td>477,825</td>
<td>746,413</td>
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<td>Puketapapa</td>
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<td>16,356</td>
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<td>Rodney</td>
<td>Residential</td>
<td>14,818</td>
<td>640,773</td>
<td>929,220</td>
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<td>Upper Harbour</td>
<td>Residential</td>
<td>18,679</td>
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<td>Waieheke</td>
<td>Residential</td>
<td>5,707</td>
<td>705,213</td>
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<td>Waitakere Ranges</td>
<td>Residential</td>
<td>15,996</td>
<td>578,322</td>
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<td>Waitemata</td>
<td>Residential</td>
<td>38,603</td>
<td>760,781</td>
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<td>Whau</td>
<td>Residential</td>
<td>23,005</td>
<td>616,136</td>
<td>896,003</td>
<td>45%</td>
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Independent Auditor’s Report

To the readers of Auckland Council’s summary of the annual report for the year ended 30 June 2018

The summary of the annual report was derived from the annual report of Auckland Council for the year ended 30 June 2018.

The summary of the annual report comprises the following summary statements on page 11, pages 16 to 19 and pages 33 to 47:

- the summary Auckland Council and group statement of financial position as at 30 June 2018;
- the summaries of the Auckland Council and group statement of comprehensive revenue and expenditure, statement of changes in equity and statement of cash flows for the year ended 30 June 2018;
- the notes to the summary Auckland Council and group financial statements that include accounting policies and other explanatory information; and
- the summary Auckland Council Group statement of service provision referred to as performance measures and introduction to themes/ groups of activities.

Opinion

In my opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor’s report thereon, therefore, is not a substitute for reading the full annual report and the auditor’s report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor’s report on the full annual report.
The full annual report and my audit report thereon

In my auditor’s report for the year ended 30 June 2018 dated 27 September 2018 on Auckland Council’s annual report I expressed an unmodified audit opinion on the information I audited, other than the statement of service performance, upon which I issued a modified audit opinion because my work was limited in relation to building consent and non-notified resource consent processing time measures.

Council’s responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

Auditor’s responsibility

My responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

My opinion on the summary of the annual report is based on my procedures, which were carried out in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to reporting on the summary of the annual report, I have reported on the full annual report and I have carried out an audit of the Auckland Council Group Long-Term Plan 2018-28 and my staff and appointed auditors and their staff have carried out a range of other assurance and consultancy engagements. Other than this reporting and these engagements, and in exercising functions and powers under the Public Audit Act 2001, I have no relationship with, or interests in the Auckland Council or any of its subsidiaries and controlled entities.

Greg Schollum
Deputy Auditor-General
Wellington, New Zealand
27 September 2018
Independent Auditor’s Report

To the readers of Auckland Council’s annual report
for the year ended 30 June 2018

I am the auditor of Auckland Council and its subsidiaries and controlled entities (together referred to
as the Group). I have used my staff and resources, and appointed auditors and their staff to report on
the information in the Auckland Council’s annual report that I am required to audit under the Local
Government Act 2002 (the Act). I refer to this information as “the audited information” in my report.

I am also required to report on:

- whether Auckland Council and Group have complied with the requirements of Schedule 10
  of the Act that apply to the annual report; and
- the completeness and accuracy of Auckland Council and Group’s disclosures about its
  performance against benchmarks that are required by the Local Government (Financial

I refer to this information as “the disclosure requirements” in my report.

Opinion

Unmodified opinion on the audited information other than the statement of service
performance

In my opinion:

- the financial statements in Volume 3 on pages 8 to 86 present fairly, in all material respects,
  the financial position of the Auckland Council and Group’s as at 30 June 2018, and the
  financial performance and cash flows for the year then ended on that date, in accordance
  with Public Benefit Entity accounting standards;

- the funding impact statement in Volume 1 on page 35, presents fairly, in all material
  respects, the amount of funds produced from each source of funding and how the funds
  were applied as compared to the information included in the Auckland Council and Group’s
  annual plan;

- the statement about capital expenditure for each group of activities in Volume 1 on pages
  49 to 135, presents fairly, in all material respects, actual capital expenditure as compared to
  the budgeted capital expenditure included in the Auckland Council and Group’s Long-Term
  plan;

- the funding impact statements for each group of activities in Volume 1 on pages 49 to 135,
  present fairly, in all material respects, the amount of funds produced from each source of
funding and how the funds were applied as compared to the information included in the Auckland Council and Group’s Long-Term plan; and

- the statements of service performance for local activities for each local board in Volume 2, sections 2.1 to 2.21 on pages 10 to 13 respectively, present fairly, in all material respects:
  - the activities for each local board for the year ended 30 June 2018, including the level of service achieved for the activities compared with the performance target or targets for those activities as set out in the local board agreement for the year; and
  - the reasons for any significant variation between the levels of service achieved and the intended levels of service.

**Modified opinion on the statement of service performance – My work was limited in relation to building consent and non-notified resource consent processing time measures**

The Auckland Council and Group in its Long-Term plan has included performance targets for its processing of building consent and non-notified resource consent applications. For both these types of applications, the Council’s performance target is that 100% of these of applications will be processed by the Council within a 20-day statutory timeframe.¹

The Council has reported its performance for the year ended 30 June 2018 on the timeliness of processing building consent applications in Volume 1 on pages 105 and 106 and non-notified resource consent applications in Volume 1 on pages 106 and 107. The Council has also explained how it has adjusted downwards the initial reported performance for these measures (from 68% to 52% for building consents and from 77% to 67% for non-notified resource consents), due to inaccurate recording of processing times identified from sample testing of consent information by the Council.

Due to the extent of the inaccuracies identified, I am unable to determine whether the Council’s adjusted reported results for 30 June 2018 are materially correct for the building consent and non-notified resource consent processing time measures. As a result, my work was limited and there were no practical audit procedures my auditors could apply to obtain assurance over the reported results for building consent and non-notified resource consent processing times.

In my opinion, except for the matter explained above for the consent processing time measures, the statement of service performance in Volume 1 on pages 36 to 131:

- presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2018, including:
  - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;

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¹ The statutory days exclude days where the applicant is providing further information or the processing end date has been extended.
the reasons for any significant variation between the levels of service achieved and the intended levels of service; and

complies with generally accepted accounting practice in New Zealand.

Report on the disclosure requirements

I report that the Auckland Council and the Group have:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and

- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) in Volume 3 on pages 87 to 91, which represent a complete list of required disclosures and accurately reflects the information drawn from the Auckland Council and the Group’s audited information and, where applicable, the Auckland Council Group’s Long-Term plan and annual plans.

Basis for opinion on the audited information

I carried out my audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. My responsibilities under those standards are further described in the “Responsibilities of the auditor for the audited information” section of my report. I am independent of the Auckland Council and Group in accordance with the Auditor-General’s Auditing Standards, which incorporate Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I have fulfilled my responsibilities in accordance with the Auditor-General’s Auditing Standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on the audited information.

In addition to my audit and my report on the disclosure requirements, I have carried out an audit of the Auckland Council Group Long-Term Plan 2018-28 and a range of other assurance and consultancy engagements, which are compatible with those independence requirements. Other than the audit of the Long-Term Plan and these engagements, and in exercising functions and powers under the Public Audit Act 2001, I have no relationship with or interests in Auckland Council or its subsidiaries and controlled entities.

Key audit matters

In addition to the matters discussed above in my qualified opinion on the statement of service performance, I have determined that the matters discussed below are key audit matters in relation to my audit for the year ended 30 June 2018.
Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the audited information of the Auckland Council and the Group for the current period. In applying my professional judgement to determine key audit matters, I considered those matters that are complex, have a high degree of uncertainty, or are important to the public because of their size or nature. These matters were addressed in the context of my audit of the audited information as a whole, and in forming my opinion thereon.

<table>
<thead>
<tr>
<th>Reporting performance on housing and transport</th>
<th>How we addressed this matter</th>
</tr>
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</table>
| Housing and transport are high-priority issues for the future and international reputation of Auckland. They affect the productivity, affordability, and future growth of Auckland and New Zealand. The Auckland Council and Group report performance information on housing and transport in the statement of service performance in Volume 1 on pages 36 to 131. The Auckland Council has been working with the Government to establish special housing areas to help address the city’s housing shortage and increase the availability of affordable homes. The Auckland Council contributes to the resolution of the housing issues through:  
  - establishing the rules for development under the Unitary Plan;  
  - meeting the Council’s obligations under the National Policy Statement – Urban Development which requires the Council and group to provide sufficient development capacity to meet demand for houses  
  - issuing building consents and code of compliance certificates; and  
  - working with developers to agree on the timely release of land for developments. The Auckland Council and Group play a key role in providing efficient and cost-effective transport around and through Auckland. Solutions to the current transport issues continue to evolve and include large projects requiring significant local and national funding over an extended period. I considered this a key audit matter because of the significance of these issues to Aucklanders, and the importance of a balanced assessment of the Auckland Council and Group’s performance. | We looked at the performance measures and the accompanying narrative about housing and transport performance in the statement of service performance. We identified the aspects of performance that we consider to be material to readers of the Auckland Council’s annual report and focused our work on these aspects. This included material performance measures relevant to housing and transport. Our work included:  
  - testing the effectiveness of relevant internal controls;  
  - sample testing performance measures to supporting records; and  
  - where appropriate obtaining third-party confirmation of performance. Where information on the Auckland Council and Group’s housing and transport activities was included in the annual report but outside the statement of service performance, we reviewed the information for consistency with the audited financial statements and statement of service performance, and our knowledge obtained in the audit of the Auckland Council and Group. This knowledge included information from:  
  - our review of relevant Auckland Council and Group reports, meeting minutes, and supporting evidence;  
  - discussions with governing bodies and management of the Auckland Council and Group; and  
  - discussions with other public sector agencies involved in Auckland matters. |
Other than the matter discussed above in our modified opinion on the statement of service performance, I am satisfied that the information presented in the statement of service performance about housing and transport is reasonable, and reflects both the role and performance of the Auckland Council and Group in addressing the housing and transport issues identified.

<table>
<thead>
<tr>
<th>Valuation of operational and infrastructure assets</th>
<th>How we addressed this matter</th>
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</thead>
<tbody>
<tr>
<td>The Auckland Council and Group own a large portfolio of operational and infrastructure assets. As discussed in note B1 to the financial statements, in Volume 3 on pages 26 to 40, the Group had infrastructure assets of $31 billion, operational assets of $8.8 billion, and restricted assets of $6.8 billion at 30 June 2018. A number of assets are recorded at fair value with revaluations performed regularly or when the fair value is materially different to the carrying value. The reasonableness of the valuation depends on the completeness and accuracy of the underlying asset information and the appropriateness of the methodology and assumptions used. The valuation of infrastructure assets on a depreciated replacement cost basis is inherently complex. It involves using large and complex data sets, judging the condition and useful lives of components, and identifying appropriate replacement costs of components. Because of the large value of the assets held by the Auckland Council and Group, a small movement in the valuation or expected useful life of some components can have a significant effect on the depreciation expense recognised in the financial statements. The large, more complex, assets include:</td>
<td>We asked about how the Auckland Council and Group determined that the recorded value for operational and infrastructure assets was not materially different from fair value at balance date. We assessed the Auckland Council and Group’s evidence to support these assertions. For those assets that had been revalued, we read the valuation reports and discussed the approach to the valuation with the valuers. We obtained representations that the valuation approach was in keeping with accepted professional valuation standards. We assessed the valuers’ expertise for the work and their objectivity. This included considering whether they had other engagements or relationships with the Auckland Council and Group. We confirmed our understanding of the valuation methodology and key assumptions and evaluated their reasonableness. We did this based on our experience and knowledge of other specialised operational and infrastructure valuations in the public sector. We obtained an understanding of how the valuer determined the age and condition of the assets, and how this was used to determine the remaining useful life of the assets and the valuation calculation for those assets valued on a depreciated replacement cost basis. We reviewed how the replacement costs of components have been determined. We confirmed the reasonableness of a sample of costs by reference to the Auckland Council and Group’s relevant current capital works contracts.</td>
</tr>
<tr>
<td>• Water, wastewater, and stormwater, which account for 40% ($12,361 billion) of the Group’s infrastructure. Many of these assets are below ground. This makes it difficult to verify the assets are in place, their condition, and their capacity for valuation purposes.</td>
<td></td>
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<th>Attachment B</th>
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- Roads, which account for 32% ($9,922 billion) of the Group's infrastructure. The valuation is determined by separately valuing each of the various components. Some components cannot be physically inspected because they are beneath other layers.

I considered the valuation of operational and infrastructure assets a key audit matter because of the significance of the amounts involved and the judgements applied.

<table>
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<tr>
<th>Valuation of derivatives</th>
<th>How we addressed this matter</th>
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</thead>
<tbody>
<tr>
<td>The Auckland Council and Group use derivative financial instruments to mitigate risks associated with foreign currency and interest rate fluctuations. As discussed in Note C2 to the financial statements, in Volume 3 on pages 47 to 49, the Group reported derivative assets with a fair value of $289 million, and derivative liabilities with a fair value of $968 million at 30 June 2018. For the year ended 30 June 2018, as discussed in Note A6 in Volume 3 on page 23, there was a net gain on derivatives of $20 million recognised by the Group compared to a net gain of $237 million in the prior year. This is the result of the interest rate curves being less favourable and changes in foreign currency rates. I considered the valuation of derivatives a key audit matter because there is judgement needed, the values rely on certain assumptions, and the values are sensitive to small movements in interest rates and foreign exchange rates. These can have a significant effect on the value of the derivatives and the consequential gain or loss that is recognised in the financial statements.</td>
<td>We obtained an understanding of the source data used for the valuation. We reviewed the data for errors or omissions. We reviewed the overall valuation changes and sought explanations from the valuers for any significant or unusual changes in value. I am satisfied that the operational and infrastructure asset values in the Auckland Council and Group’s financial statements are reasonable and supportable. We assessed the Auckland Council and Group’s processes to record all derivatives, including their terms and conditions. We obtained independent confirmation that all the derivatives existed and were recorded, and that their terms and conditions were accurately recorded. We carried out audit procedures that were appropriate to the nature of the derivatives and the uncertainties associated with determining their fair value. These audit procedures included a mix of the following:</td>
</tr>
<tr>
<td>- We estimated the fair value of a sample of derivatives using our internal valuation model and compared this to the Auckland Council and Group’s fair value.</td>
<td>- We engaged an external valuer to estimate the fair value of a sample of derivatives. We assessed the valuer’s expertise and objectivity, and we considered the appropriateness of using the external valuer’s work as audit evidence.</td>
</tr>
<tr>
<td>- We compared the estimated fair value obtained from our independent valuer to the Auckland Council and Group’s fair value and to counterparty valuations.</td>
<td>- Where we identified a significant difference when comparing the different valuation sources, we investigated the cause of the difference and assessed this for reasonableness and effect on the overall value of derivatives.</td>
</tr>
<tr>
<td>City Rail Link</td>
<td>How we addressed this matter</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------</td>
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</tbody>
</table>
| Following the Council and the Crown signing the Sponsors’ agreement in June 2017 and the Settlement Agreement in September 2017, the City Rail Link project transferred from Auckland Transport to City Rail Link Limited (CRL). CRL is recognised as a joint venture between Auckland Council and the Crown and is equity accounted into the Auckland Council and Group’s 30 June 2018 results. At 30 June 2018 the Auckland Council’s investment in CRL was $307 million being 50% of the net assets of the City Rail Link. The maximum funding limit agreed by the Crown and Auckland Council is $3.6 billion. The Council’s committed funding limit is $1.8 billion. I considered this a key audit matter because of the significance of this project to Auckland, the complex accounting judgements required, and the amounts involved. | We considered the appropriateness of the accounting treatment used to recognise the transfer of assets to CRL on 1 July 2017 and the recognition of the Auckland Council and Group’s interest in CRL on establishment. We considered whether Auckland Council’s interest in CRL was fairly stated in the Council and Group’s 30 June 2018 financial statements, with a focus on:  
* the disclosed funding committed by the Auckland Council for the City Rail Link project;  
* ensuring CRL project expenditure has been appropriately accounted for by Auckland Council; and  
* ensuring all capital commitments have been appropriately disclosed. I am satisfied that the transactions relating to the City Rail Link and CRL recognised in the Auckland Council and Group’s financial statements are reasonable and supportable. |
### Valuation of the weathertightness provision

The Auckland Council is legally obliged to pay its share of the costs to repair leaky homes.

As discussed in note D5 to the financial statements, in Volume 3 on pages 56 to 59, the Auckland Council and Group recognised a provision of $319 million for the year ended 30 June 2018 an increase of $54 million since 30 June 2017. The Auckland Council’s obligation extends to multi-unit dwellings as well as single homes. Multi-unit claims make up 88% of this provision.

There are three different types of claims:

- Active claims have been lodged and are progressing through the resolution process. 64% of the provision relates to active claims.
- Reported claims have been lodged but are not yet progressing through the resolution process. 11% of the provision relates to reported claims.
- Unreported claims have yet to be reported or identified but the Auckland Council could have a liability. This group of claims accounts for 25% of the provision.

I considered the valuation of the weathertightness provision a key audit matter because the valuation of the provision, by an actuary, is complex and subject to a high degree of judgement and estimation. There is also inherent uncertainty about how many claims might be made and what they might cost. Because of the uncertainty, the Auckland Council and Group also disclose an unquantified contingent liability.

<table>
<thead>
<tr>
<th>Valuation of the weathertightness provision</th>
<th>How we addressed this matter</th>
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<tbody>
<tr>
<td>The Auckland Council is legally obliged to pay its share of the costs to repair leaky homes. As discussed in note D5 to the financial statements, in Volume 3 on pages 56 to 59, the Auckland Council and Group recognised a provision of $319 million for the year ended 30 June 2018 an increase of $54 million since 30 June 2017. The Auckland Council’s obligation extends to multi-unit dwellings as well as single homes. Multi-unit claims make up 88% of this provision.</td>
<td>We read the actuary’s valuation report and met with the actuary to understand:</td>
</tr>
<tr>
<td>There are three different types of claims:</td>
<td>• the valuation methodology and any changes from last year;</td>
</tr>
<tr>
<td>• Active claims have been lodged and are progressing through the resolution process. 64% of the provision relates to active claims.</td>
<td>• the key inputs and assumptions and any changes from last year; and</td>
</tr>
<tr>
<td>• Reported claims have been lodged but are not yet progressing through the resolution process. 11% of the provision relates to reported claims.</td>
<td>• the reasons for valuation changes from last year.</td>
</tr>
<tr>
<td>• Unreported claims have yet to be reported or identified but the Auckland Council could have a liability. This group of claims accounts for 25% of the provision.</td>
<td>We assessed the actuary’s expertise for completing the work and their objectivity, including whether they had any other engagements or relationships with the Auckland Council and Group.</td>
</tr>
<tr>
<td>I considered the valuation of the weathertightness provision a key audit matter because the valuation of the provision, by an actuary, is complex and subject to a high degree of judgement and estimation. There is also inherent uncertainty about how many claims might be made and what they might cost. Because of the uncertainty, the Auckland Council and Group also disclose an unquantified contingent liability.</td>
<td>We assessed the valuation methodology and assumptions for compliance with the requirements of the applicable financial reporting standard, and for reasonableness. We did this based on our accumulated knowledge and experience of leaky home issues for Auckland Council and other councils.</td>
</tr>
<tr>
<td></td>
<td>We re-assessed the accuracy of last year’s estimates in light of the current year valuation as well as claim activity and settlements during the year.</td>
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<td></td>
<td>We reconciled active claims data to representations from the Auckland Council’s lawyers. We made enquiries with the Auckland Council’s in-house legal team and the actuary about any recent claims, court decisions, or changes in legislation that significantly affect the Auckland Council and Group’s liabilities (for example, by increasing the scope or limitations period of claims).</td>
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<tr>
<td></td>
<td>I am satisfied that the provision recognised in the Auckland Council and Group’s financial statements for leaky homes is reasonable and supportable. I am also satisfied with the disclosure of an unquantified contingent liability for possible further liability not currently recognised.</td>
</tr>
</tbody>
</table>
Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included in Volume 1 on pages 5 to 34, Volume 2, sections 2.1 to 2.21 on pages 4 to 9 and page 15 respectively and in Volume 3 on pages 4 to 7, pages 92 to 98 and pages 107 to 117, but does not include the audited information and the disclosure requirements.

My opinion on the audited information and my report on the disclosure requirements do not cover the other information.

My responsibility is to read the other information. In doing so, I consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or the knowledge obtained during my work, or otherwise appears to be materially misstated. If, based on my work, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Council

The Council is responsible for meeting all legal requirements that apply to its annual report. The Council’s responsibilities include the preparation and fair presentation of the financial statements of the Auckland Council and Group in accordance with Public Benefit Entity accounting standards.


The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information I audit that is free from material misstatement, whether due to fraud or error.

In preparing the information I audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the Auckland Council and the Group or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

My objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General’s Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.
For the budget information reported in the audited information, my procedures were limited to checking that the budget information agreed to the Auckland Council and Group’s Long-Term plan.

As part of an audit in accordance with the Auditor-General’s Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- I identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Auckland Council and Group’s internal control.

- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.

- I determine the appropriateness of the reported intended levels of service in the statement of service provision of the Auckland Council and Group and the statements of service performance for local activities for each local board, as a reasonable basis for assessing the levels of service achieved and reported.

- I conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Auckland Council and Group’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause Auckland Council and Group to cease to continue as a going concern.

- I evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.

- I obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information. I am responsible for the direction, supervision and performance of the Auckland Council and Group audit. I remain solely responsible for my audit opinion.

I communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
I also provide the Council with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Council, I determine those matters that were most significance in my audit and are therefore the key audit matters. I describe these matters in my auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.


Greg Schollum
Deputy Auditor-General
Wellington, New Zealand
27 September 2018