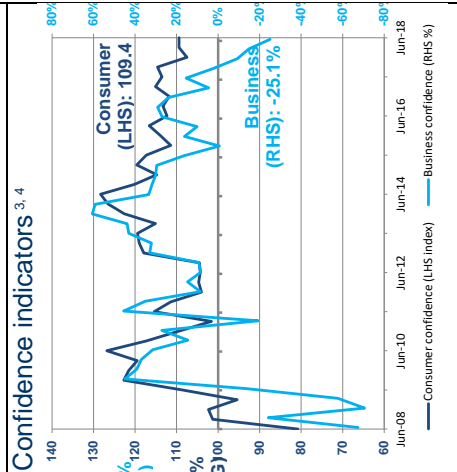
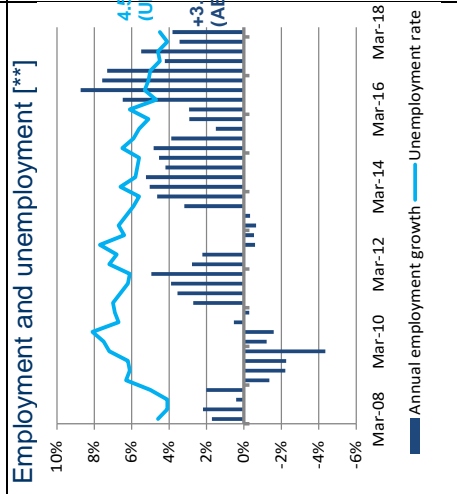
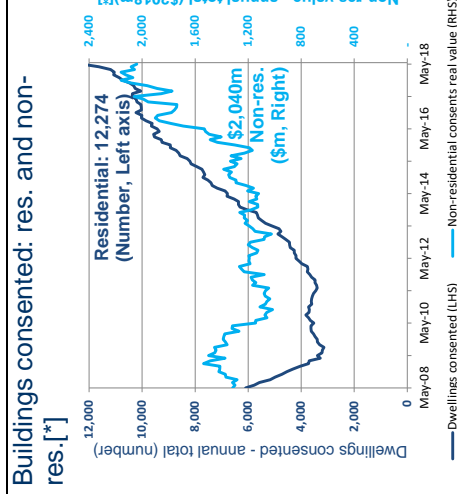
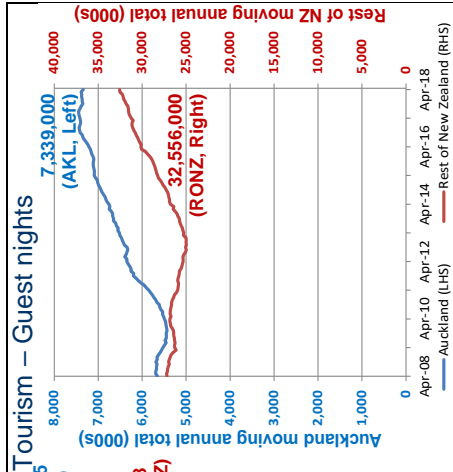
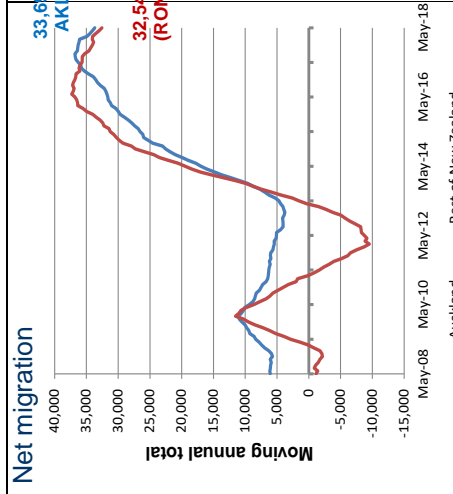
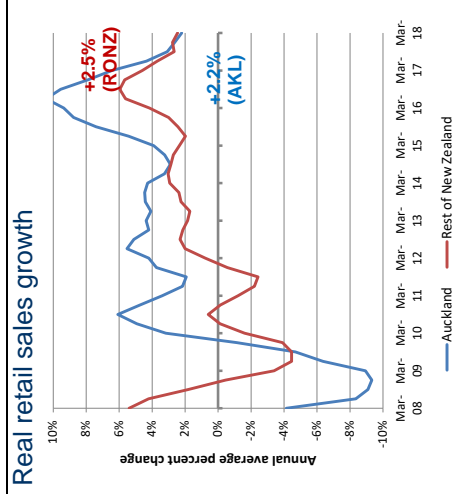
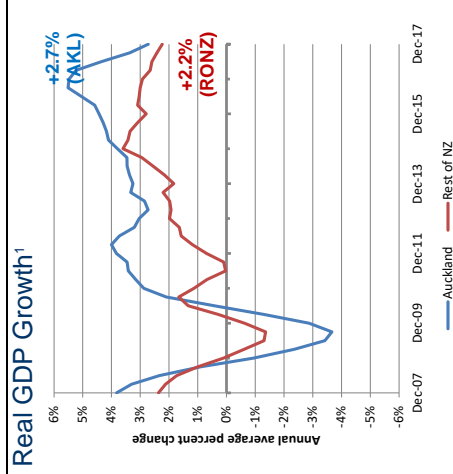


# Auckland Economic Update – July 2018

Data is the latest available as at the start of the month, and is for the Auckland region unless otherwise stated



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**Sources:**

All data is from Statistics New Zealand unless otherwise stated below:

- (1) Informatics, Regional Economic Profile, with interpolation by Auckland Council (RIMU/CEU); subject to revision.
- (2) Real Estate Institute of New Zealand.
- (3) Westpac McDermott Miller. Values over 100 indicate more optimists than pessimists.
- (4) New Zealand Institute of Economic Research, Quarterly Survey of Business Opinion. Measures the net percentage of firms that believe the general business situation will improve in the next six months.

[1] All historical \$ converted to latest quarter equivalent \$ using quarterly price index, so may differ from previous updates.

[2]\*\*] Historical HLFS data to March 2016 rebased August 2016 by SNZ, but not fully compatible with June 2016 onwards.

## Appendix 2 - Treasury report

The treasury report provides a summary of how Auckland Council is complying with Treasury Management Policy limits and the performance of treasury activities against benchmarks.

Key highlights for the quarter include:

- Gross debt managed by Auckland Council Treasury was \$8.2b at 30 June 2018. After adjusting for cash holdings of \$0.7b, net debt was \$7.5b, an increase of \$24m in the June quarter.
- Total forecast borrowing requirement for the group including refinancing (excluding Ports of Auckland Limited) over the next twelve months is \$480 million.
- June year end net interest cost is \$18.4 million favourable.

The focus of treasury remains on minimising funding costs, managing liquidity, funding and interest rate risks, diversifying the investor base and lengthening the term of debt.

### Debt

Covenant and Borrowing Thresholds				
Requirement	Group/parent	Imposed by	Compliance	Date
Gross borrowings from LGFA < 40% of LGFA's total local government assets	N/A	LGFA	24% (✓)	Jun-18
No more than the greater of \$100m or 33% of Councils borrowings from LGFA will mature in any 12 month period	N/A	LGFA	24% (✓)	Jun-18
Net Debt / Total Revenue < 250%	Parent	LGFA	191% (✓)	Jun-17
Net Interest / Annual Rates Income < 30%	Parent	LGFA	19% (✓)	Jun-17
Net Interest / Total Revenue < 20%	Parent	LGFA	11% (✓)	Jun-17
Debt / Adjusted Operating Revenues < 270%	Group	Council / Standard & Poor's	260% (✓)	Dec-17
Interest / Adjusted Operating Revenues < 15%	Group	Council / Standard & Poor's	13% (✓)	Dec-17
Interest / Rates income < 25%	Parent	Council	19% (✓)	Dec-17
Credit Rating Objective	Group	Council	Moody's Aa2 (✓) S&P AA (✓)	Jun-18

Gross year-end position		
Treasury closing position at 30 June 2018	Annual plan closing position at 30 June 2018	Variance
\$8,187m	\$7,827m	\$360m

Gross debt managed by Auckland Council's Treasury team as at 30 June 2018 was \$8.2 billion (\$7.79 billion at 30 June 2017). After allowing for \$700 million of cash investments (\$277 million as at 30 June 2017), net debt was \$7.5 billion (\$7.5 billion at 30 June 2017).

The year-end position is \$360 million higher than the annual plan closing gross debt position. This is largely due to prefunding.

Debt portfolio performance	Actual 30 June 18	Annual Budget as per plan	Benchmark <sup>1</sup>
Cost of funds <sup>2</sup>	5.21 %	5.30 %	4.58 %

The June cost of funds remains below the budgeted cost of funds but above the benchmark.

The average term to maturity at month end was 5.89 years.

Cost of Funds: Interest and Interest Expense			
June	Actual	Annual Plan	Variance
Interest Expense	\$391.8m	\$413.4m	\$21.5m
Interest Income	\$105.4m	\$108.5m	(\$3.2m)
<b>Net interest cost</b>	<b>\$286.5m</b>	<b>\$304.8m</b>	<b>\$18.4m</b>

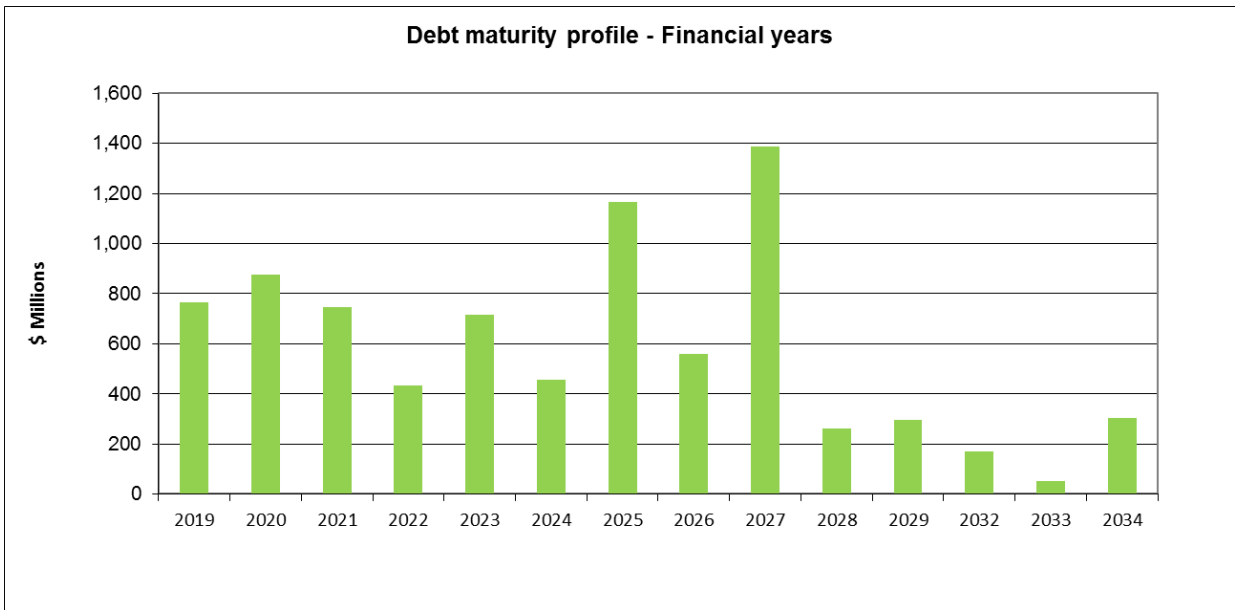
Fixed Interest Rate Repricing <sup>3</sup>	Actual	Actual %
Between 50 per cent and 95 per cent of total debt.	\$ 6,071 m	90%

Funding sources in \$ Millions	Amount on issue				Change YTD	
	30-Jun-18		30-Jun-17			
<b>Domestic funding</b>						
Commercial paper + short term borrowing	\$200	2%	\$290	4%	\$90	↓
Vanilla retail bonds	\$1,005	12%	\$1,355	17%	\$350	↓
Green retail bonds	\$200	2%	\$0	0%	\$200	↑
Wholesale bonds	\$1,000	12%	\$1,010	13%	\$10	↓
Local Government Funding Agency	\$2,082	25%	\$2,407	31%	\$325	↓
<b>Total domestic</b>	<b>\$4,487</b>	<b>55%</b>	<b>\$5,062</b>	<b>65%</b>	<b>\$575</b>	<b>↓</b>
<b>Offshore funding (NZD equivalent)</b>						
Australia (AUD755m)	\$847	10%	\$720	9%	\$127	↑
Europe (EUR1,185m)	\$1,893	23%	\$1,053	14%	\$840	↑
Norway (NOK2.4b)	\$467	6%	\$467	6%	-	
Switzerland (CHF375m)	\$493	6%	\$493	6%	-	
<b>Total offshore</b>	<b>\$3,700</b>	<b>45%</b>	<b>\$2,733</b>	<b>35%</b>	<b>\$967</b>	<b>↑</b>
<b>Total gross debt</b>	<b>\$8,187</b>	<b>100%</b>	<b>\$7,795</b>	<b>100%</b>	<b>\$392</b>	<b>↑</b>
<b>Total net debt (net of cash and investments)</b>	<b>\$7,491</b>		<b>\$7,518</b>		<b>\$27</b>	<b>↓</b>

<sup>1</sup> 7-year swap rate over previous 7 years adjusted for the debt portfolio's current weighted average credit margin

<sup>2</sup> Excludes Watercare and ports of Auckland

<sup>3</sup> Fixed rate debt refers to all future forecast debt where the future interest rate coupon cashflow is fixed (determined)

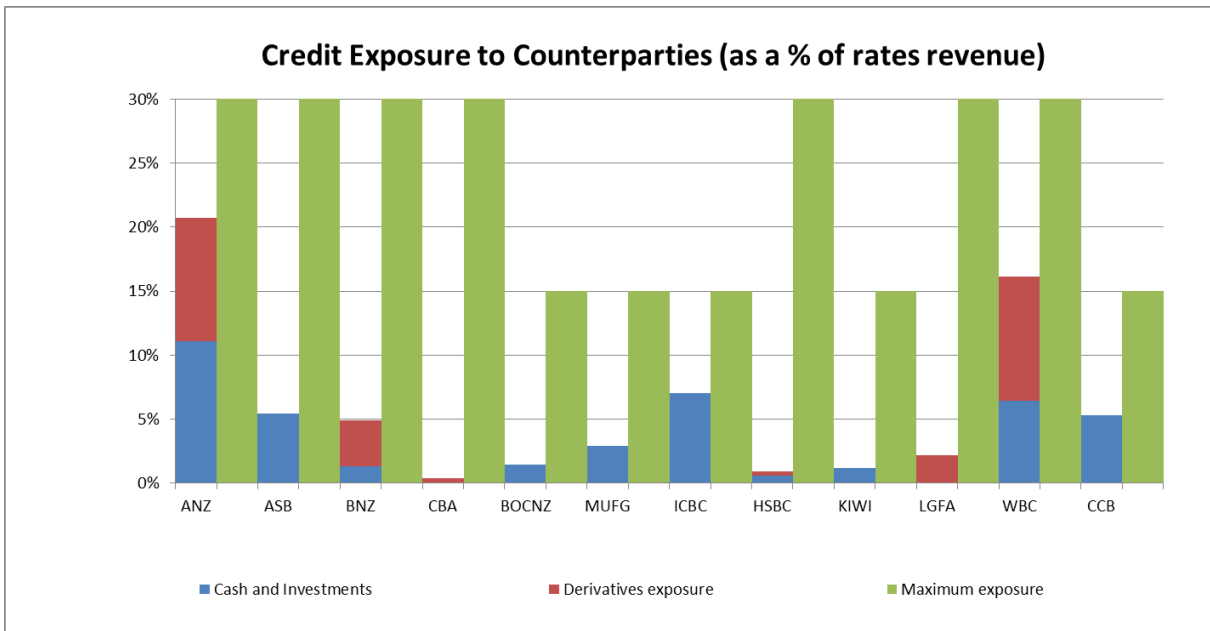


## Investments

Cash investments finished the quarter at \$0.7b, a \$30 million decrease (31 March \$0.73 billion).

A review of the Trust and Reserves portfolio was undertaken in the first week of May, with the balance reduced to \$14.2m and invested in 6-month term deposits.

## Credit Exposure to Counterparties



Our counterparty credit exposure is within the policy limit which measures exposure as a percentage of current financial year budgeted rates. No exposure is permitted to entities that are rated below A-.

## Appendix 3 - Professional services expenditure

For the financial year 2017/18, ending in June 2018, the council spent \$61 million on professional services.

### Summary of professional services expenditure by category

Category	Spend FY2017/18 (\$m)	Explanation
Consultancy	48	Specialist and technical advice, design and research work, expertise in managing specific initiatives/projects, subject matter expert input, specialist skills and knowledge not available in-house.
Legal	10.6	External legal advice and assessment relating to Unitary Plan matters, weather tightness issues, funding matters, representation for legal disputes and prosecutions, sale and purchase of properties etc.
Audit	2.1	Statutory audits, audit review of current processes and procedures.
<b>Total</b>	<b>60.7</b>	

### Summary of professional services expenditure by theme

Theme	Spend FY2017/18 (\$m)	Commentary
Auckland development	14.8	Mainly consultancy related to the commercial property Strategic Development portfolio, included the pre development and placemaking activities in the Priority Transform and Unlock locations throughout Auckland; constancy on the structure planning and area planning within Auckland, Unitary Plan appeals, Northern Corridor Improvement Iwi and Mana Whenua advice plus Maori heritage sites of significance; Consultancy on Auckland Plan refresh, air quality/fresh water/land use and other environmental monitoring programmes.
Environmental management and regulation	5.8	Mainly consultancy service for Healthy Waters project work on catchment management plans, reactive maintenance, operational plans and investigation, compliance etc. Consultancy on landslide projects, Waste planning and research, Waste Minimisation Management programme, various environmental management projects and Maori engagement; Consultancy on Resource Consent Hearings Commissioners, and various regulatory projects, such as Dog registration database, targeted initiative and Food act.
Parks, community and lifestyle	4.4	Consultancy for Active Recreation Change management, Les Mills franchise costs, Parks projects such as "Beneath our Feet" Programme, Volcanic Cones, Website development; Parks and Sports seismic assessments, designs and asset planning, Park community partnerships; consultancy for public art and art collections, Maori responsiveness and community centre operations and community facilities projects.

Governance and support	35.7	Mainly due to legal advice on Unitary Plan, City Rail Link project, America Cup, and ongoing legal costs related to commercial property, Plan changes, civil litigation and public law; external treasury advice on investment/debt management, and rating revaluation services; audit services, tax and general accounting advisory; advice on corporate portfolio strategies, consultancy on Holidays Act Compliance investigation into working arrangements and holiday pay calculations; specialist input to LTP, hearing commissioner input for democracy services, Mana Whenua Kaitiaki Forum, Policy and Effusiveness for Maori.
<b>Total</b>	<b>60.7</b>	

## Appendix 4 – LGOIMA information

Council received 290 LGOIMA and Privacy Act requests in the quarter from 1 April to 30 June 2018. This represents an increase of almost 9 per cent from the previous quarter.

Figure 1 compares the monthly number of requests across two years.

**Figure 1: Number of LGOIMA and Privacy requests received by month**

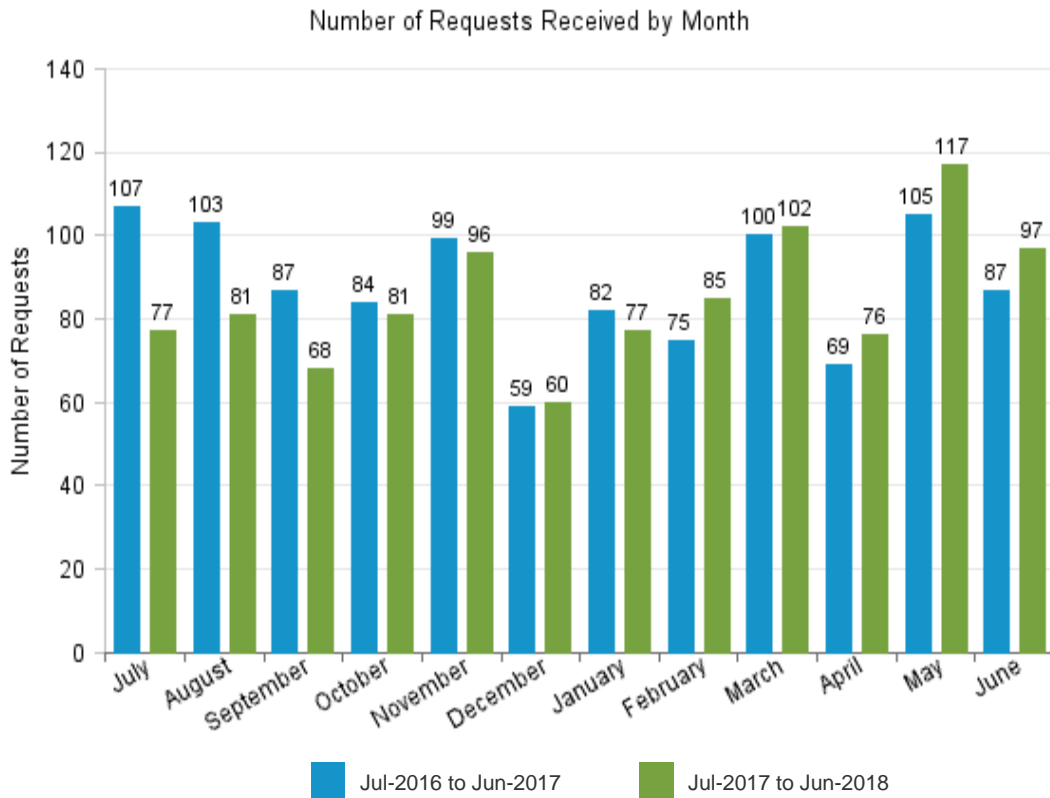


Figure 2 shows the source of LGOIMA and Privacy Act requests. Individuals continue to be the primary source of requests.

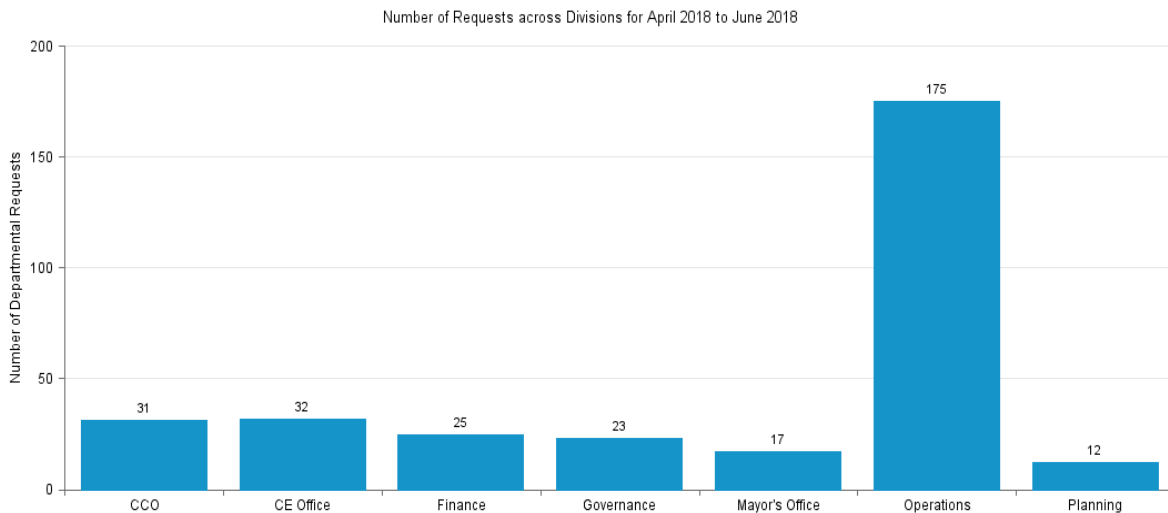
**Figure 2: Requests received by category**

Requests Received by Category (in past 12 months) - Jul-2017 to Jun-2018

	LGOIMA Request	Privacy Act Request	Total	Percent
Individual	609	23	632	62%
Law Firm	89	0	89	9%
Media	165	0	165	16%
Private Sector	113	1	114	11%
Public Sector	17	0	17	2%
<b>Total:</b>	<b>993</b>	<b>24</b>	<b>1017</b>	<b>100%</b>

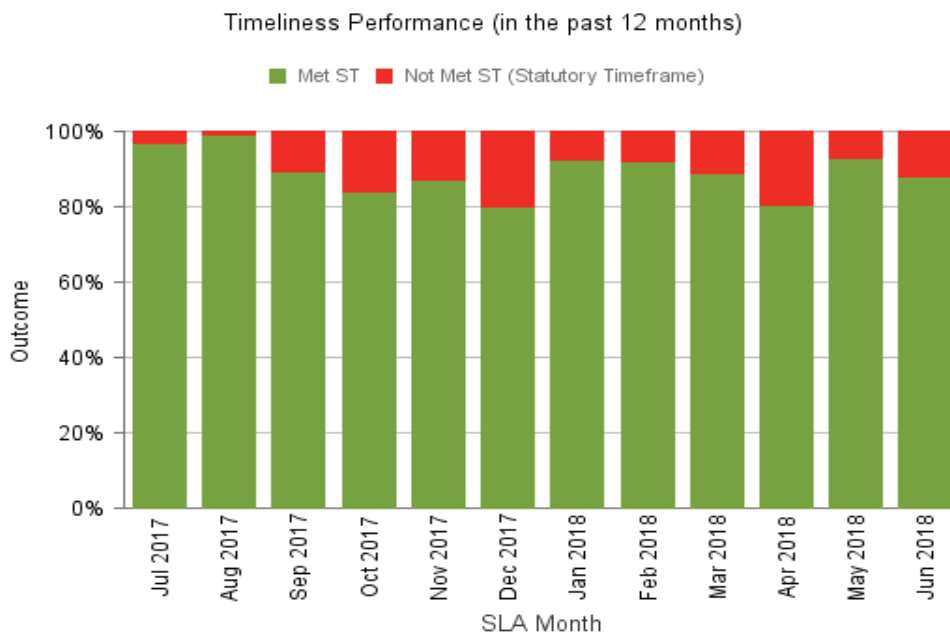
Figure 3 shows the number of information requests attributed by division and includes requests for information from multiple divisions arising from a single request.

**Figure 3: Number of LGOIMA and Privacy requests received by division**



All LGOIMA requests must be answered within the statutory timeframe of 20 working days. 86.8 per cent of requests in the quarter were completed within the statutory timeframe. The percentage of LGOIMAs completed within the statutory timeframe has decreased by 6.4 per cent since the previous quarter, but the numbers are questionable, due to data errors where closed requests were reported as overdue.

**Figure 4: Percentage of requests answered within statutory timeframes – July 2017 to June 2018**

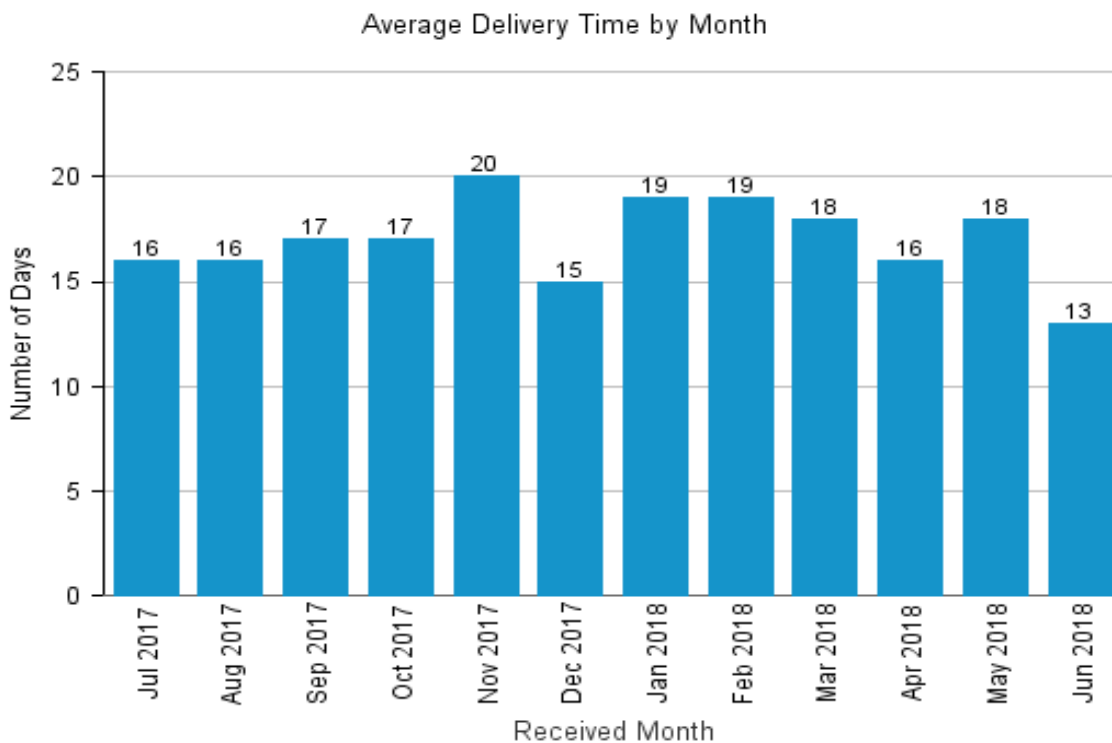


\* Timeliness Performance considers whether the requests closed in the month is within the statutory timeframe.



Figure 5 shows the average number of days to complete requests fluctuating over the last quarter, while still remaining below the statutory maximum of 20 working days. Response timeframes are affected by the number, size and complexity of requests, staff availability and coordination of requests across multiple parts of the organisation.

**Figure 5: Average days to complete requests – July 2017 to June 2018**



\* Average delivery time is based on the difference between the received date and closed date (excluding weekends, public holidays and statutory closed days under LGOIMA)

## Appendix 5 – Customer service information

### Executive summary

Increased complexity and workloads continue to hinder performance across the customer service delivery channels. The Centre of Excellence continues to implement and improve its performance and operating frameworks, with a focus on areas that drive the optimal customer experience. The rejuvenated programme of work is now in its execution phase has started to deliver benefits.

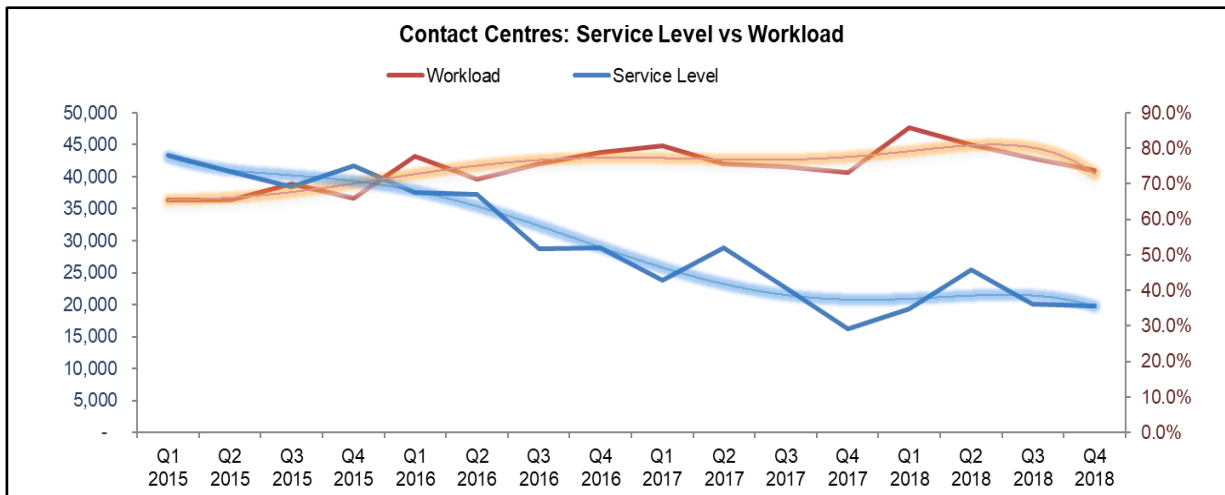
During the fourth quarter of 2018, Customer Services experienced a significant number of external events and internal process changes:

#### *Key Highlights:*

- The weather events in April & June raised a significant amount of customer queries across the three channels. We receive different service requests such as tree damage, power outage and welfare assistance from customers in their time of need.
- Changes across council required resources and training for customer service teams to respond in a timely manner. The enterprise changes include the Papakura food-waste bin roll out, Book and Schedule (Boosch), Enterprise Booking System (EBS), annual dog registrations, and the newly implemented Accommodation Providers Targeted Rate as part of the rates cycle.
- Customer Services are busy planning and delivering Kowhai business improvement initiatives, in collaboration with business partners. These will help improve and simplify business processes as well as reducing repeat interactions across all three channels.
- To counter the high turnover rate for contact and service centres, we partnered with the Solomon Group to provide new recruits for our centres. Another batch of Solomon group recruits have started work, easing resource pressures.
- There are technical (ICT) challenges in the contact centres and written communications groups that are repeating and continuing to impact agreed service level standards. The Unified Communications review, amongst other initiatives, are underway to rectify these issues.

### Contact Centres

Contact Centres – Q4 FY18 - Results and comparisons					
Item	Q4 FY18	Comparison - Last Year (Q4 FY17)			
	Result	Result	Difference	% Difference	
Calls offered	426,581	465,264	-38,683	□	-8%
Calls answered	345,482	367,307	-21,825	□	-6%
Workload (Hours)	40,978	40,608	370	□	1%
Service level (answered within 20secs)	36%	29%	7%	□	22%
Average handle time in minutes	7m 7s	6m 38s	0m 29s	□	7%

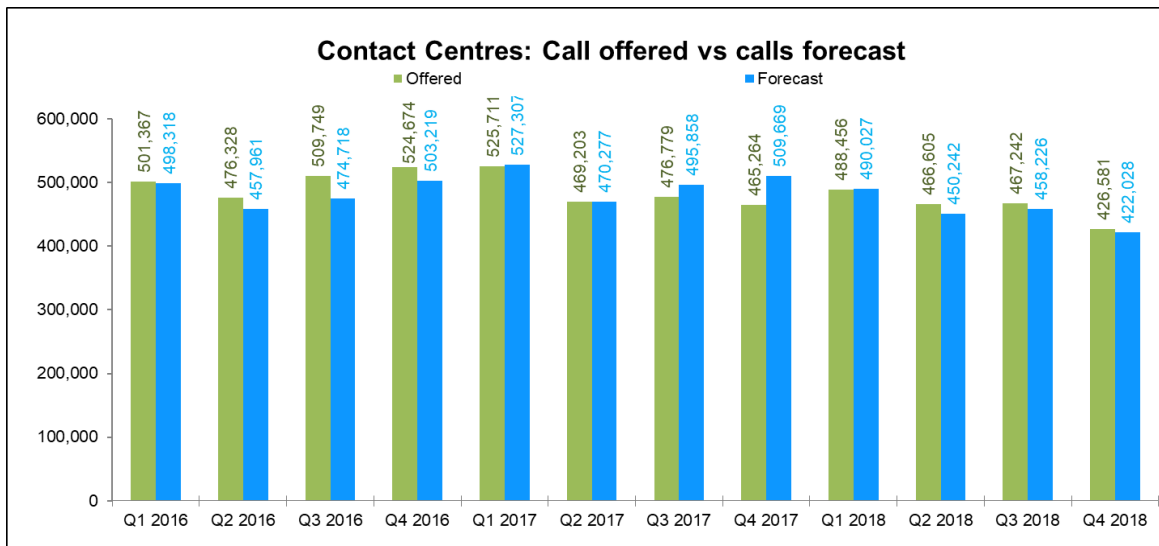
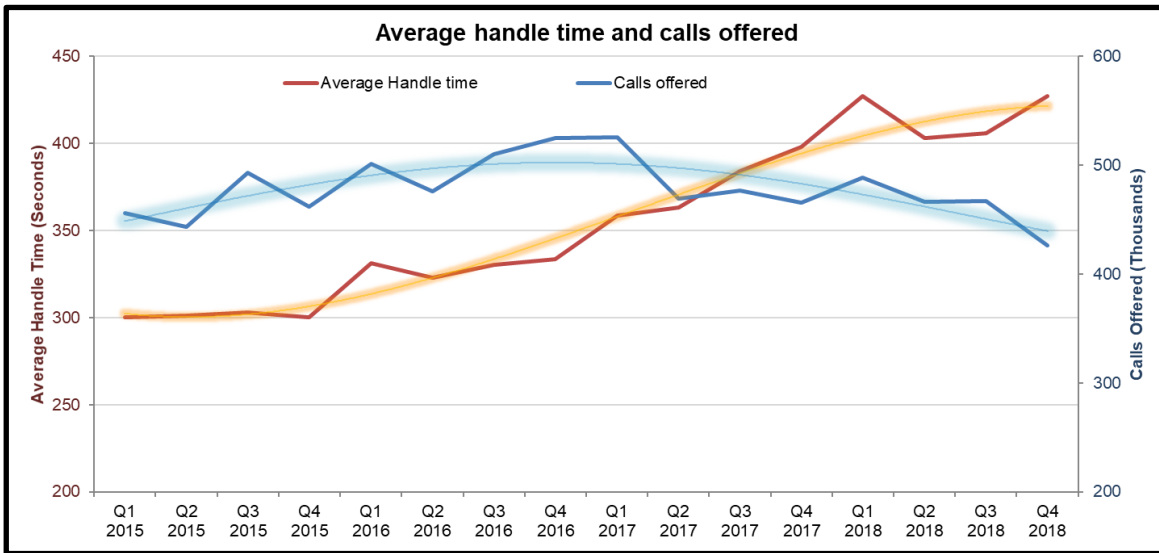


### Commentary

- Call volumes into the contact centre were impacted by a severe weather events in April and June. Calls were relating to flooding and blockages, tree maintenance, traffic signal outages etc. Contractors worked to address urgent health and safety risks first but attended all requests according to priority. A significant number of repeat calls were received due to the time taken to respond to enquiries.
- Transport, Waste and Building Services customers continue to drive the highest call volumes for the contact centre.
- New waste services and processes have driven up our handling times, resulting in higher than average wait time for customers
- Contact Centre encountered technical issues with the launched of Boosch and EBS such as login errors and system performance issues continuing for a number of weeks following go-live.
- CSR training sessions were conducted in preparation for the Regional Parks EBS Go Live, Waste knowledge.
- Contact Centre is focusing on attendance that has resulted in a higher than average attrition rate. New staff are being trained to relieve the pressure on resources.

### New Initiatives this quarter

- Continuous staff and CSR upskilling and cross skilling activities across different business unit to help reduce handle times.
- Focus on staff retention and people development initiatives.
- Developing programs to encourage good performance in CSRs.



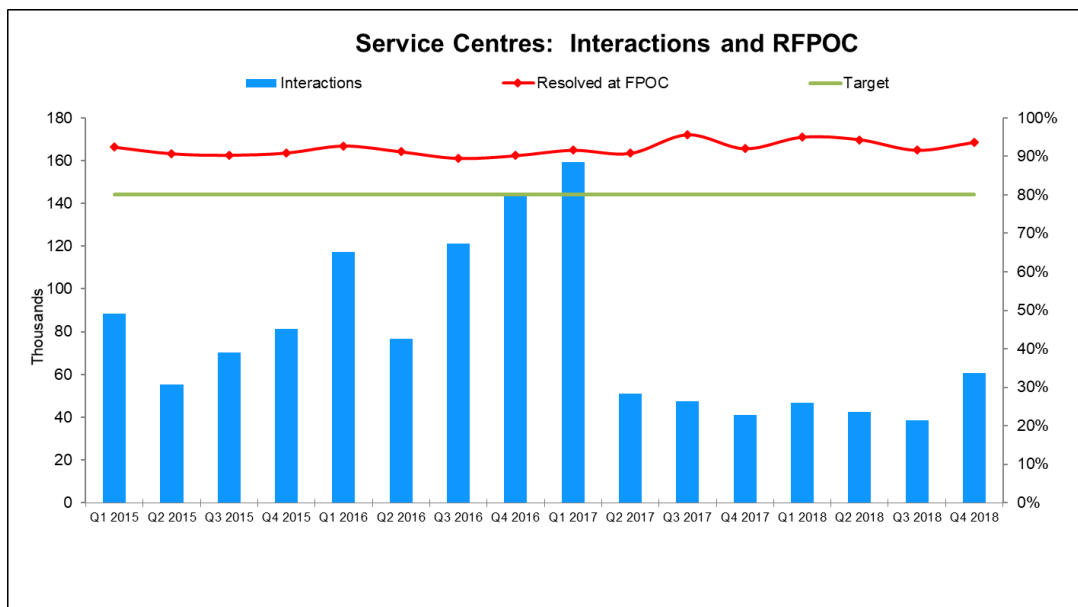
### Service Centres

Service Centres – Q4 FY18 - Results and comparisons					
Item	Q4 FY18		Comparison - Last Year (Q4 FY17)		
	Result	Result	Difference	% Difference	
Volume of interactions	60,549	41,161	19,388	47%	
Resolved at FPOC	93.6%	92%	1.6%	2%	

### Commentary

- The service centre has started using a new interaction tracking tool; 'Tuhi', which simplifies the way of capturing interactions. It is a substantially improved, has user friendly interface and staff have provided very positive feedback. This has lead to a more realistic measure of interactions recorded as the old tool took too long to complete.

- Customer services started providing service from the Graham Street and Waiheke Service centres. A new customer service team has been allocated to Graham Street, containing a mix of existing and new service centre staff.
- Additional service centre staff are being trained to help Written comms respond to customer emails. The support in answering emails continue to be a focus for Service Centres, with the implementation of formal workforce management assisting with the management of this.
- Franklin Family Support Services have moved into Pukekohe Service Centre to take up a 12-month lease and is adding to the vitality of the place.



### Focus areas for this quarter

- Service centres intend to have a specialist support the business with rostering, scheduling and forecasting. There is a robust change management plan in place to ensure quality outcomes.

Once embedded, this is going to provide greater visibility of where the workload is being utilised, enabling better decisions around resource management.

- The ongoing support for the written communications team remains a focus with more resources being trained over the next quarter.
- The team is planning to facilitate training on Regulatory Services core functions to allow for response to customer queries immediately and resolve more at first point of contact.

### Written communications

Written Communications – Q4 FY18 - Results and comparisons				
Item	Q4 FY18		Comparison - Last Year (Q4 FY17)	
	Result	Result	Difference	% Difference
Inbound emails	49,964	45,785	4,179	9%
Grade of service	28.3%	20%	8.3%	42%

## Commentary

- Service level is steadily increasing as an outcome of additional resources being added to the team and support from the Service Centres. Having high priority routing has also contributed to an improvement in response times and ensuring SLAs are met.
- Following several workshops and liaison with the digital team, a scoping document for the improvement of the Contact us journey and web forms is to be completed soon.
- Written Comms were finalists for two of the Digital Innovation Awards - "Team work - customer services on social media" and "Best customer experience - solicitor requests". The team won the teamwork award and the judges specifically called out the constant improvement and ongoing collaboration of the team.

## Focus areas for this quarter

- We are reviewing workforce management of the Written Comms staff to ensure enough people are allocated to the queues to match the inbound workload.
- From 1 July, Service Centre staff who currently support us, will be rostered a full day on exclusive email response. This should increase productivity, as they are not interrupted by other tasks.
- We are also reviewing key words in emails considered to be high priority, so complex emails can be allocated effectively.
- We are working with a number of large customer groups (Housing NZ, Business Improvement Districts) to improve the quality of service they receive, and align our service levels to match their business requirements.

## Complaints and Issues Management

Complaints (Formal) – Q4 FY18 - Results and comparisons					
Item	Q4 FY18	Comparison - Last Year (Q4 FY17)			
	Result	Result	Difference	% Difference	
Volume completed	1,423	1,468	-45	□	-3%
Average days open	11.6	12.7	-1.1	□	-9%

## Commentary

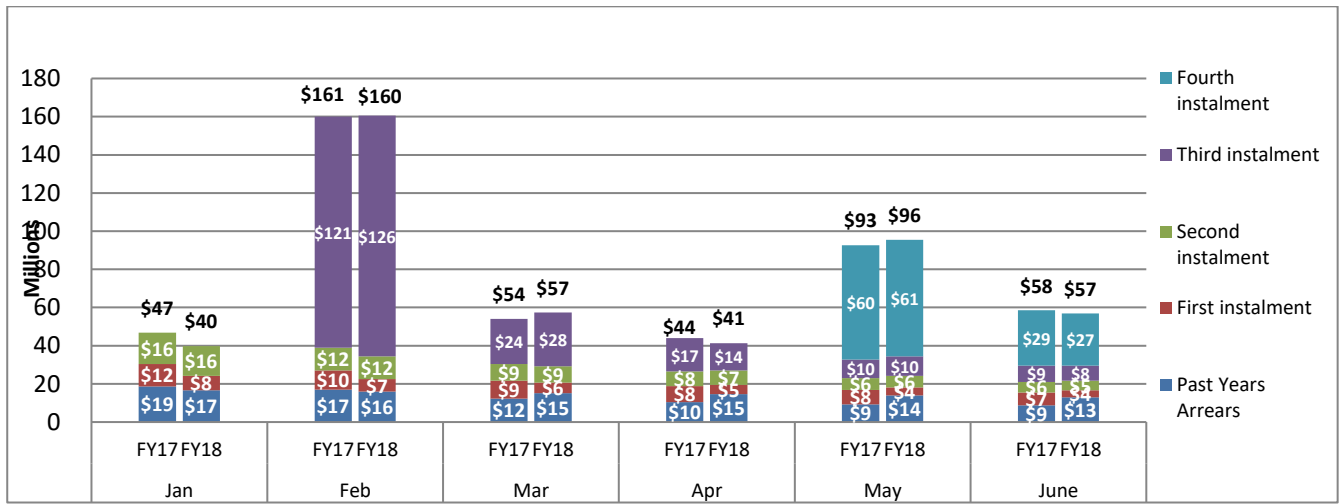
- The continued rollout of information and training modules provides strategies for the business when dealing with difficult or unreasonable customer behaviour. This initiative was formed out of a need to save time and resource which is currently being spent on escalations and ongoing issues which could have been resolved a lot sooner.
- To improve our reporting capabilities and to measure if we have successfully resolved complaints, we are working on a new policy which will encompass a review process for all formal complaints. We anticipate this change will bring about more focus on quality and enhancing the customer experience. As a result, we expect to see improvements in the 'average working days open' and 'complaints received' measures.

# Appendix 6 – Debtor information

For the quarter ended 30<sup>th</sup> June 2018, the total outstanding Gross debtors balance is \$156m. Rates debt makes up 37% (\$57m) of this balance and the remaining 63% (\$99m) relates to non-rates debt.

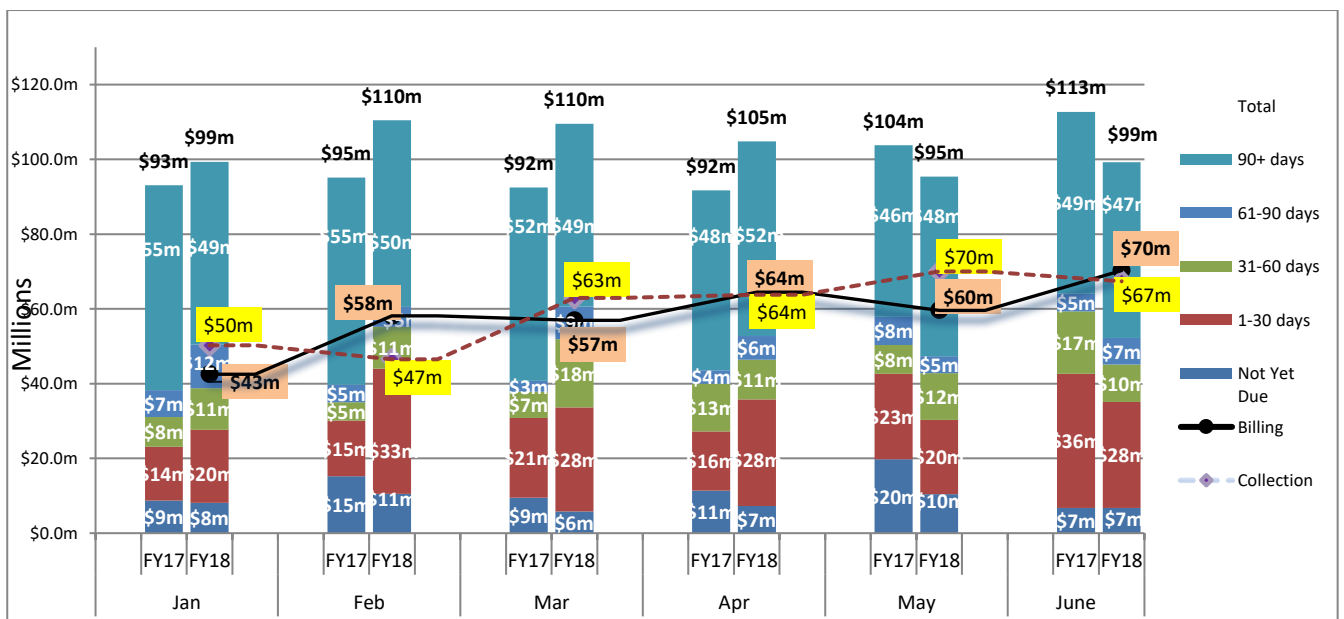
## Rates Debt

Rates debt is \$57m and comprises of \$13m prior years' rates arrears, \$4m for first instalment, \$5m for second instalment, \$8m for third instalment and \$27m for the third instalment.

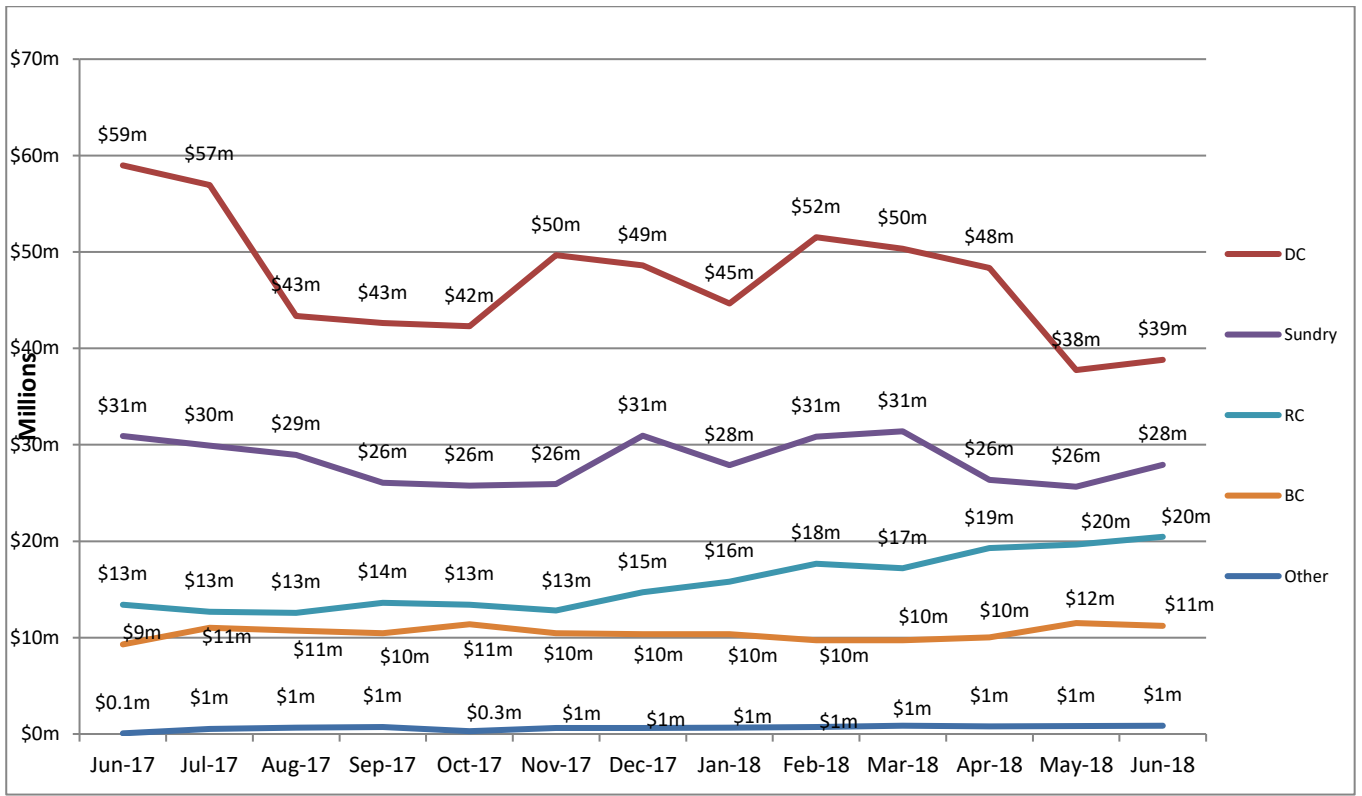


## Non Rates – AC Debt type

Non-Rates gross debt ageing buckets show a total \$99m as at 30<sup>th</sup> June, of this \$47m is 90+ day debt. The remainder is spread across not yet due (\$7m), 1-30 day (\$28m), 31-60 day (\$10m), and 61-90 day (\$7m).

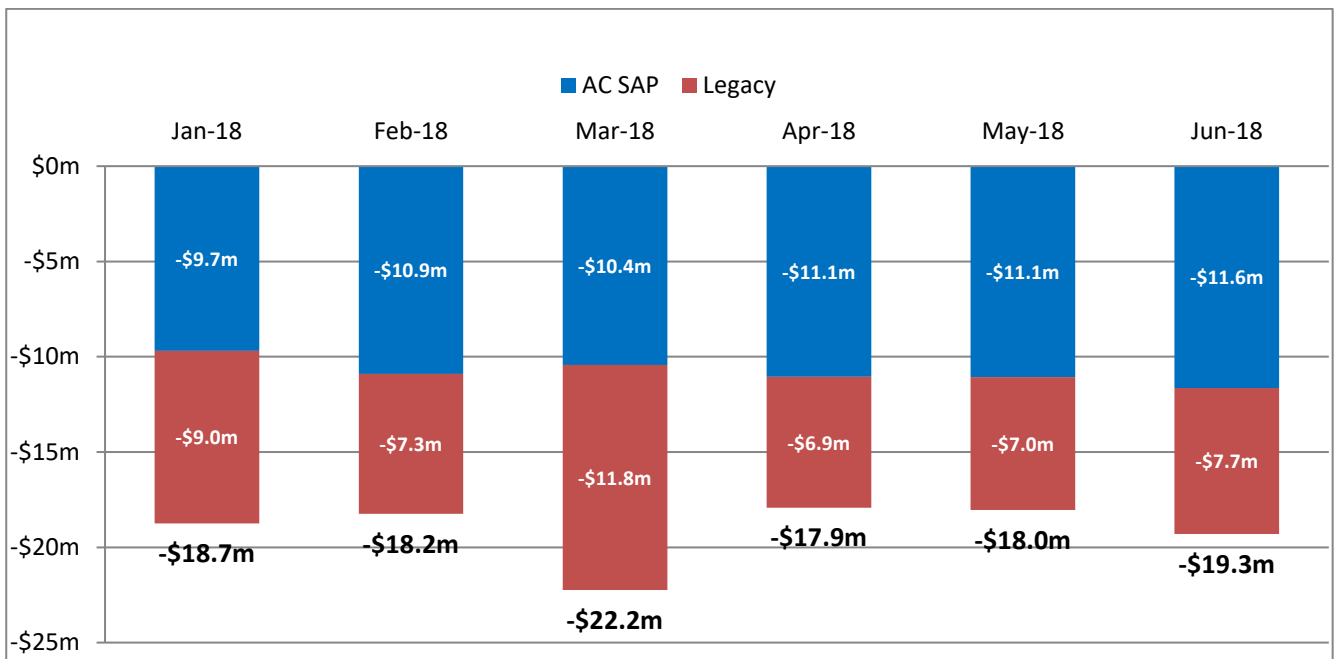


Non-rates gross debt breakdown by debt type comprises of Development Contributions of \$39m (39%), Sundry of \$28m (28%), Resource and Building Consents accounts for \$31m (31%) Contribution.



### Unallocated Credits

Unallocated credits sit across 9 legacy systems making up \$7.7m; the remainder are unallocated credits in AC SAP of \$11.6m. A special project has commenced in July 2017 with the aim of reducing unallocated credits across legacy systems and AC SAP, either allocating the credits to invoices or returning the funds to customers. From the month of Sep17 the totals of 'Third Party Payments' has been excluded from AC SAP total.



Note: Reporting for unallocated credits commenced June 2017. From the month of Sep 17 the totals of 'Third Party payments' has been excluded from AC SAP total.



## Appendix 7 – Capital projects over \$5 million

**This capital project report only includes current projects that have a Life Total budget of over \$5 million.**

1. Projects are briefly described, including what stage the project is at in its lifecycle, whether the projects are currently under or over budget, and expected completion dates.
2. Staff will keep the capital project report updated, and report this to the Strategic Procurement Committee on a quarterly basis.
3. The FY18 budget for the 52 (over \$5 million) projects included in the report totals \$131,704.92
4. As part of the council project management process, all capital projects are updated monthly using the council's Sentient project management system. The up to date project details are then used to compile the quarterly update on projects over \$5m that is subsequently presented to the Strategic Procurement Committee.
5. The details included in the report which is attached to the confidential report are as follows:
  - Project ID and Project Name
  - Portfolio Department (e.g. Healthy Waters, Community Facilities, etc.)
  - Local Board Area
  - Current project phase of the project (e.g. concept, planning, execution & delivery, etc.)
  - Estimated start and finish dates
  - CPI calculation (Cost Performance Index compares actual project spend to how much would be expected to be spent this far into the project)
  - % of project completion
  - Total project budget – all years
  - Total project actuals – all years
  - Total project budget – FY18
  - Total project actuals – FY18
  - Total project variance (Actuals – Budget) – FY18 (A negative figure is an underspend)
  - Project Manager Commentary
  - Local Board Commentary
6. The report has a traffic light system which is detailed below:
  - Green – the spend on this project is in line with how far through the project the project manager believes we are.
  - Amber – the spend on this project is slightly ahead of how far through the project the project manager believes we are.

- Red – the spend on this project is significantly ahead of how far through the project the project manager believes we are.
7. The reports are compiled by the council's Strategic Portfolio and Programme Office (SPPO).