I hereby give notice that an ordinary meeting of the Governing Body will be held on:

**Date:** Thursday, 27 June 2019  
**Time:** 9.30am  
**Meeting Room:** Reception Lounge  
**Venue:** Auckland Town Hall  
301-305 Queen Street  
Auckland

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**Tira Kāwana / Governing Body**  
**OPEN AGENDA**

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**MEMBERSHIP**

- **Mayor**: Hon Phil Goff, CNZM, JP  
- **Deputy Mayor**: Deputy Mayor Cr Bill Cashmore  
- **Councillors**:  
  - Cr Josephine Bartley  
  - Cr Dr Cathy Casey  
  - Cr Ross Clow  
  - Cr Fa’anana Efeso Collins  
  - Cr Linda Cooper, JP  
  - Cr Chris Darby  
  - Cr Alf Filipaina  
  - Cr Hon Christine Fletcher, QSO  
  - Cr Richard Hills  
  - Cr Penny Hulse  
  - Cr Mike Lee  
  - Cr Daniel Newman, JP  
  - Cr Greg Sayers  
  - Cr Desley Simpson, JP  
  - Cr Sharon Stewart, QSM  
  - Cr Sir John Walker, KNZM, CBE  
  - Cr Wayne Walker  
  - Cr John Watson  
  - Cr Paul Young

(Quorum 11 members)

---

Sarndra O’Toole  
Team Leader Governance Advisors

24 June 2019

Contact Telephone: (09) 890 8152  
Email: sarndra.otoole@aucklandcouncil.govt.nz  
Website: www.aucklandcouncil.govt.nz

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**Note:** The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.
Terms of Reference

Those powers which cannot legally be delegated:

(a) the power to make a rate
(b) the power to make a bylaw
(c) the power to borrow money, or purchase or dispose of assets, other than in accordance with the long term plan
(d) the power to adopt a long term plan, annual plan, or annual report
(e) the power to appoint a chief executive
(f) the power to adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the long-term plan or developed for the purpose of the local governance statement
(g) the power to adopt a remuneration and employment policy.

Additional responsibilities retained by the Governing Body:

(a) approval of long-term plan or annual plan consultation documents, supporting information and consultation process prior to consultation
(b) approval of a draft bylaw prior to consultation
(c) resolutions required to be made by a local authority under the Local Electoral Act 2001, including the appointment of electoral officer
(d) adoption of, and amendment to, the Committee Terms of Reference, Standing Orders and Code of Conduct
(e) relationships with the Independent Māori Statutory Board, including the funding agreement and appointments to committees
(f) approval of the Unitary Plan
(g) overview of the implementation and refresh of the Auckland Plan through setting direction on key strategic projects (e.g. the City Rail Link and the alternative funding mechanisms for transport) and receiving regular reporting on the overall achievement of Auckland Plan priorities and performance measures.
Exclusion of the public – who needs to leave the meeting

Members of the public

All members of the public must leave the meeting when the public are excluded unless a resolution is passed permitting a person to remain because their knowledge will assist the meeting.

Those who are not members of the public

General principles

- Access to confidential information is managed on a “need to know” basis where access to the information is required in order for a person to perform their role.
- Those who are not members of the meeting (see list below) must leave unless it is necessary for them to remain and hear the debate in order to perform their role.
- Those who need to be present for one confidential item can remain only for that item and must leave the room for any other confidential items.
- In any case of doubt, the ruling of the chairperson is final.

Members of the meeting

- The members of the meeting remain (all Governing Body members if the meeting is a Governing Body meeting; all members of the committee if the meeting is a committee meeting).
- However, standing orders require that a councillor who has a pecuniary conflict of interest leave the room.
- All councillors have the right to attend any meeting of a committee and councillors who are not members of a committee may remain, subject to any limitations in standing orders.

Independent Māori Statutory Board

- Members of the Independent Māori Statutory Board who are appointed members of the committee remain.
- Independent Māori Statutory Board members and staff remain if this is necessary in order for them to perform their role.

Staff

- All staff supporting the meeting (administrative, senior management) remain.
- Other staff who need to because of their role may remain.

Local Board members

- Local Board members who need to hear the matter being discussed in order to perform their role may remain. This will usually be if the matter affects, or is relevant to, a particular Local Board area.

Council Controlled Organisations

- Representatives of a Council Controlled Organisation can remain only if required to for discussion of a matter relevant to the Council Controlled Organisation.
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<td>Apologies</td>
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<td>3</td>
<td>Declaration of Interest</td>
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<td>Recommendation from Appointments, Performance Review and Value for Money Committee - Value for Money Finance Review</td>
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<td>Summary of Governing Body information memorandum and briefings - 27 June 2019 including the Forward Work Programme</td>
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**PUBLIC EXCLUDED**

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<td>Procedural Motion to Exclude the Public</td>
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<td>C1</td>
<td>City Rail Link Limited Shareholder approval of major transaction</td>
<td>125</td>
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</table>
1 **Affirmation**

His Worship the Mayor will read the affirmation.

2 **Apologies**

An apology from Cr D Simpson has been received.

3 **Declaration of Interest**

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

4 **Confirmation of Minutes**

That the Governing Body:

a) confirm the ordinary minutes of its meeting, held on Thursday, 30 May 2019, including the confidential section and the extraordinary minutes of its meeting, held on Thursday, 20 June 2019, as a true and correct record.

5 **Petitions**

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

6 **Public Input**

Standing Order 7.7 provides for Public Input. Applications to speak must be made to the Governance Advisor, in writing, no later than one (1) clear working day prior to the meeting and must include the subject matter. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders. A maximum of thirty (30) minutes is allocated to the period for public input with five (5) minutes speaking time for each speaker.

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

7 **Local Board Input**

Standing Order 6.2 provides for Local Board Input. The Chairperson (or nominee of that Chairperson) is entitled to speak for up to five (5) minutes during this time. The Chairperson of the Local Board (or nominee of that Chairperson) shall wherever practical, give one (1) day’s notice of their wish to speak. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders.

This right is in addition to the right under Standing Order 6.1 to speak to matters on the agenda.

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

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

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

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

(b) The presiding member explains at the meeting, at a time when it is open to the public,-

(i) The reason why the item is not on the agenda; and

(ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting.”

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

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

(a) That item may be discussed at that meeting if-

(i) That item is a minor matter relating to the general business of the local authority; and

(ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but

(b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”
Te take mō te pūrongo
Purpose of the report
1. To consider the recommendation from the Appointments, Performance Review and Value for Money Committee regarding the Finance Value for Money Review 2019 report.

Whakarāpopototanga matua
Executive summary
2. At its meeting on 6 June 2019, the Appointments, Performance Review and Value for Money Committee resolved as follows:
   “Resolution number APP/2019/36
   a) receive the Finance Value for Money Review 2019 report
   b) agree to recommend to the Governing Body that the council’s chief executive collaborates with the chief executives of the council-controlled organisations to:
      i) develop and implement a shared services strategy and operating model for all back-office services including:
         A) key guiding principles
         B) the appropriate operating model to deliver efficient and effective shared services
         C) establishing the appropriate shared service governance structure and decision-making principles with appropriate sponsorship and representation from all Group organisations
         D) establishing a mandate to use in future Council Controlled Organisations Statements of Intent and in council policies
         E) assess the potential future efficiency and productivity benefits that increased use of robotics and AI and how the Group may collectively leverage these benefits
      ii) design and implement a strategy for the management of Group financial information:
         A) determining the key information that is required in the Group plan to report cycle, for each Long-term Plan as part of a three-year planning calendar
         B) including principles for how the information is collected, accessed and used
         C) establishing appropriate data governance and controls
         D) develop a business case for implementing the strategy including the selection of appropriate technology solutions and roadmap for future improvements
         E) determine the appropriate analytical tools for self-service capability for staff
iii) simplify planning and reporting process by:
   A) introducing a new planning and reporting framework aligned to Long-term Plan, annual budgeting and planning cycles and corporate strategy
   B) ensuring all business performance reporting is driven on an exception basis by eliminating duplicated reporting effort
   C) moving corporate reporting requirements to quarterly and on an exception basis
   D) creating an embedded, enterprise wide Commercial and Finance team servicing the business through a single channel
   E) simplifying the chart of accounts and controls around future changes.”

Ngā tūtohunga
Recommendation/s

That the Governing Body:

a) request that council’s chief executive collaborate with the chief executives of the council-controlled organisations to:
   i) develop and implement a shared services strategy and operating model for all back-office services including:
      A) key guiding principles
      B) the appropriate operating model to deliver efficient and effective shared services
      C) establishing the appropriate shared service governance structure and decision-making principles with appropriate sponsorship and representation from all Group organisations
      D) establishing a mandate to use in future Council Controlled Organisations Statements of Intent and in council policies
      E) assess the potential future efficiency and productivity benefits that increased use of robotics and AI and how the Group may collectively leverage these benefits
   ii) design and implement a strategy for the management of Group financial information:
      A) determining the key information that is required in the Group plan to report cycle, for each Long-term Plan as part of a three-year planning calendar
      B) including principles for how the information is collected, accessed and used
      C) establishing appropriate data governance and controls
      D) develop a business case for implementing the strategy including the selection of appropriate technology solutions and roadmap for future improvements
      E) determine the appropriate analytical tools for self-service capability for staff
iii) simplify planning and reporting process by:

A) introducing a new planning and reporting framework aligned to Long-term Plan, annual budgeting and planning cycles and corporate strategy

B) ensuring all business performance reporting is driven on an exception basis by eliminating duplicated reporting effort

C) moving corporate reporting requirements to quarterly and on an exception basis

D) creating an embedded, enterprise wide Commercial and Finance team servicing the business through a single channel

E) simplifying the chart of accounts and controls around future changes.

**Ngā tāpirihanga**

**Attachments**

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<td>Original report to the Appointments, Performance Review and Value for Money Committee 6 June 2019 - Value for Money Finance Review</td>
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**Ngā kaihaina**

**Signatories**

<table>
<thead>
<tr>
<th>Author</th>
<th>Sarandra O'Toole - Team Leader Governance Advisors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authoriser</td>
<td>Stephen Town - Chief Executive</td>
</tr>
</tbody>
</table>
Value for Money Finance Review

File No.: CP2019/03618

Te take mō te pūrongo

Purpose of the report

1. To provide an overview of the findings and recommendations contained in the value for money (s17A) review report of Group Financial Services (Finance).
2. To seek endorsement for the completed report (contained in Attachment A), to be recommended to the Governing Body for approval.

Whakarāpopototanga matua

Executive summary

3. Finance is the latest review to be completed by the Value for Money Programme.
4. In each review the first step is identifying the key strategic opportunities to improve value for money. The recommendations contained in this report are at a conceptual stage. They require management review and detailed investigation, including business case development and consultation on potential plans, options, process changes and associated decisions.
5. The review of Finance found:
   - Finance has delivered on key investment challenges
   - borrowing is within prudent levels
   - capital delivery is key to Long-term Plan (LTP) objectives
   - costs are reasonable compared to benchmarks but there are efficiency opportunities
   - good examples of shared services are operating but more potential exists
   - Finance has a number of roles and overall is effective
   - new technologies are starting to be used to automate repeatable transactions, with further opportunities identified
   - Group Finance is a mature function but needs to be ready for future challenges.
6. The review of Finance recommends that the chief executive of Auckland Council collaborate with the chief executives of the council-controlled organisations (CCOs) to:
   - develop a shared services strategy and operating model for all back-office services
   - design and implement a strategy for the management of Group financial information
   - simplify the planning and reporting process.
7. All recommendations provide efficiency opportunities. Simplifying the planning and reporting process has been estimated to provide a saving of $18 million over the next ten years. Work has commenced on implementing this recommendation and some savings have already been made.
Ngā tūtohunga

Recommendation/s

That the Appointments, Performance Review and Value for Money Committee:

a) receive the Finance Value for Money Review 2019 report

b) agree to recommend to the Governing Body that the council’s chief executive collaborates with the chief executives of the council-controlled organisations to:

i) develop and implement a shared services strategy and operating model for all back-office services including:
   A) key guiding principles
   B) the appropriate operating model to deliver efficient and effective shared services
   C) establishing the appropriate shared service governance structure and decision-making principles with appropriate sponsorship and representation from all Group organisations
   D) establishing a mandate to use in future Council Controlled Organisations Statements of Intent and in council policies
   E) assess the potential future efficiency and productivity benefits that increased use of robotics and AI and how the Group may collectively leverage these benefits

ii) design and implement a strategy for the management of Group financial information:
   A) determining the key information that is required in the Group plan to report cycle, for each Long-term Plan as part of a three-year planning calendar
   B) including principles for how the information is collected, accessed and used
   C) establishing appropriate data governance and controls
   D) develop a business case for implementing the strategy including the selection of appropriate technology solutions and roadmap for future improvements
   E) determine the appropriate analytical tools for self-service capability for staff

iii) simplify planning and reporting process by:
   A) introducing a new planning and reporting framework aligned to Long-term Plan, annual budgeting and planning cycles and corporate strategy
   B) ensuring all business performance reporting is driven on an exception basis by eliminating duplicated reporting effort
   C) moving corporate reporting requirements to quarterly and on an exception basis
   D) creating an embedded, enterprise wide Commercial and Finance team servicing the business through a single channel
   E) simplifying the chart of accounts and controls around future changes.
Horopaki
Context
8. In March 2017 the Finance and Performance Committee endorsed a value for money programme for the Auckland Council group (resolution number FIN/2017/23).
9. In March 2018 the Governing Body approved the terms of reference for the Appointments, Performance Review and Value for Money Committee. This incorporated the oversight for the value for money programme required by section 17A of the Local Government Act 2002 (resolution number GB/2018/57).
10. The report (Attachment A) is the latest output from the value for money programme, which delivers on the requirements of the Act, to review the cost-effectiveness (or value) of current arrangements for delivering local infrastructure, local public services and regulatory functions.
11. Each review is the first step in identifying the key strategic opportunities to improve value for money. The recommendations contained in each report are at a conceptual stage. They require management review and detailed investigation, including feasibility studies, business case development and consultation on potential plans, options, process changes and associated decisions.
12. The value for money review uses a well-established strategic and evidence-based approach. It draws on published reports, council data, interviews and engagement with management and CCOs. Each report contains an overview of the review methodology.
13. The report is reviewed by the Independent Reference Panel and council management. CCOs were consulted as part of the review leading to this report.
14. A focused summary of the review has been developed which is attached (Attachment B) together with the full review report.

Tātaritanga me ngā tohutohu
Analysis and advice
15. Finance is part of the organisational support group of activities.
16. Finance is responsible for developing and implementing a long term sustainable financial strategy for the Group. Finance advises on the optimal way to invest in Auckland’s infrastructure while managing debt levels and maintaining confidence that financial management is robust.
17. Finance also manage council’s monies. This includes money received from ratepayers and customers, the money paid to staff and suppliers and maintaining controls so that only appropriate transactions are made. Finance is centred around the management of money.
18. Finance provides information both to meet statutory requirements but also to support council decision making.
19. All recommendations provide efficiency opportunities. Simplifying the planning and reporting process has been estimated to provide a saving of $18 million over the next ten years. Work has commenced on implementing this recommendation and some savings have already been made.
20. A summary of the key findings of the review:

<table>
<thead>
<tr>
<th>Finance has delivered on key investment challenges</th>
<th>Borrowing is within prudent levels</th>
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<tbody>
<tr>
<td>• Financial objectives of LTP achieved</td>
<td>• AA credit rating maintained</td>
</tr>
<tr>
<td>• Clear financial strategy to move to a</td>
<td>• Effective risk management</td>
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<td>sustainable financial position</td>
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Value for Money Finance Review
Attachment A

Item 8

Capital delivery key to LTP objectives
- Step change in capital expenditure and associated borrowing
- Greater role for finance to support capital forecasting

Costs are reasonable compared to benchmarks but there are efficiency opportunities
- 1 percent of operating cost is spent on Finance which is higher than public sector benchmarks but local government has additional compliance requirements
- Efficiency opportunities exist at Auckland Council to improve the plan to report processes

Good examples of shared services operating but more potential
- Shared services are successfully used, Auckland Council provides treasury across the Group and they also provide transactional Finance services to RFA, Panuku and ATEED
- The Mayor has requested a shared services strategy for the Group. The business case for further shared service opportunities should be for all back-office services (not just Finance)

Finance has a number of roles. Overall is effective
- Finance performs well across its varied roles: strategy – planning and policy advisor; catalyst for change; steward of public money; financial operator
- No significant internal control issues identified by auditors

New technologies are being used to automate repeatable transactions
- Finance teams have started to implement robotic process automation to reduce cost and errors. Further opportunities exist
- Finance also manage changing accounting and tax requirements

Ngā whakaaweawe me ngā tirohanga a te rōpu Kaunihera Council group impacts and views
21. The review considered all substantive organisations in the group who have been consulted with in the development of the final review report.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe Local impacts and local board views
22. The decision to endorse this report has no direct implications for local boards.

Tauākī whakaaweawe Māori Māori impact statement
23. The decision to endorse this report has no direct implications for Māori.

Ngā ritenga ā-pūtea Financial implications
24. Any financial implications arising from the implementation of these review reports will be determined when implementation plans are developed and reported back to this committee.
Recommendation from Appointments, Performance Review and Value for Money Committee
06 June 2019

**Ngā raru tūpono me ngā whakamaurutanga**

**Risks and mitigations**

25. The primary risks arising from these recommendations are regarding their implementation which will be addressed through implementation plans and where required business cases.

**Ngā koringa ā-muri**

**Next steps**

26. Should the report and their recommendations be endorsed then the next step will be for the reports to be tabled with the Governing Body for adoption.

**Ngā tāpirihanga**

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<td>Group Financial Services value for money review report</td>
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<td>B1</td>
<td>Finance value for money review summary</td>
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**Ngā kaihina**

**Signatories**

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<tr>
<th>Author</th>
<th>Ross Chirnsides – Programme Lead – Value For Money</th>
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<tr>
<td>Authorisers</td>
<td>Kevin Ramsay - General Manager Corporate Finance and Property</td>
</tr>
<tr>
<td></td>
<td>Matthew Walker - Group Chief Financial Officer</td>
</tr>
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<td></td>
<td>Phil Wilson - Governance Director</td>
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Item 9
Recommendation from Appointments, Performance Review and Value for Money Committee - Value for Money Finance Review
# Attachment A

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<td>Challenges and issues</td>
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</table>
Executive Summary – key findings

- Finance has delivered on key investment challenges.
- Borrowing is within prudent levels, core to financial strategy.
- Capital project delivery key to meeting LTP objectives.

Recommendation from Appointments, Performance Review and Value for Money Committee - Value for Money Finance Review
Executive Summary – key findings

- The Group spends $43m on Finance which represents 3% of the Group operating cost. This is above public sector Finance benchmarks of 0.8%. Local Government has more financial compliance requirements (public consultation, development contributions, treasury, bond market listing rules, specific audit requirements) than Government and Auckland Council with the Group structure adds further complexity.
- Auckland Transport and Watercare Finance costs are at or below the benchmark, ATEDD, Panuku and RFA are slightly higher than benchmark and have relatively small Finance expenditure reflecting the size of their organisations.
- Finance costs has increased over the last 5 years in Auckland Council with the increase in reporting and insight to improve performance. Some of the increase is due to consolidating staff into the Finance division which were previously in non-Finance departments. The cost of processing transactions has decreased.

- Finance teams collaborate well across the Group. There is an established CFO forum and another for financial managers who meet regularly to discuss items of common interest.
- Shared services are successfully used. Auckland Council provides treasury, tax and technical accounting across the Group and they also provide transactional Finance services to RFA, Panuku and ATEDD. Auckland Transport and Watercare has their own transactional Finance teams.
- Duplication also exists. Some of this is necessary duplication reflecting the strategic importance and complexity of Finance to each organization. Some duplication may be able to be removed with further shared services.
- As part of the LTP the Mayor requested a shared services strategy for the Group and this should be progressed. The business case for further shared service opportunities should be tested against the significant benefits that robotic process automation provides without structural change.
Executive Summary

Financing has a number of roles: Overall financial is effective.

- New technologies being used to reduce costs and improve efficiency.
- The Group's finance function needs to make sure it is ready for future challenges.

Attachment A

Item 8

Item 9
Recommendations to Appointments, Performance Review and Value for Money Committee

It is recommended that the council's chief executive collaborate with the chief executives of the CCOs to:

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Proposed Changes</th>
<th>Benefits</th>
</tr>
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</table>
| 1. Shared services strategy for all back office services | • Building on current services to develop a shared services strategy and operating model including:  
  • Key guiding principles  
    • the appropriate operating model to deliver efficient and effective shared services  
  • Establish the appropriate shared service governance structure and decision-making principles with appropriate sponsorship and representation from all Group organisations  
  • Establish a mandate to use in future CCO Statements of Intent and in council policies  
  • Assess the potential future efficiency and productivity benefits that increased use of robotics and AI and how the Group may collective leverage these benefits | • An agreed strategy and operating principles around how the Group will collaborate to improve efficiency and effectiveness  
• Opportunities to reduce cost of organisational support services through removing duplication, productivity improvements and scale efficiencies  
• Opportunity to create knowledge based centres of expertise allowing the Group to insource more activity  
• A framework to expand shared services to other local government organisations |
| 2. Group Financial Information strategy | • Design and implement a strategy for the management of Group financial information:  
  • determining the key information that is required in the Group plan to report cycle, for each LTP as part of a three-year planning calendar  
  • principles for how the information is collected, accessed and used  
  • establishing appropriate data governance and controls  
  • Develop a business case for implementing the strategy including the selection of appropriate technology solutions and roadmap for future improvements  
  • Determine the appropriate analytical tools for self-service capability for staff | • A single source of truth for all information required for the long-term plans, annual plans, financial policies and annual report  
• Reduce the number of requests to provide the same information by multiple people, generally from Auckland Council to CCOs  
• Increased efficiency in the Finance teams across the Group  
• Clarity in the definitions of data resulting in consistency of reporting  
• Improved data quality  
• Improved quality of information to support decision-making |
Recommendations to Appointments, Performance Review and Value for Money Committee (cont.)

It is recommended that the council's chief executive collaborate with the chief executives of the CCOs to:

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<thead>
<tr>
<th>Recommendation</th>
<th>Proposed Changes</th>
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<tr>
<td>3. Simplify planning and reporting process</td>
<td>Introducing a new planning and reporting framework aligned to LTP, annual budgeting and planning cycles and corporate strategy</td>
<td>Reduced, standardised and simplified corporate reporting demands decreasing the effort across the organisation</td>
</tr>
<tr>
<td></td>
<td>All business performance reporting driven on an exception basis by eliminating duplicated reporting effort</td>
<td>Finance activity focussed on value adding activities improving customer experience and service delivery</td>
</tr>
<tr>
<td></td>
<td>Corporate reporting requirements move to quarterly and on an exception basis</td>
<td>Improved alignment of business planning with budgets/forecasts with carry overs, phasing and detailed budget changes eliminated</td>
</tr>
<tr>
<td></td>
<td>Creating an embedded, enterprise wide Commercial &amp; Finance team reporting servicing the business through a single channel</td>
<td>Improved quality of service delivery by creation of clear accountability and channels of engagement for customers</td>
</tr>
<tr>
<td></td>
<td>Simplifying the chart of accounts and controls around future changes</td>
<td></td>
</tr>
</tbody>
</table>
Summary of potential value and dependencies

<table>
<thead>
<tr>
<th>Value propositions</th>
<th>NPV (10 years) $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Group shared services strategy</td>
<td>&lt;= not estimated</td>
</tr>
<tr>
<td>2 Group financial information strategy</td>
<td>&lt;= not estimated</td>
</tr>
<tr>
<td>3 Simplify planning and reporting (Auckland Council focus)</td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td>18</td>
</tr>
</tbody>
</table>

Note:
- The financial estimates are cash releasing benefits. That means the Group will improve its cash flow from implementing the opportunity.
- Estimates are indicative of the order-of-magnitude of the opportunity, drawing on assumptions from the literature and experiences in other places. Their purpose is to establish the case for progressing options and associated business cases. In some cases, the evidence is strong; in others, the basis for assumptions is speculative.
### Value was assessed by considering these key questions

<table>
<thead>
<tr>
<th>Key question</th>
<th>Confidence that VFM achieved and planned</th>
<th>VFM review conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What has been the benefits from consolidating Financial Services from amalgamation, and key initiatives since then?</td>
<td>☑️</td>
<td>• Significant progress has been made in standardising Finance processes and controls from amalgamation</td>
</tr>
<tr>
<td>2. Cost: is the cost of Finance reasonable compared to benchmarks?</td>
<td>☑️</td>
<td>• Compared to benchmarks and reflecting the scale and complexity of the Group Finance, in general, is cost-efficient</td>
</tr>
<tr>
<td>3. Cost: does the Group coordinate and co-operate on Finance solutions to minimise duplication, reduce cost, and improve effectiveness?</td>
<td>☑️</td>
<td>• Good collaboration across the Group with established forum's</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Shared services exist across Finance with Treasury (all COOs) and some transactional services provided</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Shared services strategy needed to determine if further opportunities (finance technology)</td>
</tr>
<tr>
<td>4. Effectiveness: is Finance delivering its services to the desired performance standards?</td>
<td>☑️</td>
<td>• How about: Finance is generally effective across its varied roles - strategist, catalyst, steward and operator.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• There are no material internal control issues highlighted by the Auditor-General</td>
</tr>
<tr>
<td>5. Effectiveness: is Finance's customers and stakeholders satisfied with the financial services?</td>
<td>☑️</td>
<td>• Where measure of satisfaction is generally good</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Lower levels are recorded for the Commercial and Finance team (part of Auckland Council operations). We are advised the survey followed a re-organisation of the team</td>
</tr>
<tr>
<td>6. Funding: does Finance enable the Group to effectively manage its funding and financing, i.e. rates, revenue, user-pays, debt and alternative sources?</td>
<td>☑️</td>
<td>• The Group is expanding the range of funding mechanisms to reduce the burden on ratepayers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• A treasury shared service operates and AA credit rating has been maintained reflecting prudent financial management</td>
</tr>
<tr>
<td>7. Ongoing effectiveness and efficiencies: Are the financial plans, policies and processes supporting the Group's long term strategic objectives and key risks?</td>
<td>☑️</td>
<td>• The council has a clear financial strategy with supporting objectives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• There is opportunity for Finance to play a greater role in capital planning and forecasting to improve capital expenditure plans</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Debt management will be critical to achieving financial objectives</td>
</tr>
<tr>
<td>8. Ongoing effectiveness: are Finance services improving in line with changing practices, technologies and customer expectations?</td>
<td>☑️</td>
<td>• Digitisation is changing Finance and the use of robotic process automation is being implemented across the Group</td>
</tr>
</tbody>
</table>

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**Attachment A**

**Item 8**

**Attachment A**

**Item 9**
**Scope: Finance sets financial strategy and manages the council’s money**

This review covers all entities in the Auckland Council Group (the Group) and assesses whether the provision and delivery of Financial Services (Finance) is cost-effective, and supports the Group in its role to deliver on the Auckland Plan’s outcomes. Auckland Council refers to the council parent organisation and the Group being Auckland Council and CCOs.

**What is Financial Services?**

Finance is responsible for developing and implementing a long-term sustainable financial strategy for the Group to deliver the LTP. Finance advises on the optimal way to invest in Auckland’s infrastructure while managing debt levels and maintaining confidence that the Group financial management is robust. Effective financial management is critical to the Group achieving its objectives.

Finance also manages the council’s monies. This includes money received from ratepayers and customers, the money paid to staff and suppliers and maintaining controls so that only appropriate transactions are made. Finance is centred around the management of money.

Finance provides information both to meet statutory requirements but also to support council decision-making.

**The financial challenge for Auckland Council Group**

Delivering the financial strategy contained in the 2018-2028 Long-term Plan requiring the balance of investment in assets with
- acceptable costs to the community
- prudent management of debt and sustainable financial management.

*This review report should be read in conjunction with the review’s terms of reference.

---

<table>
<thead>
<tr>
<th>Key Financial Services</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy, planning and policy</strong></td>
<td>Determining how the Group funds its activities including planning capital investment and how much ratepayers and customers will pay</td>
</tr>
<tr>
<td><strong>Transactions</strong></td>
<td>Managing the billing and collection of charges and the payments made to suppliers</td>
</tr>
<tr>
<td><strong>Accounting</strong></td>
<td>Recording financial information in accordance with statutory and accounting standards ensuring that only appropriate financial transactions occur</td>
</tr>
<tr>
<td><strong>Reporting</strong></td>
<td>Providing information to meet statutory requirements and to support the delivery of council services</td>
</tr>
<tr>
<td><strong>Decision support</strong></td>
<td>Interpreting and analysing information to support the effective delivery of the LTP</td>
</tr>
<tr>
<td><strong>Treasury</strong></td>
<td>Managing cash (and risk) so the Group can meet its obligations, and maintain external confidence in the Group’s financial management</td>
</tr>
</tbody>
</table>
Some key facts

- $43m: In Group annual expenditure for audit and risk management services
- $8.8bn: Borrowing increasing to $13.1bn in 2028
- 335: Finance staff represent 3% of total staff
- $4.5bn: Revenue invoiced and collected
- $26bn: Capital expenditure over next 10 years
- $51bn: Of assets growing to $77bn in 2028
The Value chain helps us understand the key processes that deliver Financial Services

Value drivers
- Public accountability and Finance constraints
- Financial stewardship
- Commercial services
- Turning data into insight
- Finance and customer expectations

Value chain
- Strategy and plan
  - Manage: financial policy, financial planning, capital planning, budgeting and forecasting
- Transact
  - Manage: requisition to pay, order to cash
- Account
  - Manage: general accounting, tax, internal control, compliance
- Report
  - Manage: financial reporting, management & performance reporting
- Manage
  - Manage: decision support (management accounting), treasury (incl. funds management), financial systems (incl. support)
- Review
  - Review and improve

Auckland Council
Complex financial stewardship obligations exist which require robust planning, budgeting, forecasting and reporting systems

- Council is required to achieve prudent stewardship and efficient and effective use of its resources and each year projected operating revenues are set at a level to meet operating expenses (i.e. a balanced budget)
- Auckland Transport is required to operate in a financially responsible manner... that seeks value for money and its revenue and expenditure are accounted for in a transparent manner
- Watercare is required to manage its operations efficiently with a view to keep overall costs of water supply and waste-water services to its customers at minimum levels consistent with the effective conduct of its undertaking and the maintenance of the long term integrity of its assets

- The council is required to adopt certain prescribed long-term and annual financial and funding plans, strategies and policies. The frequency, timing, public consultation and required consent for each is largely prescribed by legislation.
- Funding sources are also prescribed by legislation and include rating, fuel taxation, user fees and charges, development and financial contributions.
- The council and CCOS are subject to obligations and restrictions on how borrowing and financing may occur:
  - The council has bonds listed on the stock exchange and must comply with their rules
  - CCOS must complete annual Statements of Intent including forecast financial information
  - All Group financial statements and accounts must be prepared in a prescribed form and be audited by the Auditor-General
  - Auckland Council must publish half yearly and annual reports with information provided by each group organization.
  - The council is required to disclose its forecast and actual performance in relation to certain benchmarks in its annual plan, annual report and its LTP
Attachment A

Item 8

Understanding the building blocks of a successful Finance function

- Financial performance
- Financial planning and analysis
- Financial reporting and control
- Financial operations
- Standardised ERP/HRM systems
- Transactional services
- Master data and policy management
- Business analytics and strategic planning

Best in class Finance functions tip the triangle investing most of their time in financial operations. Good process design, data standards and automation reduce the cost in operations and reporting and control.

Auckland Council Group

50%
40%
30%
20%
10%
0%
1. What has been the benefits from consolidating Financial Services from amalgamation, and key initiatives since then?
Financial policies, plans & systems has rapidly developed since amalgamation

- Eight councils consolidated into one – interim group financial plan & budget produced
- Uniform rating system designed
- Six new CEOs created
- Financial processes and standards

- Consolidation of systems commences – over $100 million spent on new financial, asset management, procurement and payroll systems over three years

- Approval of second LTP 2012-2025 which outlines the Group financial plan and targeting of significant efficiency savings

- Housing infrastructure funding secured from Government
- Weather tightness claims quantified ($296m)

- 2012-2022 Long term Plan approved, including the outline Group financial plan
- Council provides shared transactional services to the smaller CCs
- Single rates bill for all properties
- Single water bill

- Developed and adopted the 30-year Auckland Plan, giving Auckland a unified strategic direction
- Auckland Transport Alignment Project government funding secured for Auckland Transport

- Third LTP - 2018-2028 - approved with major step-up in infrastructure investment of $26bn over 30 years
- Treasury expands shared services to all Group organisations
- Funding sources diversified with new targeted rates, regional fuel tax and consulting on revised development contribution
Item 9

Attachment A

Item 8

Attachment A

2. Is the cost of finance reasonable compared to benchmarks?
$43m is annually spent on Finance mainly in staff costs. Auckland Council is 65% of total.

Attachment A

Item 9

Recommendation from Appointments, Performance Review and Value for Money Committee - Value for Money Finance Review
Overall costs are reasonable compared to benchmark. A further review of Council parent is needed as it represents the largest cost

Finance represents 3.5% of all Group staff
- As 83% of Finance cost is staff costs, we reviewed the proportion of Finance FTEs to see if there are any outliers and found:
  - While RFA Finance costs are the highest in proportion to operating expenses the proportion of FTE is lower than the with the rest of the Group and reasonable compared to the PWC attraction benchmark
  - Auckland Council, Panuku and ATEED costs and proportion of FTEs appear reasonable given the size of both organisations

Watercare and Auckland Transport Finance costs 2013 - 2018
- Auckland Transport has grown significantly over the past five years but Finance costs has remained relatively constant. This demonstrates efficiency gains are being achieved year on year
- Watercare’s Finance costs has managed to absorb growth in the business and is achieving similar efficiencies to Auckland Transport
- There is a reasonable balance of teams delivering transactional vs. value-add activities
Auckland Council's parent costs increased with additional investment in higher value-add activities

40% increase in AC's Finance costs over last 5 years

Costs has increased from $20m in 2013 to $29m in 2018
- The majority of the increase is the investment in decision support which is the interpretation and analysis of information provide insights on business performance
- In 2013 the Finance team was split and costs increased as an operations division commercial Finance team was established to provide commercial and financial support to operations. A number of positions previously in operating departments were moved to Finance which accounts for part of the cost increase
- As a result of this split the CFO is accountable for but does not have the control of all Finance activity in the council

The cost of processing transactions is reducing as decision support and reporting costs increase

Business value
- + $50m
= $7m
- $54m
- $3m

Efficiencies being achieved in transactional processing
- Year on year, the council has been able to absorb growth in transactional volumes and reduce the total cost of Finance transactions
- The increase in costs is in activity which has higher business value such as providing insights to improve performance

Data Source: Provided by AC, VFM review analyst
The complexity of Auckland Council's financial ledger is creating significant inefficiency. Management reporting is improving.

80% of cost objects have less than $10k in budget.

<table>
<thead>
<tr>
<th>Cost Objects</th>
<th>Budget (k$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $10,000</td>
<td>7,000</td>
</tr>
<tr>
<td>$10,000 - 20,000</td>
<td>7,000</td>
</tr>
<tr>
<td>$20,000 - 50,000</td>
<td>6,000</td>
</tr>
<tr>
<td>$50,000 - 100,000</td>
<td>4,000</td>
</tr>
<tr>
<td>&gt; $100,000</td>
<td>3,000</td>
</tr>
</tbody>
</table>

Cost objects are unique using identifiers within the financial ledger (finance records).

- Completeness of the financial ledger gives increased cost inaccuracy.
- There is a lack of management visibility of cost objects.
- Consideration of the knock-on financial costs.
- Commissioning the Finance Team with the Finance Team and is seeing a level of precision and accuracy which can be managed and controlled.
3. Does the group co-ordinate and co-operate on Finance solutions to minimise duplication, reduce cost, and improve effectiveness?
Some shared services exist, with each organisation also having a Finance team. Much of this duplication is necessary to the organisations meeting their objectives.

<table>
<thead>
<tr>
<th>How is service delivery organised?</th>
<th>How is it funded?</th>
<th>How is it governed?</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance teams (reporting to Group CFO) covering strategy, planning and policy, transactions, accounting, reporting, treasury and decision support</td>
<td>Rates</td>
<td>Group CFO reports to CEO</td>
<td>Provides treasury shared services to all Group organisations</td>
</tr>
<tr>
<td></td>
<td>User charges</td>
<td>CFO responsibilities also include ICT, procurement and corporate property</td>
<td>Provides technical accounting and tax advice to all Group organisations</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Provides transactional shared services to ATEED, Panuku and some for RFA</td>
</tr>
<tr>
<td>Auckland Council</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auckland Transport</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Watercare</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Observations:
- Executive GM Finance reports to CFO
- Executive GM Finance responsibilities also include procurement
- Executive GM has 2 Finance direct reports one of which is responsible for a team managing NZTA levy
- CFO reports to CEO
- CFO responsibilities also include supply chain, property, internal audit and risk
- Billing, receipting and debt collection are part of the retail operations team rather than Finance

Attachment A  
Item 9
# Financial Services (cont’d)

<table>
<thead>
<tr>
<th>How is service delivery organised?</th>
<th>How is it funded?</th>
<th>How is it governed?</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance team responsible for strategy and planning, transactions, accounting, reporting and decision support</td>
<td>Auckland Council grant (rates funded) User charges</td>
<td>CFO reports to CEO\nCFO responsibilities also include ICT, procurement, health and safety, risk and assurance, visitor security and maintaining shared services relationship</td>
<td>Unerboeck is the system of financial record\nSome transactional shared services from Auckland Council</td>
</tr>
<tr>
<td>Finance team responsible for strategy and planning, accounting, reporting and decision support</td>
<td>Auckland Council grant (rates funded) User charges</td>
<td>Chief Financial Officer reports to CEO\nCFO responsibilities also include risk and maintaining shared services relationship</td>
<td>Transactional shared services from Auckland Council</td>
</tr>
<tr>
<td>Finance team responsible for strategy and planning, accounting, reporting and decision support</td>
<td>User charges Auckland Council grant (rates funded)</td>
<td>Director Corporate Services reports to CEO\nDirector Corporate Services responsibilities includes procurement, risk and maintaining shared services relationship</td>
<td>Transactional shared services from Auckland Council</td>
</tr>
</tbody>
</table>
Treasury and some transactions are shared services; there may be some further opportunities in transactions and reporting

<table>
<thead>
<tr>
<th>Description</th>
<th>Sharing actual</th>
<th>Sharing potential</th>
<th>Comments on sharing and value opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy, planning and Policy</td>
<td></td>
<td></td>
<td>Group approach is required for overall strategy.</td>
</tr>
<tr>
<td>How to fund Group Services and Auckland’s development</td>
<td></td>
<td></td>
<td>Each CFO should be determining how each organisation implements the financial strategy.</td>
</tr>
<tr>
<td>Transactions</td>
<td></td>
<td></td>
<td>Some shared services exist. Further opportunities could be in billing (including maintenance of property and customer information), debt collection and accounts payable.</td>
</tr>
<tr>
<td>Billing, collection, payments, reconciliations</td>
<td></td>
<td></td>
<td>Some shared services exist with technical accounting and tax. Further opportunities could be the production of six monthly and annual financial statements.</td>
</tr>
<tr>
<td>Accounting</td>
<td></td>
<td></td>
<td>Some shared services exist where the number of similar SAP financial systems are used across the Group. Further opportunities could be on a common data repository/management reporting portal.</td>
</tr>
<tr>
<td>Recording financial information, controls, liaise with audit</td>
<td></td>
<td></td>
<td>Analysis and insight is unique to the organisation or service being analysed. Opportunities for resource pooling and common approach to financial management of infrastructure development.</td>
</tr>
<tr>
<td>Reporting</td>
<td></td>
<td></td>
<td>Shared service for all Group organisations operating for treasury (except Ports of Auckland (POAL))</td>
</tr>
<tr>
<td>Data and information produced</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decision support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analysis and insight</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$ Treasury</td>
<td>Managing cash, debt and external financing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Different processes and systems may be a barrier to future Finance sharing; robotics may be the new opportunity to achieve scale-based efficiencies

<table>
<thead>
<tr>
<th>Treasury shared service has delivered benefits</th>
<th>Group shared services strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Auckland Council manage the treasury function on behalf of the Group with a single treasury policy approved by each organisation. This is a good example where a Group approach has been successfully adopted.</td>
<td>• In the mayoral proposal for the LTP there was an expectation of reduced costs in back office functions delivered via shared services.</td>
</tr>
<tr>
<td>• POAL do not currently participate. This could be a future opportunity. Noting that POAL only represents approx. 5% of the Group debt.</td>
<td>• Some work has been completed but an overall road map is needed for this strategy and how duplication will be removed.</td>
</tr>
<tr>
<td>• The following benefits have been realised from having a single treasury function.</td>
<td>• In March 2018, CFOs of organisations in the Group agreed there was benefit from further shared services. Since then, four of six CFOs have changed, delaying the development of the overall strategy.</td>
</tr>
<tr>
<td>• Lower cost to serve as only two staff to manage debt across the Group rather than in each organisation.</td>
<td>• Detailed work is required to assess what value can be delivered from a shared services approach against the cost of change.</td>
</tr>
<tr>
<td>• Improved internal control and risks managed on a Group basis.</td>
<td>• Assessment of new automation technologies such as robotics is also needed.</td>
</tr>
<tr>
<td>• No surprises on debt levels as there is a single view for the Group.</td>
<td>• To be most successful, shared services work on “one system, one process”. Detailed work may show new automation technologies may be able to deliver some of the shared services benefits without making any structural changes.</td>
</tr>
<tr>
<td>• Lower cost of debt e.g. it is estimated Watercare will save $6m per annum by using the treasury shared service.</td>
<td>• A key first step would be the establishment of a governance group with representation across the Group and a dedicated resource to develop a strategy and then business case to evaluate potential future options.</td>
</tr>
</tbody>
</table>

Data Source: LTP 2018-2028
4. Is Finance delivering its services to the desired performance standards?

5. Is Finance’s customers and stakeholders satisfied with the financial services?
Finance wears a number of hats but generally is effective in each role

<table>
<thead>
<tr>
<th>Role of Finance</th>
<th>Observations on effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance as a strategist</td>
<td>• LTP has a clear financial strategy (discussed later at question 6)</td>
</tr>
<tr>
<td></td>
<td>• Debt levels managed at prudent levels, maintaining credit rating</td>
</tr>
<tr>
<td>Finance as a catalyst</td>
<td>• Finance actively monitors, measures and supports improvement in the Group business performance</td>
</tr>
<tr>
<td></td>
<td>• Where measured, in general, high levels of internal customer satisfaction</td>
</tr>
<tr>
<td></td>
<td>• Financial elements of business cases could be improved, particularly benefit realisation</td>
</tr>
<tr>
<td>Finance as a steward</td>
<td>• Auditor-General has issued unqualified audit reports each year. There are currently no material management control or other issues</td>
</tr>
<tr>
<td></td>
<td>• No material internal audit issues identified and unresolved</td>
</tr>
<tr>
<td>Finance as an operator</td>
<td>• Accounts payable operating effectively with suppliers paid accordance with payment terms</td>
</tr>
<tr>
<td></td>
<td>• Debt collection could be improved. Issues at Auckland Council with regulatory billing, receiving and subsequent slow collection</td>
</tr>
</tbody>
</table>
Finance maintains an effective control environment as part of its complex financial stewardship obligations

**Internal controls – doing things right**

- Finance is responsible for maintaining an effective control environment so that only those authorised can be involved in financial transactions.
- Generally, controls part of the financial technology solution (SAP) but other controls are manual such as review of the monthly management accounts.
- The Auditor-General is the auditor of the Group annual report (including financial statements). There is also a requirement that the Auditor-General undertakes regular performance auditing.
- In addition to an audit opinion, the Auditor-General also reports on the effectiveness of the control environment and identifies areas for improvement.
- Overall, neither the Auditor-General nor internal audit reviews have highlighted any material elements in Finance that require improvement.
- Since amalgamation, there has been no significant or material breaches of the internal control environment.
- Overall, Finance is maintaining an effective management control environment.

**Finance as the gatekeeper – doing the right things**

<table>
<thead>
<tr>
<th>Plan to report process</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTP</td>
</tr>
</tbody>
</table>

- Finance is responsible for the LTP, annual plans, quarterly performance reporting to the Council and Annual report. This includes public consultation.
- Reporting of results to the Council has recently been revised with the new format:
  - Focused on year-to-date results (both financial and non-financial)
  - Focused on material items
  - Risks to achieving targets
  - Use of graphs and colour to make reports easily understood.

**Chartered Accountant ethical standards**

- Members of Chartered Accountants Australia and New Zealand and other professional accounting bodies has ethical obligations to the accounting profession.
- Professional members also has obligations for continuing professional education.
- Approximately 20% of the Finance staff are members of professional accounting bodies.

**Attachment A**

Item 9
**Attachment A**

**Item 9**

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**Benchmarking shows most Finance operations are effective with improvement opportunity for reporting at Auckland Council**

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**Attachment A**

**Item 8**

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**Recommendation from Appointments, Performance Review and Value for Money Committee - Value for Money Finance Review**

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**Governing Body**

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**27 June 2019**

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**20 June 2019**

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**Attachments, Performance Review and Value for Money Committee**

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**Page 50**
6. Does Finance enable the Group to effectively manage its funding and financing, i.e. rates, revenue, user-pays, debt and alternative sources?

7. Are the financial processes supporting Council’s long-term strategic objectives?
A clear financial strategy exists to effectively fund the LTP and meet Local Government Act requirements

**Local Government Act requires prudent financial management**

- The Group must ensure that each year’s projected operating revenues are set at a level sufficient to meet that year’s projected operating expenses.
- The Group must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community.
- Prudent financial management is required over the next 10 years to deliver the largest ever infrastructure programme for Auckland while operating within level of debt that can be borrowed.
- While Finance does not deliver services to the community, it needs to work closely with management across the Group to accurately plan, report and forecast performance.

**Long term financial strategy**

- The 2018-2028 LTP has a clear strategy to manage Auckland’s rapid growth which is driving demand for new and improved infrastructure, to manage historic under-investment and to manage community expectations.
- In summary, the financial strategy balances the need for investment with:
  - acceptable costs to the community
  - prudent management of debt and sustainable financial management
- To deliver on its financial strategy, the council will
  - set revenue that reflect acceptable levels of increase
  - maximise the value of revenue received
  - manage our investments to optimise returns
- Finance has a small team looking at alternative funding mechanisms including working with central government and the private sector.
Productivity Commission is benchmarking local government funding and financing – the Group is meeting the benchmarks

Productivity Commission – LG funding and financing

- Government has asked the Commission to review the cost of services provided by local government and how they are paid for. This will include an assessment of the current local government funding and financing frameworks.
- Local government has a range of tools to fund the services they provide and has financial benchmarks that they must achieve.
- Financing is the way the cost of services or projects are paid for at the time they are provided. Local government has a choice to pay-as-you-go (paid through current revenue) or borrowing.
- The Group uses borrowing to spread the cost of infrastructure investment, so cost is spread over generations, rather than just current users.
- The council will engage with the Commission over submissions on its issues paper which it is due to report back to government on in November 2019.

<table>
<thead>
<tr>
<th>Benchmark</th>
<th>Benchmark requirements</th>
<th>Auckland Council 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rates affordability</td>
<td>Actual or planned rates is 2% to the limit on rates increases 3% and total rates as included in the financial strategy</td>
<td>2.3%</td>
</tr>
<tr>
<td>Debt affordability</td>
<td>Actual or planned borrowing is 5% to the limit on borrowing included in the financial strategy (275%)</td>
<td>30%</td>
</tr>
<tr>
<td>Balanced budget</td>
<td>Revenue for the year exceeds operating expenditure</td>
<td>30%</td>
</tr>
<tr>
<td>Essential services</td>
<td>Capital expenditure is 2% depreciation</td>
<td>15%</td>
</tr>
<tr>
<td>Debt servicing</td>
<td>Yearly borrowing costs ≤ 15% of its revenue</td>
<td>12%</td>
</tr>
<tr>
<td>Debt control</td>
<td>Actual net debt at the end of the year ≤ planned net debt</td>
<td>30%</td>
</tr>
<tr>
<td>Operations control</td>
<td>Actual net cashflow from operations 2 planned net cashflow from operations</td>
<td>25%</td>
</tr>
</tbody>
</table>
Auckland Council is diversifying revenue sources resulting in less reliance on revenues from ratepayers

**Change in revenue sources over time**

- Rates decreased from 48% of revenue in 2012 to 38% in 2018
  - The growth in development contributions and vested assets from 4% in 2012 to 1% today is a significant change in the funding mix
  - This reflects Auckland’s growth with Finance providing the council tools to allow recovery of costs related to that growth

**Rates comparison to Local Government average**

- The council’s rates proportion is lower than the local government average
  - The council relies less on rates than other local authorities (see comment about development)
  - The council has started to introduce more targeted rates e.g. accommodation provider, water quality and natural environment. These will reduce reliance on general rates and focus on specific areas where the community has asked for improvement

**Annual growth in rates per capita City Councils 1996 - 2017**

- Rates increases are lower than most other city councils
  - Both Auckland Council and its legacy Councils has maintained rates increases significantly lower than other City Councils

---

Data source: Provided by Auckland Council Annual report, VFM review analysis and NZ Productivity Commission November 2018
The 24% increase in the capital budget over the next year presents both a challenge and opportunity for the Group.

- **$26bn investment over next 10 years**
  - Delivery of the capital budget on time and on budget is considered a key strategic risk.
  - The LTP has a significant capital development programme over the next 10 years. This represents a very large step change above the current level of investment.
  - The programme must not only be planned and delivered at speed but also phased effectively to manage within the Group’s debt cap which is a growing constraint. This is particularly in the first three years of the LTP.
  - Delivering an effective step change in the size of the capital programme expenditure will benefit from state-of-the-art capital planning, forecasting and reporting systems.

- **Growing capital gap between actual and budget over last five years**
  - Capital underspend is a systemic problem for the Group, with 17% cumulative underspend over the last five years.
  - No organisation is consistently meeting their capital targets.
  - The LTP assumes that the cash required in the first three years will be less than the actual programme i.e. an underspend which has been the historic pattern.
  - Finance has an opportunity to effectively support, challenge and forecast the capital programme delivery.

---

Data Source: Provided by AC, VNM review analysis
Attachment A

Item 9

Item 8

8. Are Finance Services improving in line with changing practices, technologies and customer expectations?
Finance is the performance monitor for the Group and needs to keep current with changing expectations, digitisation and external standards

<table>
<thead>
<tr>
<th>The changing role of the CFO</th>
<th>Legislative and accounting standard changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A number of accounting consultancies has written about the changing role of finance. Organisations are seeking increased value from their finance teams and want the CFO to be the Chief Performance Officer.</td>
<td>• The Group is required to comply with legislation (including tax legislation) and changes to accounting standards.</td>
</tr>
<tr>
<td>• The evolution of the role is driven by five forces:</td>
<td>• In New Zealand, accounting standards are set by the External Reporting Board (XRB), an independent crown entity. The Group uses accounting standards for public benefit entities.</td>
</tr>
<tr>
<td>• increased expectations</td>
<td>• The Group Financial Controller at the Council is responsible for establishing Group accounting policies and how these are aligned to changes in accounting standards so that Group financial statements are prepared on a consistent basis.</td>
</tr>
<tr>
<td>• pace of change</td>
<td>• The Group Financial Control team arranges training for financial staff across the Group in both changes to accounting standards and tax updates.</td>
</tr>
<tr>
<td>• pressure to grow (or constrain cost)</td>
<td></td>
</tr>
<tr>
<td>• power of data</td>
<td></td>
</tr>
<tr>
<td>• expanded control and legislative expectation</td>
<td></td>
</tr>
<tr>
<td>• Group CFOs already has this role. Public sector organisations have both financial and non-financial reporting requirements which are managed by finance teams.</td>
<td></td>
</tr>
<tr>
<td>• Finance is responsible for the LTP, annual report and reporting to both the Council and CCO boards which cover the plan to report cycle.</td>
<td></td>
</tr>
<tr>
<td>• Finance has an opportunity to ask “So what?”, and use this to drive future performance innovation.</td>
<td></td>
</tr>
</tbody>
</table>
Robotics are being used to automate processes, improving effectiveness and efficiency

- Group organisations has used the software UiPath for successful Robotic Process Automation (RPA) initiatives. Each organisation has leveraged the others' knowledge and experience to establish their own RPA. Watercare and POAL are good examples of such reciprocal collaboration.
- While there has been good collaboration, to date, a centre of excellence hasn’t been considered to further leverage experience and expenditure on UiPath software, reducing duplication.

- RPA has now been successfully utilised to automate four high volume business processes.
- To date, a reduction of five FTEs, achieved through natural attrition, can be directly attributed to the RPA project.
- The RPA project was a finalist in CEO Financial Innovation project of the year 2018.

- RPA has been used to automate a number of processes, including managing consultation responses to the LTP, supporting dog registration, and accounts payable.
- Opportunity with RFA underway for Ungerboeck payables system.
- RPA project was one of six ICT projects in local government to be nominated for the Excellence in Innovation Award.

* The Hackett Group. The transformation of a world-class finance organisation.
Digital leaders are achieving significant efficiency and offer further opportunities for the Group

Benefits of digital Finance (including RPA)
- Cost reduction
- Process standardisation
- High accuracy and quality
- Eliminating repetitive process
- Faster processing
- Enhancing the quality of work for staff

Digital leaders' finance costs are 43% lower
- Haslett Group* found that digitally led finance teams reduce:
  - FTE by 45%
  - errors by 37%
  - time to collect and compile data by 15%

$300k of savings from automating processes
- RPA was introduced at the council in February 2018
- A number of processes has been automated including the tracking of feedback received from the consultation on the LTP
- The transactions continuous improvement team of four are focused on automating processes
Challenges and issues in realising further value

Challenges

Increasing performance expectations and the pace of change is changing the requirements of Finance teams

Duplication exists across the Group’s Finance teams, some of which is necessary

Each Group organisation has their own Finance technology solutions

Auckland is growing rapidly, requiring additional funding to invest in the appropriate infrastructure and there is little debt capacity

Issues

Further process improvement and automation required so staff can focus on more value added activity rather than transacting and reporting

Each CCO Statement of Intent addresses the LTP’s mayoral proposal requesting a shared service approach but limited progress has been made, rather than Treasury

Achieving group efficiencies through transactional shared services is most effective with “one system, one process”

Accurate financial forecasts are required to plan the debt requirements and improvement is needed in the maturity of forecasts
Value proposition #1: Group Shared Services Strategy

IF ... building on the successful Group shared services already in place develop a business case to determine whether more services could be provided as a shared service in alignment with the mayoral proposal request...

By

- Developing building on the shared services currently operating, a shared services strategy and operating model including
  - key guiding principles
  - the appropriate operating model to deliver efficient and effective shared services
- Establishing the appropriate shared service governance structure and decision-making principles with appropriate sponsorship and senior representation from all Group organisations
- Establishing a mandate to use in future CEO Statements of Intent and in council policies
- Assess the potential future efficiency and productivity benefits that increased use of robotics and AI and how the Group may collectively leverage these benefits

Then we will achieve

- An agreed strategy and operating principles around how the Group will collaborate to improve efficiency and effectiveness
- Opportunities to reduce overall cost of organisational support services by removing duplication, productivity improvements and scale efficiencies
- Opportunity to create knowledge-based centres of expertise allowing the Group to resource more activity
- A framework to expand shared services to other local government organisations

Note: The proposed scope of the Group Shared Services Strategy is broader than Finance and covers all organisational support services. Organisational Support services include Finance, ICT, Procurement, Customer Services, and Human Resources.
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit</td>
<td>Aligns with mayoral proposal and COO Statements of Intent</td>
</tr>
<tr>
<td>Value for money</td>
<td>Improved VFM will be achieved by:</td>
</tr>
<tr>
<td></td>
<td>• reducing duplication</td>
</tr>
<tr>
<td></td>
<td>• improving operating efficiencies</td>
</tr>
<tr>
<td>Equity</td>
<td>Value from an efficient and effective back office benefits all ratepayers</td>
</tr>
<tr>
<td>Feasibility</td>
<td>No barriers</td>
</tr>
<tr>
<td>Affordability</td>
<td>Business case funded from existing budgets</td>
</tr>
<tr>
<td>Competancy</td>
<td>Development of business case funded from existing budgets</td>
</tr>
</tbody>
</table>

Development and Implementation of a Group Shared Services Strategy will support COO Statement of Intent obligations to pursue Group shared activity where it makes sense to do so. It will also demonstrate that value is being maximised from back office support functions.

**Results**

**Summary of financial costs and benefits**

**Costs**
- No additional costs anticipated for development of business case

**Benefits**
- Quantitative benefits:
  - reduced cost by removing of duplication
  - increased efficiency and productivity
  - allow the council to complete more work internally rather than outsourcing
Key risks and constraints

- One size does not fit all and to maintain effectiveness certain services are core to each organisation achieving their objectives and are not good candidates for shared services.
- Risk of value being lost if there is no requirement to use, participate in, and contribute to, a Group shared services approach.
- Risk of resistance to change or later rogue behaviour can erode benefits.
- Watercare’s efficient and effective operations obligation means that, when assessing proposals for co-ordination, the proposal must assist (or at least be neutral) in keeping the costs of water supply and wastewater services to customers at efficient and effective levels.

Key assumptions

- The shared services strategy will be jointly developed by, and for, each organisation in the Group and be jointly beneficial to each participating organisation.
- The council or CEO of a CCO will sponsor the development and implementation of the shared services strategy, supported by senior executives.
- All Group organisations will participate in alignment with the commitments contained in Statements of Intent for organisations to work together.
- There are some limited and clearly defined opt-out clauses, e.g. to meet legal obligations (such as Watercare being able to opt out where doing so would lower the cost of water supply and wastewater services to consumers).
- The approach is flexible enough to allow the right approach and to encourage innovation, but still achieve the benefits of collaboration.
Auckland Council currently provide some shared services to CCOs

<table>
<thead>
<tr>
<th>Description</th>
<th>Actual</th>
<th>Potential</th>
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<tbody>
<tr>
<td>Financial services</td>
<td>![Icon]</td>
<td>![Icon]</td>
</tr>
<tr>
<td>ICT</td>
<td>![Icon]</td>
<td>![Icon]</td>
</tr>
<tr>
<td>Customer</td>
<td>![Icon]</td>
<td>![Icon]</td>
</tr>
<tr>
<td>Procurement</td>
<td>![Icon]</td>
<td>![Icon]</td>
</tr>
<tr>
<td>Human Resources</td>
<td>![Icon]</td>
<td>![Icon]</td>
</tr>
</tbody>
</table>

- **Attachment A**
- **Item 9**
Attachment A

Value proposition #2: Group Financial Information Strategy

IF ... develop a strategy for the collection, storage and retrieval of financial information required across the Group (for Group matters) ... 

By

- Designing and implementing a strategy for managing Group financial information:
  - Determining the key information that is required in the Group plans to report cycle for each LTP as part of an three-year planning calendar
  - Principles for how the information is collected, accessed and used
  - Definitions for key data sets
  - Establishing appropriate data governance and controls
  - Developing a business case for implementing the strategy including the selection of appropriate technology solutions and roadmap for future improvements
  - Determine the appropriate analytical tools that can be used to allow self-service capability

Then we will achieve

- A single source of truth for all information required for the LTP, annual plans, financial policies and annual report
- Reduce the number of requests from multiple people for the same information; generally from the council to CCOs
- Increased efficiency in the finance teams across the Group
- Clarity in the definitions of data resulting in consistency of reporting
- Improved data quality
- Improved quality of information to support decision-making
### Assessment

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit</td>
<td>Supports the efficient discharge of statutory obligations</td>
</tr>
<tr>
<td>Value for money</td>
<td>Improved VFM will be achieved by having a single source of truth and more Finance time available to analyse information and provide improvement insights</td>
</tr>
<tr>
<td>Equity</td>
<td>Overall benefits expected to exceed costs</td>
</tr>
<tr>
<td>Feasibility</td>
<td>No barriers</td>
</tr>
<tr>
<td>Affordability</td>
<td>Funded from existing budgets</td>
</tr>
<tr>
<td>Competency</td>
<td>Some external support may be required to develop a fit for purpose strategy. Business case will identify future requirements</td>
</tr>
</tbody>
</table>

### Results

#### Summary of financial costs and benefits

The strategy will provide clarity on what information is required, when and for what purpose. Following development of a strategy a business case should be developed to determine costs and benefits.

#### Costs

- There will be a cost of change which should be quantified and assessed against the future benefits of the change.

#### Benefits

- Quantitative benefits
  - Reduced time required to collate information allowing focus on analysis
  - Single source of truth
- Unquantified qualitative benefits include:
  - Greater clarity of reporting information to enable better decision-making and reduced risk of errors.
Key risks and constraints

- Risk of value being lost if future data sets are not actively managed
- Risk of resistance to change or later rogue behaviour can erode benefits
- Risk of loss of talent during any change process
- Watercare’s efficient and effective operations obligation means that, when assessing proposals for co-ordination, the proposal must assist (or at least be neutral) in keeping the costs of water supply and wastewater services to customers at efficient and effective levels

Key assumptions

- The Group Financial Information Strategy is jointly developed by and for each organisation in the Group and is jointly beneficial to each participating organisation
- The approach is flexible enough to accommodate and answer all the different questions required of financial information at a Group level
- The council CEO of a CCO will sponsor the development and implementation of the Group Financial Information Strategy with the Group CFO and CCO CFOs (or equivalent) forming the project steering committee
- Appropriate investment will be made to enable success
- All Group organisations will participate in alignment with the commitments contained in Statements of Intent for organisations to work together
- There are some limited and clearly defined opt-out clauses, e.g. to meet legal obligations (such as Watercare being able to opt out where doing so would lower the cost of water supply and wastewater services to consumers)
- The approach is flexible enough to allow the right approach and to encourage innovation but still achieve the benefits of having a single source of truth
Value proposition #3: Simplify planning and reporting process at Auckland Council to deliver Group benefits

**IF**

...we simplified the planning and reporting process so that it is more effective and efficient by...

**By**

- Introducing a new planning and reporting framework aligned to LTP, annual budgeting and planning cycles and corporate strategy
- Implement a leaner annual report process with greater business ownership of the performance story
- All business performance reporting driven on an exception basis by commercial and finance teams eliminating duplicated reporting effort
- Corporate reporting requirements move to quarterly and on an exception basis.
- Creating an embedded, enterprise wide Commercial & Finance team reporting servicing the business through a single channel
- Simplifying the chart of accounts and controls around future changes

**Then we will achieve**

- Reduced, standardised and simplified corporate reporting demands decreasing the effort across the organisation
- Finance activity focussed on value adding activities improving customer experience and service delivery
- Improved alignment of business planning with budgets/forecasts with carry overs, phasing and detailed budget changes eliminated
- Improved quality of service delivery by creation of clear accountability and channels of engagement for customers
### Attachment A

#### Item 9

**Assessment**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic fit</td>
<td>Aligns with organization strategy of Making Size Work</td>
</tr>
<tr>
<td>Value for money</td>
<td>Improved VFM will be achieved from reduced operating costs in finance and greater clarity for business units</td>
</tr>
<tr>
<td>Equity</td>
<td>Value from an efficient and effective finance service benefits all ratepayers</td>
</tr>
<tr>
<td>Feasibility</td>
<td>No barriers</td>
</tr>
<tr>
<td>Affordability</td>
<td>Cost of change funded from existing budgets</td>
</tr>
<tr>
<td>Competency</td>
<td>Competence exists to deliver changes</td>
</tr>
</tbody>
</table>

**Net estimate (10yr NPV)**: $18m

**Ease of implementation**: Moderate

**Timing**: 6 – 12 months

**Overall rating**: Must do

---

**Results**

**Summary of financial costs and benefits**

**Costs**

- Value will be delivered from simplification, removing unnecessary work and duplication which will create efficiencies.
- Planning and reporting is how the organisation plans, tracks and monitors performance, and who is involved in the execution of these activities. This includes regulatory, statutory and governance as well as business facing requirements.

**Benefits**

- Quantitative benefits
  - Net reduction in operating costs
- Unquantified qualitative benefits include:
  - Time saving reduction by business unit management in planning and reporting process
  - Greater clarity of reporting information to enable better decision-making
Key risks and constraints

- Risk of resistance to change or later independent behaviour can erode benefits
- Risk of loss of talent during any change process
- Risk that Finance's customers do not understand or agree with the proposed changes

Key assumptions

- The Group CEO will sponsor the development and implementation of the proposed changes to the planning and reporting processes
- Appropriate investment will be made to enable success particularly embedding process changes
Value for money

The purpose of this joint strategic review is to identify strategies to improve value for money (VfM). The review provides opportunities to improve VfM, including consideration of the potential for undertaking certain actions, and it provides an order-of-magnitude estimate of the value and magnitude of the costs of implementing the potential. The propositions have been designed to inform council decisions, including business case development and consultation on action.

We define value from the viewpoint of the customers of the service. Depending on the service, customers might be specific groups of individuals, households, or businesses, or they might be the Auckland region or the whole of New Zealand.

VfM, or cost-effectiveness, considers both the cost and the effectiveness (a measure of value) of local government services. When we consider VfM, we also look at the public policy reason for the council’s current role and whether that role will continue to be appropriate in the future, given changes in factors like technology, customer expectations, the environment, legal framework, etc.
Our methodology uses a fact-based approach

The review involves testing current service arrangements, as well as asking if the rationale is still sound and fit for the future. We focused on specific challenges, issues and opportunities that we found most relevant for service delivery in the future.

Questions

<table>
<thead>
<tr>
<th>What</th>
<th>Why</th>
<th>Performance</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the service and how big is it?</td>
<td>What is the service trying to achieve?</td>
<td>What are the cost and value drivers?</td>
<td>Does current performance indicate good VFM?</td>
</tr>
<tr>
<td>How is it delivered, funded, governed, regulated?</td>
<td>What are its strategic or statutory drivers?</td>
<td>Cost: economy (cost of inputs) and efficiency (service delivery)</td>
<td>Do incentives/controls give confidence about achieving future value?</td>
</tr>
<tr>
<td>What is its place in the value chain?</td>
<td>What is the public policy rationale for local government role?</td>
<td>Effectiveness: economic, environmental, social impacts</td>
<td>What are the areas of risk and uncertainty affecting VFM?</td>
</tr>
<tr>
<td>What is the current and future context?</td>
<td></td>
<td>Cost-effectiveness</td>
<td>Continued relevance in light of likely changes in context?</td>
</tr>
</tbody>
</table>

Attachment A

Item 9
### Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>APQC</td>
<td>Global performance benchmarking company based in USA. Used by consultancies to provide performance comparisons</td>
</tr>
<tr>
<td>ATEED</td>
<td>Auckland Tourism, Events and Economic Development</td>
</tr>
<tr>
<td>Auckland Council (the council)</td>
<td>Auckland Council</td>
</tr>
<tr>
<td>BASS</td>
<td>A Treasury publication of benchmarking administration and support services</td>
</tr>
<tr>
<td>ERP</td>
<td>Enterprise Resource Planning. A technology solution originally from manufacturing that provides the core technology requirements for an organisation.</td>
</tr>
<tr>
<td>Local boards</td>
<td>There are 21 local boards which share responsibility for decision-making with the governing body. They represent their local communities and make decisions on local issues, activities and facilities</td>
</tr>
<tr>
<td>Local Government Act 2002 (LGA 2002)</td>
<td>Legislation that defines the powers and responsibilities of territorial local authorities such as Auckland Council</td>
</tr>
<tr>
<td>Long-term plan (LTP)</td>
<td>This document sets out the council's vision, activities, projects, policies, and budgets for a 10-year period. Also commonly referred to as the LTP/10-year budget</td>
</tr>
<tr>
<td>Rates</td>
<td>A charge against the property to help fund services and assets the council provides</td>
</tr>
<tr>
<td>RCI (Return on investment)</td>
<td>Measures the gain or loss generated on an investment relative to the amount of money invested. RCI enables a comparison of the efficiency of different investments.</td>
</tr>
<tr>
<td>Value for Money (VfM)</td>
<td>Using resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve</td>
</tr>
</tbody>
</table>

### Reference material

- Auckland Council 2018. LTP 2018-2028
- CCO and Auckland Council annual reports 2014-2018
- BASS Benchmark: metric benchmark -16-17
- APQC: Finance Function Cost Categories
- APQC: Key Finance Organisation benchmarks at a glance (Government, Military, Industry)
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- Watercare Board report
- Deloitte: Watercare Services Limited
Acknowledgements

We wish to thank the following people who were either interviewed or participated in discussions relating to this review.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matthew Walker</td>
<td>Group CFO</td>
</tr>
<tr>
<td>Joe Tannan</td>
<td>Funding Analyst</td>
</tr>
<tr>
<td>Wei Jin</td>
<td>Corporate Performance Advisor</td>
</tr>
<tr>
<td>Francis Castrace</td>
<td>Group Financial Controller</td>
</tr>
<tr>
<td>Nick Bird</td>
<td>Financial Analyst</td>
</tr>
<tr>
<td>Robert Irvine</td>
<td>Head of Group Financial Planning</td>
</tr>
<tr>
<td>Jana Patel</td>
<td>Principle Continuous Improvement Analyst</td>
</tr>
<tr>
<td>Kevin Ramsay</td>
<td>GM Corporate Finance and Property</td>
</tr>
<tr>
<td>Merv Macfadyen</td>
<td>Financial Compliance Manager</td>
</tr>
<tr>
<td>Andrew Johns</td>
<td>Treasury Funding Manager</td>
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<tr>
<td>Russell Vaurosi</td>
<td>Head of Financial Transactions</td>
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<td>Auckland Transport</td>
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</tr>
<tr>
<td>Mark Lang</td>
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</tr>
<tr>
<td>David Banksley</td>
<td>GM Finance</td>
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<tr>
<td>Regional Facilities</td>
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<tr>
<td>Simon Tran</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Christine Begbie</td>
<td>GM Finance</td>
</tr>
<tr>
<td>Ashil Singh</td>
<td>Assistant Transactional Accountant</td>
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<tr>
<td>Pamelia</td>
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<tr>
<td>Carl Gishbee</td>
<td>Director, Corporate Services</td>
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<tr>
<td>ATEDD</td>
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</tr>
<tr>
<td>Jacky Hollingsworth</td>
<td>Chief Financial officer</td>
</tr>
<tr>
<td>Jay Buckingham</td>
<td>Interim Chief Financial Officer</td>
</tr>
<tr>
<td>Claire McCracken</td>
<td>Finance Manager</td>
</tr>
</tbody>
</table>

Attachment A

Item 8

Attachment A

Item 9
### Finance VFM review

#### 1. Scope

- Financial VFM assessment of the council and its departments.
- Focus on areas that have potential for cost savings and efficiencies.

#### 2. Background

- The council's financial performance and past VFM reviews.
- The need for continuous improvement in financial management and performance.

#### 3. Key facts

<table>
<thead>
<tr>
<th>Area</th>
<th>Facts</th>
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</thead>
<tbody>
<tr>
<td>$540m Cost of Finance per annum</td>
<td></td>
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<tr>
<td>$48m cost saved from efficiencies</td>
<td></td>
</tr>
<tr>
<td>$10m cost saved from process improvements</td>
<td></td>
</tr>
</tbody>
</table>

#### 4. Value was assessed by considering these key questions

1. **Cost of services** - How much value is being generated by current services?
2. **Cost of delivery** - How much is being spent to deliver current services?
3. **Cost of ownership** - How much is being spent to own and maintain current assets?

#### 5. Executive Summary

- **Financial implications:** $540m cost of finance per annum
- **Key areas of focus:** Cost of services, cost of delivery, and cost of ownership.

#### 6. Recommendations

- Develop a shared service strategy for all back-office services.
- Implement a group financial management framework.
- Establish a business case for financial improvements.

#### 7. Summary of potential value

- **Direct savings:** $60m
- **Indirect savings:** $90m
- **Total potential savings:** $150m
Summary of Governing Body information memoranda and briefings - 27 June 2019 including the Forward Work Programme

File No.: CP2019/07807

Te take mō te pūrongo
Purpose of the report
1. To note the progress on the forward work programme appended as Attachment A.
2. To receive a summary and provide a public record of memoranda or briefing papers that may have been distributed to Governing Body members.

Whakarāpopototanga matua
Executive summary
3. This is a regular information-only report which aims to provide greater visibility of information circulated to Governing Body members via memoranda/briefings or other means, where no decisions are required.
4. The following workshops/briefings have taken place:

<table>
<thead>
<tr>
<th>Date</th>
<th>Workshop/Briefing</th>
</tr>
</thead>
<tbody>
<tr>
<td>13/6/19</td>
<td>Annual Budget Workshop</td>
</tr>
</tbody>
</table>

5. This document can be found on the Auckland Council website, at the following link:

http://infocouncil.aucklandcouncil.govt.nz/

   o at the top left of the page, select meeting/Te hui “Governing Body” from the drop-down tab and click “View”;
   o under ‘Attachments’, select either the HTML or PDF version of the document entitled ‘Extra Attachments’.

6. Note that, unlike an agenda report, staff will not be present to answer questions about the items referred to in this summary. Governing Body members should direct any questions to the authors.

Ngā tūtohunga
Recommendation/s
That the Governing Body:

a) note the progress on the forward work programme appended as Attachment A of the agenda report

Ngā tāpirihanga
Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Forward Work Programme</td>
<td>81</td>
</tr>
<tr>
<td>B</td>
<td>Annual Budget Workshop minutes</td>
<td>91</td>
</tr>
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</table>

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Sarndra O'Toole - Team Leader Governance Advisors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authoriser</td>
<td>Stephen Town - Chief Executive</td>
</tr>
</tbody>
</table>
# Governing Body

## TIRA KĀWANA / GOVERNING BODY FORWARD WORK PROGRAMME 2016 – 2019 TERM

The Governing Body deals with strategy and policy decision-making that relates to the environmental, social, economic and cultural activities of Auckland as well as matters that are not the responsibility of another committee.

The Mayor may require any matter that would otherwise be reported to a committee, to be reported to the Governing Body. If that matter is already on a published agenda for a committee meeting, that meeting will not consider that matter unless invited by the mayor to make a recommendation to the Governing Body.

<table>
<thead>
<tr>
<th>Lead</th>
<th>Area of work</th>
<th>Reason for work</th>
<th>Governing Body role (decision or direction)</th>
<th>Budget/ Funding</th>
</tr>
</thead>
</table>
| Chief Financial Office | Annual Budget 2019/2020 (Annual Plan) | The Local Government Act 2002 requires each local authority to consult on and adopt a long term plan every three years. In each intervening year local authorities are required to consult the community on any significant or material changes to the relevant year of the long term plan through the Annual Budget consultation document. Legislation also requires that the council’s consultation document include a summary of key matters from Local Board Agreements and the Draft Tūpuna Maunga Authority Operational Plan for the Annual Plan year. | **Adopt** consultation document and supporting material  
**Approve** Annual Budget |  
**Expected timeframes**  
Highlight financial year quarter and state month if known  
FY19/20  
| Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar |
| 2 May | 30 May | 27 Jun | | 25 Jul | 22 Aug | Nov Dec | Feb Mar |
| Q4 | Q1 | Q2 | Q3 |

### Chief Financial Office

**Americas Cup 2021**  
Location, infrastructure and funding

**Approve** preferred location  
**Agree** strategy for progressing resource consent applications

**Progress to Date:**  
Report considered 14/12/17 and approval of Wynyard Basin option GB/2017/172 and agreed single hearing process through direct referral  
Report and revised decision and approval of Wynyard Hobson proposal 29/3/18 GB/2018/63  
Workshop – 6/12/18  
Report and decision on additional funding 6/12/18 GB/2018/199

**Expected timeframes**  
Highlight financial year quarter and state month if known  
FY19/20  
| Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar |
| Q4 | Q1 | Q2 | Q3 |

### Chief Executive’s Performance Objectives

The Appointments, Performance Review and Value for Money Committee has the delegation to set performance objectives.

The Governing Body must then consider the recommendations and make a decision.

**Approve** performance objectives.

**Progress to Date:**  
Recommendations considered 22/11/18 in confidential, open decision GB/2018/193
<table>
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<tr>
<th>Item 10</th>
<th>Lead</th>
<th>Area of work</th>
<th>Reason for work</th>
<th>Governing Body role (decision or direction)</th>
<th>Budget/ Funding</th>
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<tr>
<td></td>
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<td></td>
<td>Approve City Rail Link Heads of Agreement</td>
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<td>Approve matters association with City Rail Link</td>
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<td></td>
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<td></td>
<td>Note any matters raised by the Audit and Risk Committee about the project</td>
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<td>Progress to Date:</td>
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<td></td>
<td>Heads of Agreement approved 14/9/16 Conf</td>
<td>FY18/19 Q4 Q1 Q2 Q3</td>
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<td></td>
<td>Appoint chair of City Rail Link 15/12/16 Conf</td>
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<td></td>
<td>Note sponsors agreement and establishment of new entity City Rail Link Limited 29/6/17 Conf</td>
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<td></td>
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<td></td>
<td></td>
<td>Report confirming role of Audit and Risk Committee 25/10/18 GB/2018/175</td>
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<td></td>
<td>Report on funding commitment 2/5/19 GB/2019/33</td>
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<tr>
<td></td>
<td>Chief Financial Office</td>
<td>Annual Report</td>
<td>Statutory requirement</td>
<td>Adopt Annual Report</td>
<td>FY18/19 Q4 Q1 Q2 Q3</td>
</tr>
<tr>
<td></td>
<td>Governance</td>
<td>Review of Code of Conduct</td>
<td>The experience of working with the current Code of Conduct indicates that it could be further improved. In particular, it could be clearer about complaint, investigation and resolution processes, as well as available sanctions</td>
<td>Adopt new Elected Members Code of Conduct</td>
<td>FY18/19 Q4 Q1 Q2 Q3</td>
</tr>
<tr>
<td></td>
<td>Mayoral Office Governance</td>
<td>Terms of Reference</td>
<td>The Terms of Reference enables the governing Body to delegate to committees those power necessary for them to carry out their responsibilities to the most efficient and effective levels. Any changes to the Terms of Reference must be done by the Governing Body.</td>
<td>Adopt the Terms of Reference</td>
<td>FY18/19 Q4 Q1 Q2 Q3</td>
</tr>
<tr>
<td></td>
<td>Mayoral Office Governance</td>
<td>Terms of Reference</td>
<td>The Terms of Reference enables the governing Body to delegate to committees those power necessary for them to carry out their responsibilities to the most efficient and effective levels. Any changes to the Terms of Reference must be done by the Governing Body.</td>
<td>Adopt changes to Terms of Reference</td>
<td>FY18/19 Q4 Q1 Q2 Q3</td>
</tr>
</tbody>
</table>

*Summary of Governing Body information memoranda and briefings - 27 June 2019 including the Forward Work Programme*
<table>
<thead>
<tr>
<th>Lead</th>
<th>Area of work</th>
<th>Reason for work</th>
<th>Governing Body role (decision or direction)</th>
<th>Budget/ Funding</th>
<th>Expected timeframes if known</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td>Highlight financial year quarter and state month</td>
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<tr>
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<td></td>
<td>Approve objectives as basis of review</td>
<td></td>
<td>Q4 Q1 Q2 Q3</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Approve scope and timing</td>
<td></td>
<td>Q4 May Q1 Q2 Q3</td>
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<tr>
<td>Governance</td>
<td>Accountability</td>
<td>The accountability review are to increase the accountability and value for money of CCOs by:</td>
<td>Within timelines and budgets</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Review of council</td>
<td>• increasing the transparency of CCO decision-making</td>
<td></td>
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<tr>
<td></td>
<td>controlled</td>
<td>• increasing the responsiveness of CCOs to the public and council</td>
<td></td>
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<tr>
<td></td>
<td>organisations</td>
<td>• improving the recognition of ratepayer funding for CCO activity</td>
<td></td>
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<td></td>
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<td>• increasing the ability to align CCOs to the direction set by the council. Reporting on a quarterly basis</td>
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<td></td>
<td></td>
<td>Progress to Date:</td>
<td>Approve objectives, scope and timing 23/2/17</td>
<td>GB/2017/17</td>
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<tr>
<td></td>
<td></td>
<td>Memorandum 9/4/18 to councillors with an update</td>
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<tr>
<td>Governance</td>
<td>Independent Māori</td>
<td>The Local Government (Auckland Council) Act 2009 (LGACA) requires Auckland Council to meet the reasonable costs of the Independent Māori Statutory Board (IMSB) board’s operations, secretariat, the establishment of committees, and seeking and obtaining advice (Schedule 2, clause 20, sub-clause 1, LGACA)</td>
<td>Approve 2019/2020 funding agreement</td>
<td></td>
<td>Q4 Q1 Q2 Q3</td>
</tr>
<tr>
<td></td>
<td>Statutory Board</td>
<td>Progress to Date:</td>
<td>Report on funding 2/5/19 and funding approval GB/2019/35</td>
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<td></td>
<td>funding</td>
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<tr>
<td>Co-governance</td>
<td>Tūpuna Maunga o Tāmaki</td>
<td>Section 60 of Ngā Mana Whenua o Tāmaki Makaurau Collective Redress Act 2014 requires the Tūpuna Maunga o Tāmaki Makaurau Authority (Tūpuna Maunga Authority) and Auckland Council to annually agree an operational plan as part of the annual or long-term plan process. This requires the council to consult on a summary of the Draft Tūpuna Maunga o Tāmaki Makaurau Operational Plan (the Draft Tūpuna Maunga Plan). The Governing Body is also required to adopt the final plan.</td>
<td>Adopt Operational Plan and summary</td>
<td></td>
<td>Q4 Q1 Q2 Q3</td>
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<tr>
<td></td>
<td>Makaurau</td>
<td>Progress to Date:</td>
<td>Report to approve draft 13/12/18 GB/2018/204</td>
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<td></td>
<td>Operations Plan</td>
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<tr>
<td>People and Performance</td>
<td>Health, Safety and Wellbeing</td>
<td>The Governing Body has the role of the person or organisation conducting a business or undertaking.</td>
<td>Receive the quarterly Health, Safety and Wellbeing Report</td>
<td></td>
<td>Q4 Q1 Q2 Q3</td>
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<td>Progress to Date:</td>
<td>August 2018 report received GB/2018/147</td>
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<td>December 2018 report received GB/2018/203</td>
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<td>February 2019 report received GB/2019/15</td>
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<td>Item 10</td>
<td>Lead</td>
<td>Area of work</td>
<td>Reason for work</td>
<td>Governing Body role (decision or direction)</td>
<td>Expected timeframes</td>
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<tr>
<td></td>
<td>Social Policy and Bylaws</td>
<td>Dog Management Bylaw and Policy on Dogs</td>
<td>Legislative requirement to review the bylaw and policy after five years.</td>
<td>Approve statement of proposal # Make/Amend/Revoke the bylaw. *Public notification is required for bylaw reviews even if no change to the bylaw is recommended.</td>
<td>Progress to Date: Report to Approve the statement of proposal 28/2/19 GB/2019/15</td>
</tr>
<tr>
<td></td>
<td>Social Policy and Bylaws</td>
<td>Solid Waste Bylaw Review</td>
<td>Legislative requirement to review the bylaw and policy after five years.</td>
<td>Approve statement of proposal # Make/Amend/Revoke the bylaw. *Public notification is required for bylaw reviews even if no change to the bylaw is recommended.</td>
<td>Progress to Date: Report to Approve the statement of proposal 2/5/19 GB/2019/34</td>
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<tr>
<td></td>
<td>Social Policy and Bylaws</td>
<td>Trade Waste Bylaw Review</td>
<td>Legislative requirement to review the bylaw and policy after five years.</td>
<td>Approve statement of proposal # Make/Amend/Revoke the bylaw. *Public notification is required for bylaw reviews even if no change to the bylaw is recommended.</td>
<td>Progress to Date: Report to Approve the statement of proposal 28/3/19 GB/2019/23</td>
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<tr>
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<td>Social Policy and Bylaws</td>
<td>Signage Bylaw Review</td>
<td>Legislative requirement to review the bylaw and policy after five years.</td>
<td>Approve statement of proposal # Make/Amend/Revoke the bylaw. *Public notification is required for bylaw reviews even if no change to the bylaw is recommended.</td>
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<tr>
<td></td>
<td>Social Policy and Bylaws</td>
<td>Alcohol Control Bylaw Review</td>
<td>Legislative requirement to review the bylaw and policy after five years.</td>
<td>Approve statement of proposal # Make/Amend/Revoke the bylaw. *Public notification is required for bylaw reviews even if no change to the bylaw is recommended.</td>
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</tr>
<tr>
<td>Lead</td>
<td>Area of work</td>
<td>Reason for work</td>
<td>Governing Body role (decision or direction)</td>
<td>Budget/ Funding</td>
<td>Expected timeframes highlight financial year quarter and state month if known</td>
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<tr>
<td>Social Policy and Bylaws</td>
<td>Cemeteries and Crematoria Bylaw Review</td>
<td>Legislative requirement to review the bylaw and policy after five years.</td>
<td>Approve statement of proposal #</td>
<td>Within current baselines.</td>
<td>Q4 Q1 Q2 Q3</td>
</tr>
<tr>
<td>Social Policy and Bylaws</td>
<td>Freedom Camping</td>
<td>Explore the need for and options for regulating freedom camping in Auckland</td>
<td>If regulatory response required: Approve statement of proposal Make the bylaw</td>
<td>Review is within current baselines. Funding proposals will be required for any recommendations that require capital or operational upgrades.</td>
<td>Q4 Q1 Q2 Q3</td>
</tr>
<tr>
<td>Mayoral Office</td>
<td>Mayoral Housing Taskforce Steering Group</td>
<td>Oversee the progress and implementation of the June 2017 Mayoral Housing Taskforce report.</td>
<td>Setup, agree and approve membership of group Receive six-monthly updates</td>
<td></td>
<td>Q4 Q1 Q2 Q3</td>
</tr>
<tr>
<td>Governance</td>
<td>Auckland Council Top Risk Register</td>
<td>The Audit and Risk Committee will refer the risk register to the Governing Body every quarter.</td>
<td>Note the top risk register and risk heat map Receive quarterly reports</td>
<td></td>
<td>Q4 Q1 Q2 Q3</td>
</tr>
<tr>
<td>Governance</td>
<td>Te Tiriti o Waitangi / Treaty of Waitangi</td>
<td>The Crown negotiates settlements with iwi on a confidential basis and from time to time invites Council to express its views. The Te Tiriti o Waitangi / Treaty of Waitangi Settlement Working party is accountable to the Governing Body and reports its findings to the Governing Body.</td>
<td>Approve submissions to the Crown as and when required Approve establishment and on-going implementation of co-management and other governance arrangements</td>
<td></td>
<td>Q4 Q1 Q2 Q3</td>
</tr>
<tr>
<td>Item 10</td>
<td>Lead</td>
<td>Area of work</td>
<td>Reason for work</td>
<td>Governing Body role (decision or direction)</td>
<td>Budget/ Funding</td>
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<tr>
<td>Finance</td>
<td>Finance</td>
<td>Value for Money Reviews (s17A)</td>
<td>Required under section 17A of the Local Government Act 2002</td>
<td>Approve terms of reference for reviews</td>
<td>Within current baselines.</td>
</tr>
</tbody>
</table>

**Progress to Date:**
- Information, Communication and Technology and Customer Services Report 24/5/18 decision GB/2018/84
- Group Procurement Report 27/6/18 decision GB/2018/98
- Group Financial Services Report 27/9/18 decision GB/2018/146
- Legal and Risk Management Report 22/11/18 decision GB/2018/189
- Customer Services Report 2/5/19 decisions GB/2019/36

**Expected timeframes**

<table>
<thead>
<tr>
<th>Financial year quarter and state month</th>
<th>FY18/19</th>
<th>FY19/20</th>
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<tbody>
<tr>
<td>Apr-Jun</td>
<td>Q4</td>
<td></td>
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<tr>
<td>Jul-Sep</td>
<td></td>
<td>Q1</td>
</tr>
<tr>
<td>Oct-Dec</td>
<td></td>
<td>Q2</td>
</tr>
<tr>
<td>Jan-Mar</td>
<td></td>
<td>Q3</td>
</tr>
<tr>
<td>Lead</td>
<td>Area of work</td>
<td>Governing Body role (decision or direction)</td>
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</tr>
<tr>
<td>Governance</td>
<td>2018 Local Government New Zealand Conference and Annual General Meeting</td>
<td>Appoint presiding delegate to Annual General Meeting Appoint three other delegates to Annual General Meeting Approve councillors to attend conference</td>
</tr>
<tr>
<td>People and Performance</td>
<td>Remuneration Policy</td>
<td>Approve the change to the policy.</td>
</tr>
<tr>
<td>Chief Financial Office</td>
<td>Regional Fuel Tax Proposal</td>
<td>Approve a Regional Fuel Tax for Auckland</td>
</tr>
<tr>
<td>Governance</td>
<td>Advisory Panels</td>
<td>Approve appointments to advisory panels</td>
</tr>
<tr>
<td>Governance</td>
<td>Independent Maori Statutory Board funding</td>
<td>Approve 2018/2019 funding agreement</td>
</tr>
</tbody>
</table>
### Attachment A

<table>
<thead>
<tr>
<th>Lead</th>
<th>Area of work</th>
<th>Governing Body role (decision or direction)</th>
<th>Detailed Decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>Accountability Review of council-controlled organisations</td>
<td>Approve objectives as basis of review, Approve scope and timing</td>
<td>Approve objectives, scope and timing 23/2/17 GB/2017/17, Memorandum 9/4/18 to councillors with an update</td>
</tr>
<tr>
<td>Governance</td>
<td>Representation Review</td>
<td>Approve the process for conducting the review of representation arrangements, Approve final decision</td>
<td>Report and approval of process 14/12/17 GB/2017/175, Workshop – 16 October 2018, Recommendations report 18/10/18 and decision GB/2018/157-165</td>
</tr>
<tr>
<td>Social Policy and Bylaws</td>
<td>On-site Wastewater Bylaw</td>
<td>Approve statement of proposal # Make/Amend/Revoke the bylaw. *Public notification is required for bylaw reviews even if no change to the bylaw is recommended.</td>
<td>Approve the statement of proposal 26/7/18 GB/2018/121, Hearings Panel report 25/10/18 and decision GB/2018/174</td>
</tr>
<tr>
<td>Social Policy and Bylaws</td>
<td>Health and Hygiene Bylaw</td>
<td>Approve statement of proposal # Make/Amend/Revoke the bylaw. *Public notification is required for bylaw reviews even if no change to the bylaw is recommended.</td>
<td>Approve the statement of proposal 26/7/18 GB/2018/120, Hearings Panel Report and confirm the bylaw 22/11/18 GB/2018/187</td>
</tr>
<tr>
<td>Social Policy and Bylaws</td>
<td>Public Safety and Nuisance Bylaw Review</td>
<td>Approve statement of proposal. # Make/Amend/Revoke the bylaw. *Public notification is required for bylaw reviews even if no change to the bylaw is recommended. Length of time required to draft the statement of proposal will depend on the scope of amendments requested following the review findings.</td>
<td>Report to Approve the statement of proposal 27/9/18 GB/2018/148, Panel report to approve bylaw 28/3/19 GB/2019/22</td>
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</table>
## Item 10

<table>
<thead>
<tr>
<th>Lead</th>
<th>Area of work</th>
<th>Governing Body role (decision or direction)</th>
<th>Detailed Decisions</th>
</tr>
</thead>
</table>
| Governance   | 2019 Local Government New Zealand Conference and Annual General Meeting | **Appoint** presiding delegate to Annual General Meeting  
**Appoint** three other delegates to Annual General Meeting  
**Approve** councillors to attend conference | Report to appoint delegates and approve attendance 28/3/19 GB/2019/25                                       |
| Governance   | Advisory Panels                                       | **Approve** appointments to advisory panels                                                               | Replacement members appointed to Youth Advisory Panel open process report 25/10/18 GB/2018/177 decision made in confidential |

*Summary of Governing Body information memoranda and briefings - 27 June 2019 including the Forward Work Programme*
Tira Kāwana / Governing Body Workshop: Annual Budget

MINUTES

Minutes of a workshop of the Governing Body held in the Meeting Room, Level 26, 135 Albert Street, Auckland on Thursday, 13 June 2019 at 1.32pm.

PRESENT

Hon Phil Goff, CNZM, JP
Deputy Mayor Bill Cashmore
Cr Ross Clow
Cr Fa’anana Efeso Collins
Cr Linda Cooper, JP
Cr Chris Darby
Cr Alf Filipaina
Cr Chris Fletcher
Cr Richard Hills
Cr Penny Hulse
Cr Mike Lee
Cr Daniel Newman, JP
Cr Desley Simpson, JP
Cr Sharon Stewart
Cr John Walker
Cr Wayne Walker
Cr John Watson
Cr Paul Young

From 1.38pm
From 1.36pm

Until 1.47pm
From 1.36pm, until 2.02pm
From 1.48pm
From 1.34pm
From 1.35pm

ABSENT

Cr Josephine Bartley
Cr Cathy Casey
Cr Greg Sayers

Note: No decisions or resolutions may be made by a Workshop or Working Party, unless the Governing Body or Committee resolution establishing the working party, specifically instructs such action.
Purpose:
The purpose of the meeting is for the Governing Body to:


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**Apologies**
Apologies from Cr J Bartley, Cr C Casey for absence, Cr G Sayers for absence on council business and Cr C Fletcher for early departure, were noted.

**Declarations of Interest**
Members were reminded of the need to declare any conflict that may arise between their role as a member and any private or other external interest they might have.

Staff verbally presented the following items:

**Introduction**
Matthew Walker

Cr J Watson joined the meeting at 1.34pm.

**Tūpuna Maunga Operational Plan 2019/2020 and summary to be included in the Annual Budget 2019/2020**
Dominic Wilson

Cr P Young joined the meeting at 1.35pm.
Cr P Hulse joined the meeting at 1.36pm.
Cr C Darby joined the meeting at 1.36pm.
Cr R Clow joined the meeting at 1.38pm.

**Amendment to the 10-year Budget 2018-2018 regarding property transfers**
Alistair Cameron and Ross Tucker

Cr C Fletcher retired from the meeting at 1.47pm.
Cr S Stewart joined the meeting at 1.48pm.
Annual Budget
Volume 1 – Our plan for 2019/2020
Volume 2 – Local board agreements
Ross Tucker, Michael Burns, Kylie Thompson

Cr P Hulse retired from the meeting at 2.02pm.

The workshop closed at 2.22pm.
Summary of Confidential Decisions and related information released into Open

File No.: CP2019/11177

Te take mō te pūrongo
Purpose of the report
1. To note confidential decisions and related information released into the public domain.

Whakarāpopototanga matua
Executive summary
2. This is a regular information-only report which aims to provide greater visibility of confidential decisions made which can now be released into the public domain.

3. The following decisions are now publicly available:

<table>
<thead>
<tr>
<th>Date of Decision</th>
<th>Subject</th>
</tr>
</thead>
<tbody>
<tr>
<td>17/3/16</td>
<td>Civic Administration Building (this decision was made at the Finance and Performance Committee)</td>
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</tbody>
</table>

4. The relevant decisions, original reports and/or original attachments for the above decision is appended to this report under ‘Attachments’.

5. Note that, unlike an agenda report, staff will not be present to answer questions about the items referred to in this summary. Governing Body members should direct any questions to the authors.

Ngā tūtohunga
Recommendation/s
That the Governing Body:

a) note the confidential decisions and related information that are now publicly available.

Ngā tāpirihanga
Attachments

<table>
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<tr>
<th>No.</th>
<th>Title</th>
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<tbody>
<tr>
<td>A</td>
<td>17/3/16 Civic Administration Building - Finance and Performance Committee</td>
<td>97</td>
</tr>
</tbody>
</table>

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Sarandra O'Toole - Team Leader Governance Advisors</th>
</tr>
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<tbody>
<tr>
<td>Authoriser</td>
<td>Stephen Town - Chief Executive</td>
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</table>
### Subject

<table>
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<td>17/3/16</td>
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#### Decision

Resolution number FIN/2016/35

MOVED by Chairperson MP Webster, seconded by Cr C Darby:

That the Finance and Performance Committee:

- a) approve the three parties to proceed to the Request for Development Proposals stage for the Civic Administration Building and the surrounding site, as recommended by the Panuku Development Auckland Board and agreed with Regional Facilities Auckland.

- b) approve, subject to the satisfactory conclusion of any required statutory processes, the disposal of the land at 1 Greys Avenue, Auckland Central comprised of an estate in fee simple, containing approximately 5,000m² being over part of Lot 3 Deposited Plan 86962 contained in certificate of title NA43D/644 and part of Lot 2 Deposited Plan 86062 contained in certificate of title NA43D/643 with the final area being subject to a survey plan to be approved by the Panuku Development Auckland Board and Regional Facilities Auckland.

- c) delegate to the Panuku Development Auckland Board the authority to manage the Request for Development Proposals process, select the preferred party from the shortlisted parties and conclude a contractual agreement in respect of the sale of the Civic Administration Building and surrounding land on the basis that no financial contribution by Auckland Council is required and the selected bid meets the heritage and design requirements agreed by the Auckland Development Committee on 7 July 2015.

- d) confirm that the approval of the preferred developer and scheme will be made in consultation with Regional Facilities Auckland based on the requirements it has specified in the Request for Development Proposals.

- e) agree that Panuku Development Auckland, in conjunction with Regional Facilities Auckland, manage all public communications regarding the nature and scale of development that may emerge from this process.

- f) agree that Panuku Development Auckland report back to the Chair of the Finance and Performance Committee and Auckland Council’s Chief Executive and Group Chief Financial Officer on the outcome of the Request for Development Proposals process and details of the commercial agreement.

- g) resolve that, should the possibility arise of Auckland Council needing to make a financial contribution to enable the refurbishment of the Civic Administration Building, then this will be reported back to this committee for consideration as part of the 2016/2017 Budget Refresh process.

- h) agree that the report and decisions remain confidential until a contractual agreement is concluded.
A division was called for, voting on which was as follows:

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<tr>
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<tr>
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<td>Cr CE Fletcher</td>
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<td>Cr CM Penrose</td>
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<td>Cr GS Wood</td>
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The motion was declared **CARRIED** by 11 votes to 5.

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<tr>
<td><strong>Notes</strong></td>
<td>At the Governing Body meeting on 30 May 2019, it was requested that information surrounding the matter that was no longer confidential be publicly released.</td>
</tr>
</tbody>
</table>
Finance and Performance Committee

CONFIDENTIAL MINUTES

Confidential minutes of meeting of the Finance and Performance Committee held in the Reception Lounge, Auckland Town Hall, 301-305 Queen Street, Auckland on Thursday, 17 March 2016 at 9.34am.
The confidential section of the meeting commenced at 2.40pm.

C2 Civic Administration Building

MOVED by Chairperson MP Webster, seconded by Cr C Darby:

That the Finance and Performance Committee:

a) approve the three parties to proceed to the Request for Development Proposals stage for the Civic Administration Building and the surrounding site recommended by the Panuku Development Auckland Board and agreed with Regional Facilities Auckland.

b) approve, subject to the satisfactory conclusion of any required statutory processes, the disposal of the land at 1 Greys Avenue, Auckland Central comprised of an estate in fee simple, containing approximately 5,000m² being over part of Lot 3 Deposited Plan 88062 contained in certificate of title NA43D/644 and part of Lot 2 Deposited Plan 88062 contained in certificate of title NA43D/643 with the final area being subject to a survey plan to be approved by the Panuku Development Auckland Board and Regional Facilities Auckland.

c) delegate to the Panuku Development Auckland Board the authority to manage the Request for Development Proposals process, select the preferred party from the shortlisted parties and conclude a contractual agreement in respect of the sale of the Civic Administration Building and surrounding land on the basis that no financial contribution by Auckland Council is required and the selected bid meets the heritage and design requirements agreed by the Auckland Development Committee on 7 July 2015.

d) confirm that the approval of the preferred developer and scheme will be made in consultation with Regional Facilities Auckland based on the requirements it has specified in the Request for Development Proposals.

e) agree that Panuku Development Auckland, in conjunction with Regional Facilities Auckland, manage all public communications regarding the nature and scale of development that may emerge from this process.

f) agree that Panuku Development Auckland report back to the Chair of the Finance and Performance Committee and Auckland Council's Chief Executive and Group Chief Financial Officer on the outcome of the Request for Development Proposals process and details of the commercial agreement.
g) resolve that, should the possibility arise of Auckland Council needing to make a financial contribution to enable the refurbishment of the Civic Administration Building, then this will be reported back to this committee for consideration as part of the 2016/2017 Budget Refresh process.

h) agree that the report and decisions remain confidential until a contractual agreement is concluded.

Resolution number FIN/2016/33
MOVED by Chairperson MP Webster, seconded by Cr C Darby:
That the Finance and Performance Committee:
  a) agree pursuant to Standing Order 1.1.3, that an extension of time be granted.

Resolution number FIN/2016/34
MOVED by Member DE Taipari, seconded by Cr GS Wood:
That the Finance and Performance Committee:
  a) agree that, pursuant to Standing Order 1.6.1, the motion under debate now be put to a vote.
A division was called for, voting on which was as follows:

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<td>Cr J Watson</td>
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The votes being a tie the chairperson exercised her casting vote and the motion was declared CARRIED.

The substantive motion was Put.

Resolution number FIN/2016/35
MOVED by Chairperson MP Webster, seconded by Cr C Darby:
That the Finance and Performance Committee:
  a) approve the three parties to proceed to the Request for Development Proposals stage for the Civic Administration Building and the surrounding site; [as recommended by the Panuku Development Auckland Board and agreed with Regional Facilities Auckland.]
  b) approve, subject to the satisfactory conclusion of any required statutory processes, the disposal of the land at 1 Greys Avenue, Auckland Central comprised of an estate in fee simple, containing approximately 5,000m² being over part of Lot 3 Deposited Plan 86062 contained in certificate of title NA43D/644 and part of Lot 2 Deposited Plan 86062 contained in certificate of title NA43D/643 with the final area being subject to a survey plan to be approved by the Panuku Development Auckland Board and Regional Facilities Auckland.
c) delegate to the Panuku Development Auckland Board the authority to manage the Request for Development Proposals process, select the preferred party from the shortlisted parties and conclude a contractual agreement in respect of the sale of the Civic Administration Building and surrounding land on the basis that no financial contribution by Auckland Council is required and the selected bid meets the heritage and design requirements agreed by the Auckland Development Committee on 7 July 2015.

d) confirm that the approval of the preferred developer and scheme will be made in consultation with Regional Facilities Auckland based on the requirements it has specified in the Request for Development Proposals.

e) agree that Panuku Development Auckland, in conjunction with Regional Facilities Auckland, manage all public communications regarding the nature and scale of development that may emerge from this process.

f) agree that Panuku Development Auckland report back to the Chair of the Finance and Performance Committee and Auckland Council’s Chief Executive and Group Chief Financial Officer on the outcome of the Request for Development Proposals process and details of the commercial agreement.

g) resolve that, should the possibility arise of Auckland Council needing to make a financial contribution to enable the refurbishment of the Civic Administration Building, then this will be reported back to this committee for consideration as part of the 2016/2017 Budget Refresh process.

h) agree that the report and decisions remain confidential until a contractual agreement is concluded.

A division was called for, voting on which was as follows:

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The motion was declared **CARRIED** by 11 votes to 5.
## Summary of Confidential Decisions and related information released into Open

### Finance and Performance Committee
17 March 2016 - CONFIDENTIAL

**Civic Administration Building**

**File No.: CP2016/03605**

### Confidentiality

<table>
<thead>
<tr>
<th>Reason</th>
<th>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</th>
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<tbody>
<tr>
<td>Interests</td>
<td>s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. In particular, the report contains commercially sensitive information regarding commercial negotiations.</td>
</tr>
<tr>
<td>Grounds</td>
<td>s48(1)(a)</td>
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</table>

### Purpose

1. The purpose of this report is to seek agreement to the parties recommended by the Panuku Development Auckland (PDA) Board to participate in the next stage of the procurement process to identify a preferred purchaser to refurbish the Civic Administration Building (CAB) and develop the surrounding land.

2. This report leaves consideration of any possible additional council funding contribution towards the refurbishment of the CAB to after the conclusion of the procurement process when greater certainty of the possible need for such a contribution will be clearer.

### Executive Summary

3. In accordance with the decisions of the Auckland Development Committee (ADC) in February 2015 and July 2015, ACPL/PDA has managed an Expressions of Interest (EOI) process to attract appropriate private sector parties to purchase this building and manage its restoration as part of a commercially viable development scheme for the overall site.

4. Following the decisions in February 2015 and July 2015 to progress the EOI, the PDA Board has selected three parties from that process that it is recommending as suitable to proceed to the Request for Development Proposals (RFDP) stage where we request submission of design and commercial terms. Details of these shortlisted parties were presented to an ADC workshop on 3 November 2015.

5. The RFDP will require the three selected parties to prepare and submit proposed development schemes and design treatment for both the CAB and the new build elements on the surrounding land. The RFDP will set out the council’s design requirements and Regional Facilities Auckland (RFA) requirements related to the projects interface with the Aotea Centre and wider arts and entertainment precinct.

6. The RFDP will set out the requirements for the bidders to address the heritage restoration of those elements of the CAB considered to be necessary to retain, replicate or reflect in the design treatment. The RFDP process will include opportunities to engage with council heritage advisors and urban designers. It will also include workshops to ensure Te Aranga design principles are reflected in the competitive submissions.

7. Taking three parties forward will ensure sufficient competitive tension and choice for PDA and at the same time recognises the time and cost investment each party will be required to make. For the parties to make this investment they need to have a realistic chance of success. In this case, the choice to take three parties forward also reflects our judgement as to whether each participant has a realistic and viable proposal that justifies their further involvement.
8. PDA is seeking delegation to select the preferred development party and execute the final development agreement on the basis that there is no additional cost to council.

9. Receiving delegation will establish a strong reputation for PDA in terms of commercial dealings and will provide certainty to the shortlisted parties investing in the RFDP process. This will result in higher quality submissions.

10. In parallel to the EOI process, PDA has updated its own feasibility analysis of this selected approach. An indicative development scheme has been prepared by PDA to anticipate and analyse the likely basis of commercial submissions through the RFDP process.

11. This analysis indicates that the level of a necessary council contribution could be between $7 million and $28 million. Our assessment of the most likely cost to council is at the midpoint of $18 million. However, it is important to emphasise that PDA’s dialogue with the shortlisted parties is not indicating that the developers’ analysis to date has created any expectations of a council contribution.

12. This range of possible financial outcomes reflects the significant variables in any feasibility assessment related to the current volatility in residential sales values and construction costs, particularly in terms of asbestos removal costs.

13. As we work through the RFDP process, the possible financial outcome will crystallise as the RFDP is completed. The RFDP will give the council firm proposals produced through a competitive bid process. Any council provision for expenditure on this project will be referred back to this committee and can be discussed more fully as part of the 2016/2017 Budget Refresh process.

Recommendation/s
That the Finance and Performance Committee:

a) approve the three parties to proceed to the Request for Development Proposals stage for the Civic Administration Building and the surrounding site,**as recommended by the Panuku Development Auckland Board and agreed with Regional Facilities Auckland.**

b) approve, subject to the satisfactory conclusion of any required statutory processes, the disposal of the land at 1 Greys Avenue, Auckland Central comprised of an estate in fee simple, containing approximately 5,000m² being over part of Lot 3 Deposited Plan 86062 contained in certificate of title NA43D/644 and part of Lot 2 Deposited Plan 86062 contained in certificate of title NA43D/643 with the final area being subject to a survey plan to be approved by the Panuku Development Auckland Board and Regional Facilities Auckland.

c) delegate to the Panuku Development Auckland Board the authority to manage the Request for Development Proposals process, select the preferred party from the shortlisted parties and conclude a contractual agreement in respect of the sale of the Civic Administration Building and surrounding land on the basis that no financial contribution by Auckland Council is required and the selected bid meets the heritage and design requirements agreed by the Auckland Development Committee on 7 July 2015.

d) confirm that the approval of the preferred developer and scheme will be made in consultation with Regional Facilities Auckland based on the requirements it has specified in the Request for Development Proposals.

e) agree that Panuku Development Auckland, in conjunction with Regional Facilities Auckland, manage all public communications regarding the nature and scale of development that may emerge from this process.
f) agree that Panuku Development Auckland report back to the Chair of the Finance and Performance Committee and Auckland Council’s Chief Executive and Group Chief Financial Officer on the outcome of the Request for Development Proposals process and details of the commercial agreement.

g) resolve that, should the possibility arise of Auckland Council needing to make a financial contribution to enable the refurbishment of the Civic Administration Building, then this will be reported back to this committee for consideration as part of the 2016/2017 Budget Refresh process.

h) agree that this report and the resulting recommendations and associated minutes will remain confidential until a contractual agreement is concluded.

Comments

Approved Basis of Sale

14. The lengthy discussions leading to the 2015 decisions of the Auckland Development Committee to seek to harness private sector investment to address the refurbishment of the CAB are well known to this committee and are not repeated here.

15. In July 2015 the ADC confirmed the council’s key requirements for inclusion in the procurement process to select a development partner for the site. These requirements are that:

a) Submitters need to demonstrate proposals that restore the heritage values of the existing building, as far as practicable, and subject to a detailed heritage restoration plan that would be developed with council’s heritage team.

b) Submitters can propose any uses for the building that are compatible and complementary with the wider objectives of the Aotea Quarter Framework.

c) The site area to be made available is approximately 5,000 square metres.

d) Submitters are encouraged to submit a proposal that intensifies the use of the site and creates a frontage to Mayoral Drive.

e) The council will consider the sale of the CAB and its surrounding land to the selected development party on a freehold or long term leasehold basis if the heritage values of the building are restored as far as practicable.

f) Proposals will need to make provision for vehicle access to the RFA Aotea Centre preforming arts centre.

g) Submitters need to recognise the importance of the location and submit proposals of exemplary design quality, responding specifically to Te Aranga Māori design, sustainability and urban design best practice.

16. These requirements have been carried into the bid requirements for the shortlisted parties with the exception of (f), relating to the provision for vehicle access to the Aotea Centre. RFA has now concluded that it can best meet vehicle access requirements within its current site.

Procurement Process

17. The agreed process to seek private sector involvement in the redevelopment of the CAB and its surrounds is being managed in a two stage process.

18. The EOI stage commenced in September 2015. It was listed on the Government Electronic Tender Services site (GETS) and marketed widely by CBRE in NZ and internationally. It provided an opportunity for all interested parties to present their capability, experience, track record and design ‘vision’ for the site, without incurring significant cost.
19. The evaluation team included staff and consultants with expertise in design, place shaping, heritage buildings and legal and financial assessment. It included staff involved in the Aotea Quarter Framework as well as RFA staff involved in the planned works to the Aotea Centre.

20. A total of 11 submissions were received (see details in Attachment A). The responses have been evaluated and a shortlist recommended to, and approved by, the PDA Board. These parties are:...

21. The second RFDP stage will be a closed process inviting the shortlisted parties to submit a detailed proposal including concept plans for the CAB and surrounding land and a final commercial proposal and terms. These detailed proposals will be evaluated both with respect to design merit and commercial terms, and a preferred party selected for final development agreement negotiations.

22. All three of the shortlisted parties are proposing a mixed use precinct across the site, including the CAB. All three are proposing a primarily residential focus to the precinct, with reference to retail, hospitality and office.

23. The three parties have known track records of delivery. ... 

24. The RFDP process will seek detailed design proposals and a commercial offer. These will be evaluated by PDA in conjunction with RFA to ensure the council’s key requirements are met and that the wider Arts and Entertainment precinct interface is satisfied.

25. Taking three parties forward will ensure good competitive tension and choice for PDA. At the same time it recognises the time and financial investment that each party will be required to make. For the parties to make this investment each needs to perceive a chance of success that justifies their participation in the bid process.

26. This tender process creates a benchmark in the market as to the Council Group’s ability and intent to act in a commercially responsive manner in respect of such significant property transactions. PDA is therefore keen to ensure a sure footed decision path that allows the engagement with bidders to be as timely and certain as possible.

**Feasibility Analysis of the Proposed Sale**

27. PDA has updated its feasibility assessment of the proposition to acquire and refurbish the CAB in conjunction with developing the surrounding land. To do this PDA has taken the perspective of a prudent private sector bidder. It has assessed the design opportunity to maximise the development potential of the land and achieve the highest achievable commercial sales returns. Against this it has assessed the costs of meeting the council’s heritage and design requirements. The team preparing this evaluation was led by property project analysis specialists in CBRE together with Jasmax, WT Partnership, and a heritage consultant.

28. This analysis suggests that the gap between the net development cost and a viable commercial scheme is between $7 million and $28 million. This large range reflects the sensitivity of relatively small changes in cost or income outcomes across a development that will have a gross cost of $250million to the developer.

29. In assessing the viability of the development of the CAB and surrounding land there are a number of variables that will have a significant impact on its overall feasibility. Primarily these relate to design, balance of viable uses, commercial returns, asbestos removal costs and general construction costs.
Finance and Performance Committee
17 March 2016 - CONFIDENTIAL

Alternatives to the Current Strategy

30. The council has agreed to seek private sector investment to refurbish the CAB in preference to demolishing the building or retaining and refurbishing the building at its cost. This is the strategy that PDA has followed with the project.

31. The demolition option potentially gave the best financial return to council if the land was sold to recoup the demolition cost. The cost of demolishing the CAB is estimated at $16.8 million. The further cost of making good the site for incorporation in the square can range from $14.5 million to $18.7 million. However this cost would be avoided if the site was sold for development. The sale of the site would recoup demolition costs and provide the council with a positive financial return.

32. The CAB was not scheduled by Auckland City Council in its District Plan as a building of heritage merit. However, there have been submissions to the Proposed Auckland Unitary Plan to schedule the building and this has been supported by council officers. The building will receive either a category A or B classification.

33. To now commence an application to demolish the building so close to a decision to schedule it would undoubtedly be controversial. Such an application would be publically notified and would follow a process that allows appeals to the Environment Court.

34. In earlier advice the council was informed that the cost of refurbishing the CAB to a modern standard of office use was estimated to be approaching $100 million in July 2014. The council has no identified service requirement to occupy the whole building and the floor sizes are smaller and less efficient than modern office buildings. The cost to council of refurbishing the building is far greater than the cost of renting alternative more efficient space. The market value of this building once refurbished is only half of the actual refurbishment cost.

Delegation to Panuku Development Auckland

35. The ADC has approved the EOI process but has reserved its role to approve the shortlisted parties.

36. All the parties that submitted proposals have been evaluated with scores agreed by the evaluation team. The shortlisted parties are all competent to develop the CAB and surrounding land in a way that will complement the adjoining properties and the wider Actua Quarter.

37. With approval from the Finance and Performance Committee of the shortlisted parties, we recommend that approval of the final preferred development party be delegated by Auckland Council to the PDA Board together with authority to execute a final development agreement, subject to that agreement being consistent with any conditions associated with the delegation in respect of design and commercial terms and there being no need for financial contribution by Auckland Council.

38. Such a delegation will give the participating parties greater certainty that, as long as proposals are compliant and of sufficient quality, a party will be selected to work with Auckland Council on the redevelopment of the CAB and the surrounding land. It is important to provide certainty to parties investing in the RFDP process to achieve high quality submissions.

39. Delegation is sought on the basis that the preferred respondent’s design proposal meets a set of ‘Essential Design Outcomes’ which we have outlined in Appendix B.

40. The ‘Essential Design Outcomes’ are aligned to the council’s key requirements which were agreed by the Auckland Development Committee in July 2015. They have been developed in conjunction with the Auckland Design Office and council’s heritage team.
Approved Basis of Sale

41. The refurbishment of the CAB is not viable as a stand-alone project and on this basis the council has previously agreed to include the surrounding site bounded by Greys Avenue, Mayoral Drive and the Aotea Centre as shown by the purple outline on the picture below. This has an overall area of approximately 5,000m² including the CAB footprint.

42. The details of the area to be sold will be subject to survey and agreeing a boundary with RFA in respect of the Aotea Centre.

43.  

Consideration

Local Board views and implications

44. The Waitemata Local Board has received briefings on the EOI process and was represented at the workshop held on 3 November 2015 with the Auckland Development Committee where the shortlisted parties were presented.

Māori impact statement

45. A number of hui have been held with mana whenua to discuss and agree on the process for the implementation and evaluation of Te Aranga Design Principles into the submissions by parties.

46. Te Aranga Design Principles are an essential design outcome sought from Auckland Council and are set out in the Design Brief (Attachment B).

47. Mana whenua requested an external specialist from Design Tribe, to present on Te Aranga design principles, possible ways of implementation and engagement with mana whenua to the shortlisted parties. This presentation was held on 10 February 2016. Mana whenua were invited, unfortunately none could attend.

48. Mana whenua have agreed the criteria that will be set out and then evaluated as part of the RFDP. They have also agreed that evaluation will be undertaken by either the Te Aranga design specialist person who is about to be employed within the Auckland Design Office, or by if they are not available. The recommendations will be presented to mana whenua for final approval on evaluation before the scores of the three shortlisted parties are included into the final group evaluation of the RFDP submissions.
Implementation

49. The RFDP is being run with the three shortlisted parties to refine what contingency may be required for this project. This will assist the Corporate Finance Group in deciding the required funding to include as part of the 2016/2017 Budget Refresh Process.

Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
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<tbody>
<tr>
<td>A</td>
<td>Confidential Document</td>
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<tr>
<td>B</td>
<td>Civic and surrounding land: Design Brief</td>
<td>25</td>
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</table>

Signatories

<table>
<thead>
<tr>
<th>Authors</th>
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</thead>
<tbody>
<tr>
<td>Kate Cumberpatch - Project Advisor, Panuku Development Auckland</td>
<td>Clive Fuhr - Project Development Director Central, Panuku Development Auckland</td>
</tr>
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<table>
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<tr>
<th>Authorisers</th>
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<tbody>
<tr>
<td>Allan Young – Director Development, Panuku Development Auckland</td>
</tr>
<tr>
<td>Sue Tindal - Group Chief Financial Officer</td>
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</table>
Civic Administration Building and Surrounds
Draft Design Brief
CAB and Surrounds Draft Design Brief February 2016

1. Introduction

This document sets out Auckland Council's design requirements for the refurbishment and development of 1 Greys Avenue, which incorporates the Civic Administration Building (CAB) and surrounding land. This document should be read in conjunction with relevant extracts of the District Plan/Proposed Auckland Unitary Plan and the Aotea Quarter Framework 2016 (summarised in this document).

The requirements set out herein reflect the expectations set at Council’s July 2015 Auckland Development Committee (ADC) meeting. The ADC noted that in seeking expressions of interest for private sector investment to refurbish the CAB the following should be secured:

- Proposals that restore the heritage values of the existing building, as far as practicable, and subject to a detailed heritage restoration plan that would be developed with council’s heritage team.
- Uses for the building that are compatible and complementary with the wider objectives of the Aotea Quarter Framework [adopted February 2016].
- Proposals that intensify the use of the site and creates a frontage to Mayoral Drive.
- Proposals of exemplary design quality, responding specifically to Te Aranga Māori design, sustainability and urban design best practice.

Recognising the broad nature of these resolution points, this document specifies a number of essential requirements that refurbishment/development will need to satisfy, together with further matters deemed to be desirable in terms of the overall development outcome.

2. Background

The CAB, designed by Tibor Donner, chief architect for Auckland City Council 1947-1967, contributes to the historical understanding of Auckland city centre’s built and cultural evolution and has a significant presence on the city’s skyline. It formed part of the original Civic Centre master plan, along with its “sibling” building Bledisloe House, and is recognised by many as an important example of the Modernist era in Auckland albeit the original design was never fully realised with two lower-scale east and west ‘wings’ off the tower never built. The sites for these unbuilt elements now form part of the wider development envelope being considered.

CAB was, upon completion in 1966, Auckland’s second tallest building and boasted a number of important innovations including its progressive earthquake construction (no shear walls – the welded floors are the structural element, steel structural columns and natural ventilation with operable windows. Asbestos is however also a feature of the building. The first major removal of asbestos was in the 1989. It was around this time that air conditioning / HVAC systems were installed, lowering the ceiling height but offering a solution to the deteriorating quality of the curtain wall glazing and window system.

CAB is now superfluous to council’s requirements and the opportunity exists to refurbish it for a new use, exploiting its inherent qualities, completing the unrealised potential associated with development on the surrounding land and contributing to the transformation occurring within the Aotea Quarter.
CAB and Surrounds Draft Design Brief February 2016

3. Context

3.1. Aotea Quarter Framework

Since 2005 the Auckland Council (formerly Auckland City Council) has been working with relevant stakeholders through the Aotea Quarter Plan 2007 to enhance the foundations of the Aotea Quarter and thereby its role as the civic and cultural heart of the city centre and region.

The new Aotea Quarter Framework was adopted in February 2016 as a means of updating and advancing the strategic direction for the area. The vision for the area is:

“The Aotea Quarter is the arts, culture and civic heart for the people of Tamaki Makaurau-Auckland:

A vibrant, resilient and unique place to indulge the senses, express creativity, and celebrate our indigenous & diverse cultures”

The framework identifies four outcomes to deliver the Quarter vision. These are:

- **Outcome Taūi – a civic and cultural heart:** The quarter core as the enduring home for the arts, culture, entertainment and civic life, creating a unique destination.
- **Outcome Rua – transport enabled development:** A public transport node that improves accessibility, supports growth and enables high-quality development.
- **Outcome Toru – supporting neighbourhoods:** Liveable, vibrant and diverse inner-city neighbourhoods engaging with and supporting the quarter core.
- **Outcome Wha – cultural and sustainable showcase:** Spaces and buildings that lead and showcase Auckland's drive for sustainability, and celebrate its unique cultural identity through the Te Aranga Māori design principles.

Outcome Rua describes the impending transformation of the quarter into one of the busiest public transport node in the city with the new Aotea Train Station (City Rail Link), possible Light Rail Transit up Queen Street and a new bus priority route on Wellesley Street. The outcome goes on to contemplate the realisation of the development opportunity on four council owned sites – West Bledisloe, Aotea Centre (including adjoining land), Civic Administration Building and surrounds and South Town Hall – to bolster the quarter’s vibrancy and destination qualities and support the Aotea Station. The Framework presents a number of broad design principles for the Quarter that design teams should have regard to:

- Augment activities that reinforce the civic quality and public life of the quarter, and the flourishing arts and cultural scene.
- Facilitate the transition towards remarkable inner-urban neighbourhoods well stitched into the quarter core.
- Leverage off the foot traffic and dwell-times resulting from the transit-orientated hub at Aotea Station.
- Improve the public realm with the sequences and spaces that offer delight and discovery to support the arts, civic, cultural and entertainment scenes.
- Showcase Auckland’s most innovative, sustainable building practice.
- Engage early with mana whenua on co-developing narratives, and to shape design decisions with reference to Te Aranga principles when preparing development proposals.
- Provide universally accessible public routes between Aotea Square and Mayoral Drive.
- Transcend topography around new or redeveloped buildings where external public lanes cannot provide this.
CAB and Surrounds Draft Design Brief February 2016

The Framework goes on to present design prompts for the Quarter ‘core’ i.e. Aotea Square and surrounding civic, cultural and arts buildings including the CAB:

- Understanding the distinctive identity and character of the quarter core that has strong contrasts between the traditional, compact and street-based architecture of Queen Street in the east and the modernist, landscape-based built form, public spaces and linkages to the west of Aotea Square.
- Seeking design and development outcomes that are responsive to the basin landform and landscape linkages that are sympathetic to the modernist architectural forms of the Aotea Centre and CAB Bledisloe Buildings.
- Layers of activity to anchor the destination.
- Environmentally sustainable design, including microclimate (e.g. facing the sun).
- Anchoring landmarks and dramatic entrances.
- Additional meeting points and tributary spaces.
- Great streets for all (universal access, connections and desire lines).
- Landscape linkages between spaces and sequences.
- Natural and cultural history, revealing the narratives.
- Car circulation, access and parking/lift underground.

3.2. Planning

The Proposed Auckland Unitary Plan locates the site within the City Centre Zone. The site is therefore subject to land use, density and environmental controls in addition to specific view shaft and sight line controls.

A summary of the key controls for the site is presented below. It will however, be the responsibility of the respondent to familiarise themselves with all relevant planning restrictions applicable to the site.

![Drawing 3.1 City Centre Controls – Height, FAR, Frontage](image-url)
Governing Body
27 June 2019

Finance and Performance Committee
17 March 2016 - CONFIDENTIAL

CAB and Surrounds Draft Design Brief February 2016

Drawing 3.2 City Centre Controls - Sunlight, Height and Sight Lines

Drawing 3.3 City Centre Controls - Sight Line from Rutland Street
CAB and Surrounds Draft Design Brief February 2016

3.3. Heritage

The Proposed Auckland Unitary Plan Independent Hearings Panel is considering submissions on listing the CAB as a heritage building. The need to retain heritage features will be captured in a heritage plan for the buildings reuse.

If the CAB is scheduled as a heritage building this will require through the ‘extent of place’ that adjoining development within the overall site boundary support its special qualities including its relationship with Aotea Square.

The following sets out a brief history of the building with its features of history, and a statement on the current planning status of the heritage aspects of the building.

Potted History

- Town Hall completed by 1910.
- Plans for a civic scheme at the Aotea square went through a number of iterations in the 1930s and 1940s.
- 1951 Tibor Donner had prepared a revised design known as ‘Scheme 4’, which satisfied all parties and remained “the scheme” until 1969.
- Bledisloe completed in 1950s, but twin building not realised.
- Completed by 1968.
- Rest of ‘scheme 4’ not realised, southern car parking building ‘undergrounded’.
- Western auditorium building not realised.
- Mayoral Drive implemented in 1970s.

Features of interest

- Donner design 1961, constructed 1966 with advice on structure form internationally renowned American seismic engineer John A. Blume.
- Flexible ‘Q-deck’ structure.
- Narrow floor plate, natural light and ventilation.
- Bespoke manufactured aluminium and other details.
- Basement theatre, stairwells, ground and mezzanine and deck terrace retain some original components.
- Original external mosaic tiling removed in last 10-20 years.
- Many of the welders were recent migrants from Polynesia, who were especially trained.
- Association with civic and municipal activities.

Planning

- No heritage protection under Central Operative plan – Assessed under old system but did not meet grade.
- Reassessed under new criteria in 2012, recommended ‘A’.
- Peer review 2013 concurs with ‘A’ rating.
- Submissions for scheduling in PAUP.
- Likely to be agreed by Independent Hearings Panel.
- Categorisation ‘A’ or ‘B’ to be determined – Auckland Council’s Heritage Unit have submitted for ‘A’ in line with other submissions from heritage submitters, with an accompanying Auckland Council planning submission recommending ‘B’.
CAB and Surroun ds Draft Design Brief February 2016

- Relevance of category status to partial or substantial demolition yet to be determined; Auckland Council have submitted that ‘substantial’ demolition should be 70% by volume or area, as a change from the notified plan (80%).
- Extent of place to be determined, but as recommended in submission encompasses almost all the project site.

4. Design Requirements
The following design requirements apply to the CAB and surrounding land and should be read in conjunction with drawing 4.1 below.

4.1. General (applicable to CAB and surrounding land)
Development is required to:

- Support the vision for the area as expressed in the Aotea Quarter Framework and the general design prompts/principles it identifies for development opportunities in the Quarter ‘core’.
- Use quality building materials and techniques that are durable, sustainable and achieve the highest noise attenuation standards that minimise reverse sensitivity risks (see Attachment 1).
- Conceal any parking and servicing i.e. behind (or under) Active/Occupied frontages*.
- Receive support of the Auckland Urban Design Panel to the final design.

4.2. CAB Refurbishment and Adaptive Reuse
Development is required to:

- Restore key heritage values which include:
  - Visual prominence of the northern, eastern and western aspects of the tower.
  - Aluminum curtain wall.
  - Stair wells.
  - Ground floor/mezzanine.
  - Floor 1B deck including original aluminum walkways, external steel cladding to lift shaft, mosaic tiling and concrete floor tiles with crushed glass.
  - Basement auditorium.
- Comply with a detailed heritage restoration plan that will be developed with council’s heritage team.

It is desirable that the development achieve:

- Minimum New Zealand Green Building Council rating of 5 Stars/6 Home Star or better (or a recognised equivalent standard).
4.3. Surrounding Development

Development is required to:

- Hold a common building line to the back of the footpath on Mayoral Drive along its length with at least 70% of the frontage Active or Occupied* at the ground floor (street level) including principal building entrances.
- Hold a common building line to the back of the footpath on Greys Avenue along its length with at least 70% of the frontage Active or Occupied at the ground floor, including principal building entrances. A single vehicular access/egress point of no more than 6m wide with a cross-over designed for pedestrian universal access may be provided from Greys Avenue.
- Provide a minimum 5m wide pedestrian route between A (Greys Ave/Mayoral Drive intersection) and B (development edge) designed for universal access and to be CPTED compliant. The alignment of this connection can be determined by the respondent but frontage to the lane will need to be Active or Occupied.
- Create a welcoming corner marker building at the Greys Ave/Mayoral drive intersection differentiated from adjoining built form through scale and architectural expression.
- Retain clear views of the north and east façades of the CAB with any building fronting Actae Square/Grey Avenue (northern extent) to be no more than 4 storeys in height (equivalent to original scheme height for podium buildings) and present an active ground floor frontage to Actae Square.
- Integrate the Te Aranga Maori Design principles (as included in the Auckland Design Manual) throughout the design process and final design.
- Retain and enhance existing mature and protected trees on Greys Avenue and Mayoral Drive.

It is desirable that the development include:

- Minimum 4m wide pedestrian route between C and D designed for universal access and to be CPTED compliant. Alignment flexible.
- Minimum 4m wide pedestrian route between E and F designed for universal access and to be CPTED compliant. The alignment of this connection can be determined by the respondent but frontage to the lane will need to be ‘occupied’.
- A bulk and massing strategy that responds to the PAUP height controls (max. 50m height) and locates bulk away from Actae Square towards Mayoral Drive.

* Active frontage refers to retail and food and beverage type ground floor uses with a good degree of day (and ideally night) time activity that provides engagement between the street and the building. Occupied frontage extends this definition to include more passive secondary active uses such as offices, communal areas or habitable rooms in residential accommodation but only where building facades provide sufficient openings (windows without decals or similar and doors) to enable visual engagement between those in the street and those in the building at the ground floor.
Item C2

Attachment A

Attachment B

CAB and Surrounds Draft Design Brief February 2016

Attachment 1 – Extract of Topic 40 Lighting, Noise and Vibration of the PAUP
Independent Hearing Panel

Topic 40 Lighting, Noise and Vibration – Auckland Council Closing Statement

Proposed Noise and Vibration Track Changes – Chapters C7.3 and H6.2

Dated 21 September 2015

The following is an extract from Topic 40 which is proposing changes to the
PAUP. These are given as a guide only and are subject to change throughout
the PAUP process.

6.2 Noise and vibration

1. Land use controls

1.1 General

1. Except where more specific requirements apply noise levels arising from activities must be
measured and assessed in accordance with the New Zealand Standard NZS 6802:2008
Measurement of environmental sound and the New Zealand Standard NZS 6802:2008
Acoustics – environmental noise. The application of an adjustment for noise containing
special audible characteristics (Appendix B4 of NZA 6802:2008) may apply to the A weighted
level for any measurement but an adjustment must not be applied to any level measured in
the 63Hz and 125Hz octave bands.

2. The noise from any construction work activity shall be measured and assessed in accordance
with the requirements of NZS6803:1999 Acoustics – Construction Noise. Construction work is

3. The noise limits of the Plan do not apply to emergency service sirens and callout sirens
during emergency situations.

4. Where more than one rule applies that requires insulation of a noise sensitive space from an
external noise source, the controls shall be applied cumulatively.

5. Where rules are provided for specific activities, the zone interface controls and the zone
controls do not apply to that activity.

1.2 Noise arising from activities within zones

Centres and Mixed Use zones

8. The noise (rating) level and maximum noise level arising from any activity in the centres or
mixed use zones measured or assessed as the incident level on the façade of any building on
any other site in the centres or mixed use zones must not exceed the applicable following
limits in Table 5 or 5a.
The 63Hz and 125Hz octave band limits shall not apply to fixed mechanical plant.

8. In situations where common building elements such as floors and walls connect two units in centres and mixed use zones, the noise (rating) level arising from any activity measured in any unit must not exceed the following limits.

<table>
<thead>
<tr>
<th>Unit affected</th>
<th>Time</th>
<th>Noise Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>In all units except those containing activities sensitive to noise</td>
<td>At all times</td>
<td>50dB LAeq</td>
</tr>
<tr>
<td>In bedrooms and sleeping areas within units containing activities sensitive to noise</td>
<td>Between 10pm and 7am in Local Centre and Neighbourhood Centre Zones and between 11pm and 7am in City Centre, Metropolitan Centre, Town Centre and Mixed Use zones.</td>
<td>35dB LAeq</td>
</tr>
<tr>
<td></td>
<td></td>
<td>45dB at 63 Hz LAeq</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40dB at 125 Hz LAeq</td>
</tr>
<tr>
<td>Other noise sensitive spaces</td>
<td>Between 7am and 10pm</td>
<td>40dB LAeq</td>
</tr>
<tr>
<td></td>
<td>At all other times</td>
<td>40dB LAeq</td>
</tr>
</tbody>
</table>

Adjustments for noise containing Special Audible Characteristics will only apply to A weighted levels.

The 63Hz and 125Hz octave band limits shall not apply to fixed mechanical plant.

9. Noise sensitive spaces must be designed and/or insulated so that the internal noise levels do not exceed the following limits:

<table>
<thead>
<tr>
<th>Unit affected</th>
<th>Time</th>
<th>Noise Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bedrooms and sleeping areas in Local Centre and Neighbourhood</td>
<td>Between 10pm and 7am</td>
<td>35dB LAeq</td>
</tr>
<tr>
<td></td>
<td></td>
<td>45dB at 63 Hz LAeq</td>
</tr>
</tbody>
</table>
10. The limits in Table 7 above must be met based on the level of noise permitted by the zone or precinct controls or any adjacent zone or precinct controls.

11. Where a new room is constructed that is subject to Rule 1.2.9 (internal acoustic insulation requirement) and the noise levels in Table 7 (internal design noise level) can only be complied with when doors or windows to those rooms are closed those rooms must, as a minimum:
   a. Be constructed to ensure compliance with the noise limits in Table 7.
   b. Be mechanically ventilated and/or cooled to achieve:
      i. for residential dwellings, either:
         1. Provide mechanical cooling to achieve an internal temperature no greater than 25°C based on external design condition of dry bulb 25.1°C and wet bulb 20.1°C.
            Mechanical cooling must be provided for all habitable rooms (excluding bedrooms) provided that at least one mechanical cooling system shall service every level of a dwelling that contains a habitable room (including bedrooms), or
         2. Provide a high volume of outdoor air supply to all habitable rooms with an outdoor air supply rate of no less than:
            a. 6 air changes per hour (ACH) for rooms with less than 30% of the façade area glazed;
            b. 15 air changes per hour (ACH) for rooms with greater than 30% of the façade area glazed;
            c. 3 air changes per hour for rooms with facades only facing south (between 120 degrees and 240 degrees) or where the glazing in the façade is not subject to any direct sunlight.
      ii. for all other noise sensitive spaces provide mechanical cooling to achieve an internal temperature no greater than 25°C based on external design conditions of dry bulb 25.1°C and wet bulb 20.1°C.
   c. Provide relief for equivalent volumes of spill air.
   d. Be individually controllable across the range of airflow and temperatures by the building occupants in the case of each system.
CAB and Surrounds Draft Design Brief February 2016

- Have a mechanical ventilation and/or cooling system that generates a noise level no greater than L_{eq} 35 dB when measured 1m from the diffuser at the minimum air flows required to achieve the design temperatures and air flows in 14(b)(i) above.
Exclusion of the Public: Local Government Official Information and Meetings Act 1987

That the Governing Body

a) exclude the public from the following part(s) of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

C1 City Rail Link Limited Shareholder approval of major transaction

<table>
<thead>
<tr>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Particular interest(s) protected (where applicable)</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
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<tbody>
<tr>
<td>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</td>
<td>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. In particular, the report contains commercially sensitive information. The disclosure of this information would compromise City Rail Link Limited's negotiating position.</td>
<td>s48(1)(a) - The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</td>
</tr>
</tbody>
</table>