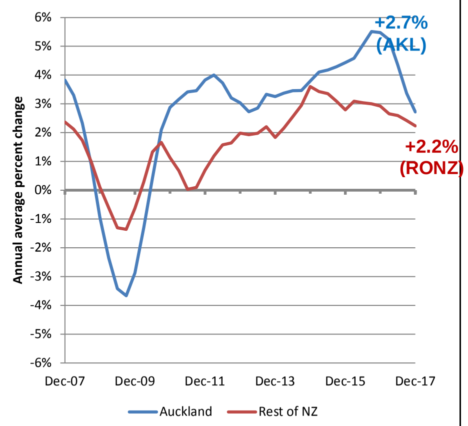
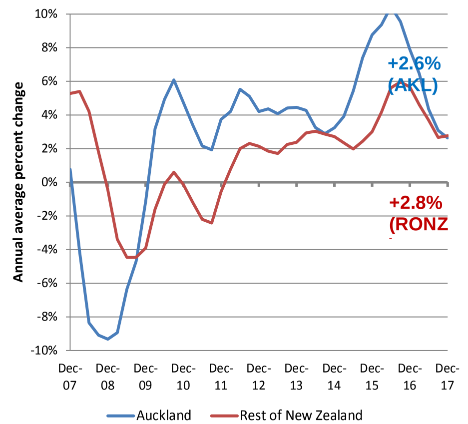
Auckland Economic Update – May 2018

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

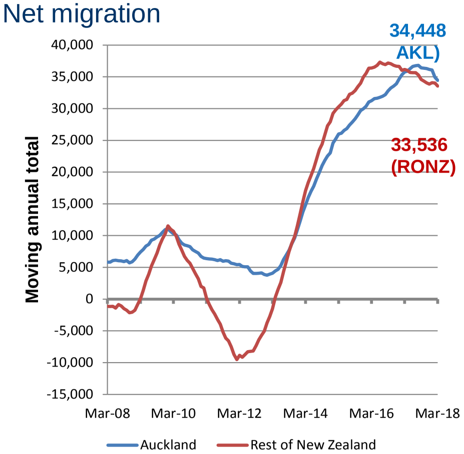
Real GDP Growth[1]



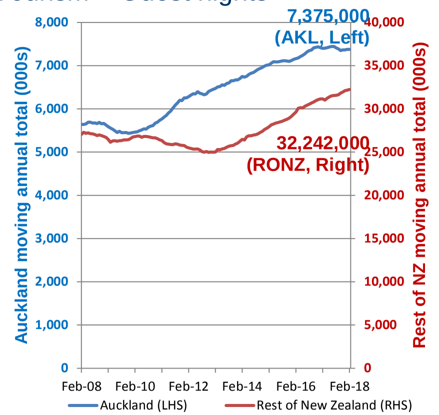
Real retail sales growth



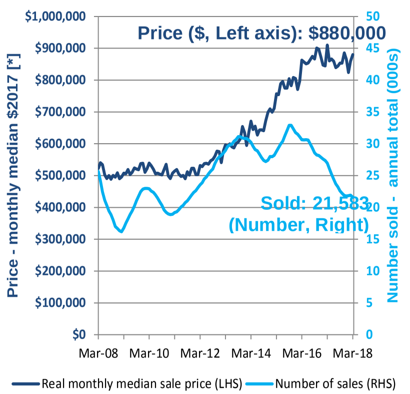
Net migration



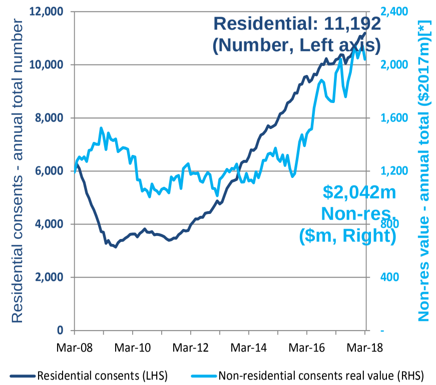
Tourism – Guest nights



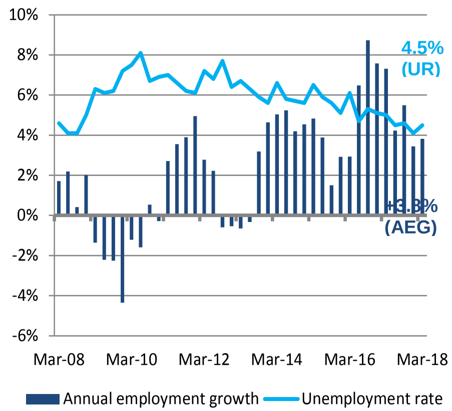
House sales: price [*] and number sold [2]



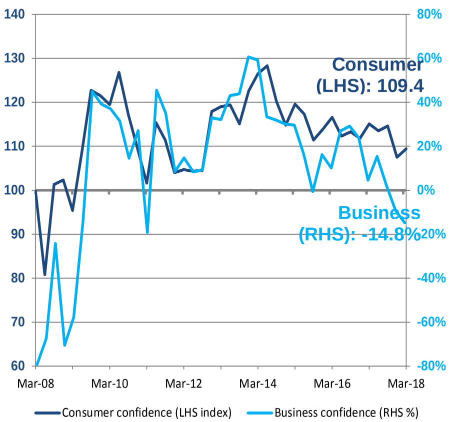
New building consents: res. and non-res.[*]



Employment and unemployment [**]



Confidence indicators [3, 4]



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Sources:

All data is from Statistics New Zealand unless otherwise stated below:
(1) Infometrics, Regional Economic Profile, with interpolation by Auckland Council (RIMU/CEU); subject to revision. **(2)** Real Estate Institute of New Zealand. **(3)** Westpac McDermott Miller. Values over 100 indicate more optimists than pessimists. **(4)** New Zealand Institute of Economic Research, Quarterly Survey of Business Opinion. Measures the net percentage of firms that believe the general business situation will improve in the next six months.
[*] All historical $ converted to latest quarter equivalent $ using quarterly price index, so may differ from previous updates.
[**] Historical HLFS data to March 2016 rebased August 2016 by SNZ, but not fully compatible with June 2016 onwards.

Appendix 2 - Treasury report

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

Key highlights for the quarter include:

- gross debt managed by Auckland Council Treasury was $7.99b at 31 March 2018. After adjusting for cash holdings of $0.73b, net debt was $7.26b, a net debt increase of $79m in the March quarter.
- Total forecast borrowing requirement for the group including refinancing (excluding Ports of Auckland Limited) over the next twelve months is $650 million.
- March year to date net interest cost is $16.9 million favourable.

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

Debt

Covenant and Borrowing Thresholds

Requirement	Group/parent	Imposed by	Compliance	Date
Gross borrowings from LGFA < 40% of LGFA's total local government assets[1]	N/A	LGFA	26% (✓)	Mar-18
No more than the greater of $100m or 33% of Councils borrowings from LGFA will mature in any 12 month period	N/A	LGFA	24% (✓)	Mar-18
Net Debt / Total Revenue < 250%	Parent	LGFA	191% (✓)	Jun-17
Net Interest / Annual Rates Income < 30%	Parent	LGFA	19% (✓)	Jun-17
Net Interest / Total Revenue < 20%	Parent	LGFA	11% (✓)	Jun-17
Debt / Adjusted Operating Revenues < 270%	Group	Council / Standard & Poor's	260% (✓)	Dec-17
Interest / Adjusted Operating Revenues < 15%	Group	Council / Standard & Poor's	13% (✓)	Dec-17
Interest / Rates income < 25%	Parent	Council	19% (✓)	Dec-17
Credit Rating Objective	Group	Council	Moody's Aa2 (✓)	Mar-18
			S&P AA (✓)	

Gross debt managed by Auckland Councils Treasury team as at 31 March 2018 was $7.99 billion ($7.79 billion at 30 June 2017). After allowing for $0.73 billion of cash investments ($277 million as at 30 June 2017), net debt was $7.26 billion ($7.5 billion at 30 June 2017).

Debt portfolio performance	**Actual 31 March 18**	**Annual Budget as per plan**	**Benchmark[1]**
Cost of funds[2]	5.14 %	5.30 %	4.64 %

[1] 7-year swap rate over previous 7 years adjusted for the debt portfolio's current weighted average credit margin
[2] Excludes Watercare and Ports of Auckland

The March cost of funds remains below the budgeted cost of funds and above the 7 year benchmark.

Debt year-end outlook						
Gross Debt Opening position	Debt Issued/(Repaid) YTD	Gross Debt at 31 March 2018	Treasury forecast increase in debt at 30 June 2018	Treasury forecast closing position at 30June 2018	Annual Plan closing position at 30 June 2018	Variance
$7,795	$197	$7,992 m	$341 m	$8,136 m	$7,827 m	$309 m

The current year-end outlook debt position is gross debt $8,136 million (net debt $7,600 million including cash of $536 million). The average maturity of our debt portfolio at month end was 6.15 years.

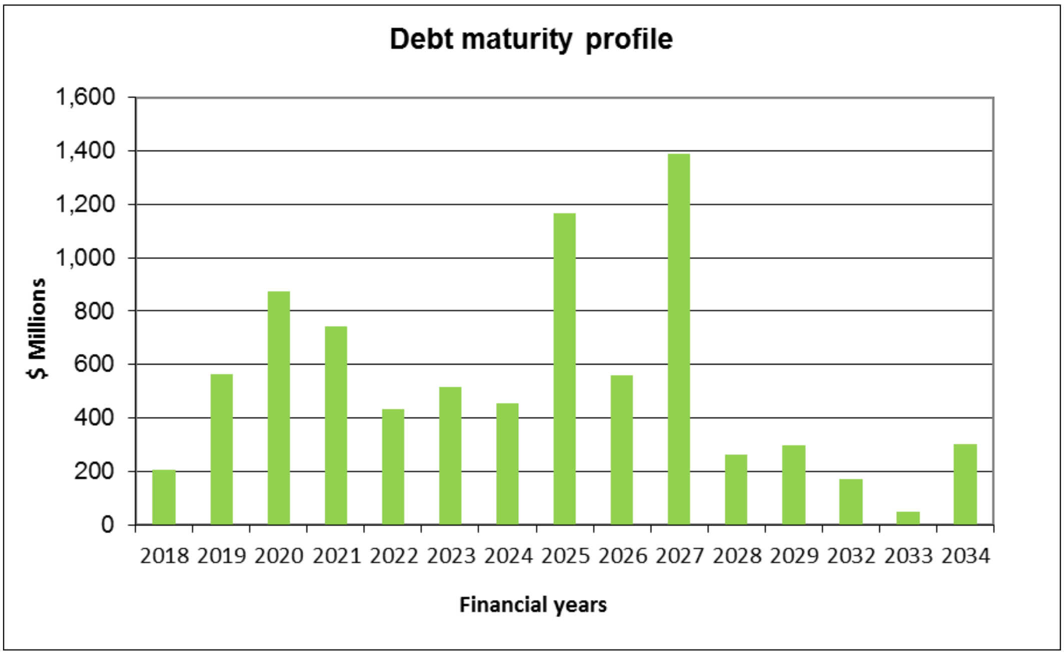
The year-end outlook position is $309 million higher than the annual plan closing gross debt position. This is largely due to prefunding achieved with the January EUR 500m bond issue.

Long term debt maturity profile	Actual	Actual %
15% to 50% of debt to mature between 0 to 3 years.	$ 1,745 m	22%
15% to 50% of debt to mature between 3 to 6 years.	$ 1,846 m	24%
20% to 50% of debt to mature between 6 to 10 years.	$ 3,375 m	43%
0% to 50% of debt to mature beyond 10 years.	$ 821 m	11%
TOTAL	**$ 7,787 m**	**100%**

Fixed Interest Rate Repricing [3]	Actual	Actual %
Between 50 per cent and 95 per cent of total debt.	$ 5,896 m	88%

Funding sources in $ Millions						
	Amount on issue				Change	
Domestic funding	**31-Mar-18**		**30-Jun-17**			**YTD**
Commercial paper + short term borrowing	$205	3%	$290	4%	⇩	$85
Retail bonds	$1,005	13%	$1,355	17%	⇩	$350
Wholesale bonds	$1,000	13%	$1,010	13%	⇩	$10
Local Government Funding Agency	$2,082	26%	$2,407	31%	⇩	$325
Total domestic	**$4,292**	**54%**	**$5,062**	**65%**	⇩	**$770**
Offshore funding (NZD equivalent)						
Australia (AUD755m)	$847	11%	$720	9%	⇧	$127
Europe (EUR1,185m)	$1,893	24%	$1,053	14%	⇧	$840
Norway (NOK2.4b)	$467	6%	$467	6%		-
Switzerland (CHF375m)	$493	6%	$493	6%		-
Total offshore	**$3,700**	**46%**	**$2,733**	**35%**	⇧	**$967**
Total gross debt	**$7,992**	**100%**	**$7,795**	**100%**	⇧	**$197**

[3] Fixed rate debt refers to all future forecast debt where the future interest rate coupon cashflow is fixed (determined).



Investments

Cash investments finished the quarter at $0.73b, a $0.4 billion decrease (31 December 1.13 billion).

The $32 million Trust and Reserves Portfolio consists of cash and fixed interest investments, being invested consistently with the nature of funds received by council because of a bequest or trust. Its purpose is to maximise interest income while protecting the capital value and ensuring funds are available to meet the distribution requirements of the various trusts.

Credit Exposure to Counterparties

Issuer / counterparty	Actual exposure per counterparty group % of rates revenue	Maximum exposure per counterparty (grouping) % of rates revenue	In Policy
New Zealand Government	0%	100%	Yes
RBNZ registered banks	47%	100%	Yes
Non RBNZ registered offshore banks	0%	75%	Yes
Local Government Funding Agency	2%	30%	Yes
Local authorities	0%	20%	Yes
Other issuers including state owned enterprises, listed and unlisted companies >=AA-	0%	10%	Yes
Other issuers including state owned enterprises, listed and unlisted companies >=A-	0%	5%	Yes

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

Appendix 3 - Professional services expenditure

For the first 9 months of financial year 2017/18, ending in March 2018, the council spent $44 million on professional services.

Summary of professional services expenditure by category

Category	Spend Jul17 – Mar18 ($m)	Explanation
Consultancy	34.7	Specialist and technical advice, design and research work, expertise in managing specific initiatives/projects, subject matter expert input, specialist skills and knowledge not available in-house.
Legal	7.4	External legal advice and assessment relating to Unitary Plan matters, weather tightness issues, funding matters, representation for legal disputes and prosecutions, sale and purchase of properties etc.
Audit	1.6	Statutory audits, audit review of current processes and procedures.
Total	**43.7**	

Summary of professional services expenditure by theme

Theme	Spend Jul17 – Mar18 ($m)	Commentary
Auckland development	11.3	Mainly related to the property portfolio Strategic Development that Panuku carried out, included the pre development and placemaking activities in the Priority Transform and Unlock locations throughout Auckland, consultancy on a number of valuation services, resource consenting, design etc; constancy on the Unitary Plan appeals, Northern Corridor Improvement Iwi and Mana Whenua advice plus Maori heritage sites of significance; Consultancy on Auckland Plan refresh, air quality/fresh water/land use monitoring programmes.
Environmental management and regulation	3.8	Mainly consultancy service for Healthy Waters project work on catchment management plans, reactive maintenance, operational plans and investigation, compliance etc. technical design guides, Waste planning and research, Waste Minimisation Management programme, various environmental management projects and Maori engagement; Regulatory Support project implementation, such as Dog registration database, targeted initiative and Food act.
Parks, community and lifestyle	3.2	Auditing services for Full Facility contract, specialist service for community facilities project delivery. Change management for Active recreation service

		and Les Mills franchise costs, implementation of Envibe project, specialist advice for "Beneath our Feet" Programme, Volcanic Cones, Website development; Parks and Sports seismic assessments, designs and asset planning.
Governance and support	25.4	Mainly due to legal advice on Unitary Plan, City Rail Link project, America Cup, and ongoing legal costs related to commercial property, Plan changes, civil litigation and public law; external treasury advice on investment/debt management, and rating revaluation services; audit services, tax and general accounting advisory; advice on corporate portfolio strategies, consultancy on Holidays Act Compliance investigation into working arrangements and holiday pay calculations; specialist input to LTP.
Total	**43.7**	

Appendix 4 – LGOIMA information

Council received 259 LGOIMA and Privacy Act requests in the quarter from 1 January to 31 March 2018. This represents an increase of around 9 per cent from the previous quarter.

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

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

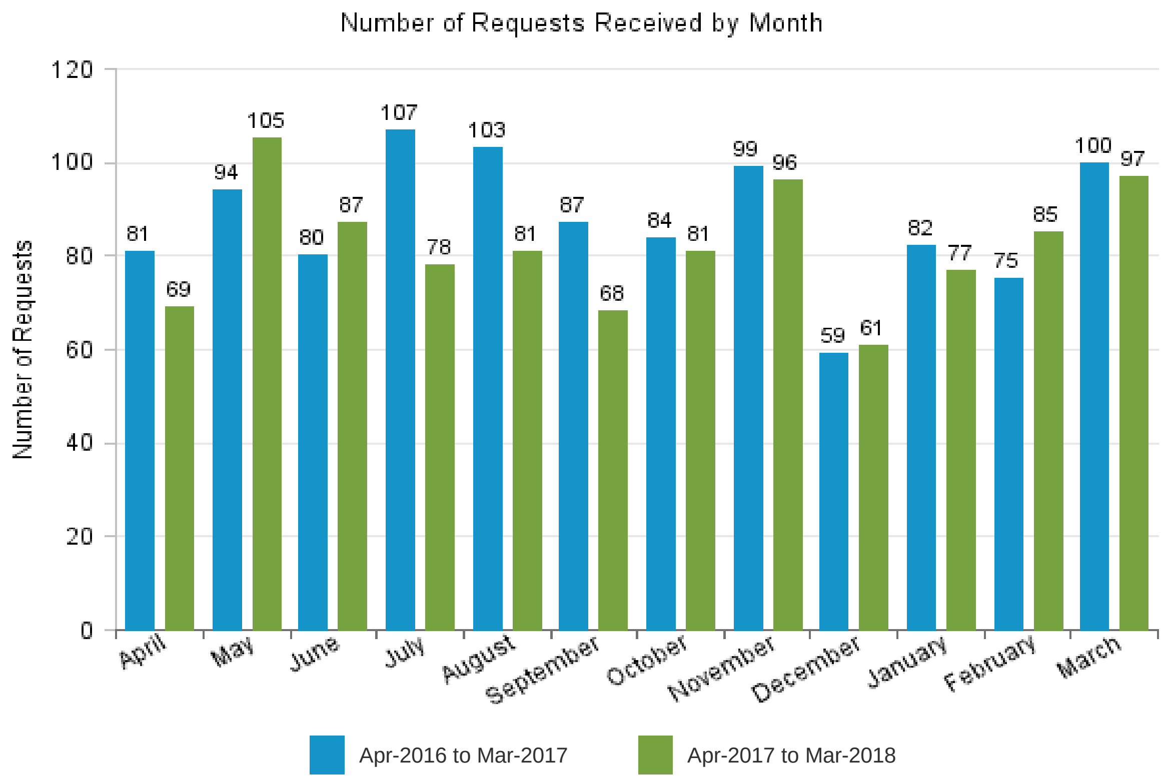


Figure 2 shows the source of LGOIMA and Privacy Act requests. Individuals continue to be the primary source of requests.

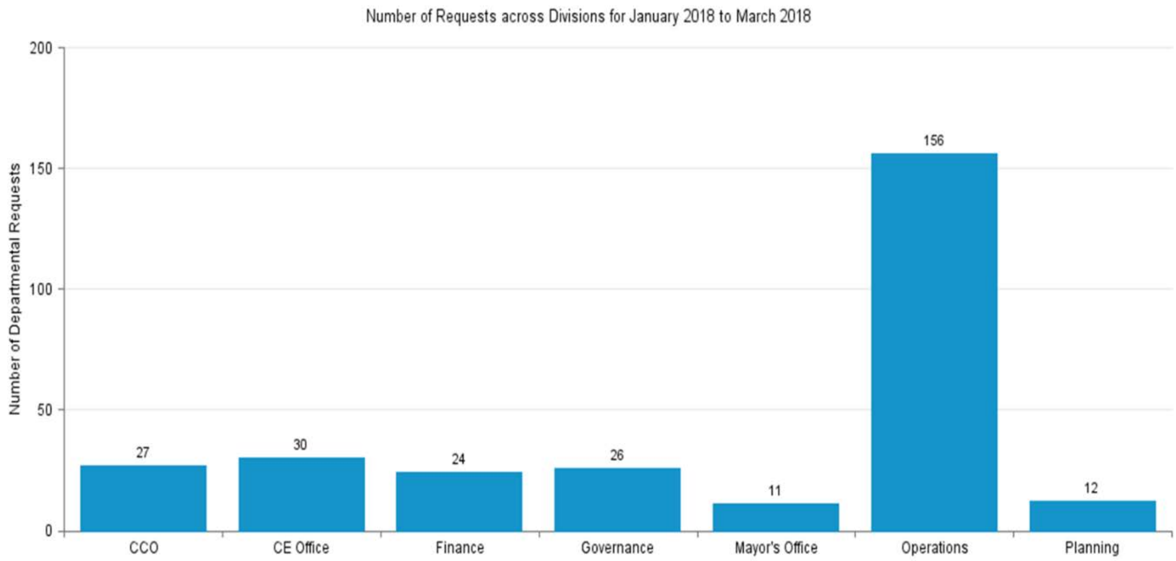
Figure 2: Requests received by category

Requests Received by Category (in past 12 months) - Apr-2017 to Mar-2018

	LGOIMA Request	Privacy Act Request	Total	Percent
Individual	596	23	619	63%
Law Firm	78	0	78	8%
Media	142	0	142	14%
Private Sector	114	0	114	12%
Public Sector	31	1	32	3%
Total:	**961**	**24**	**985**	**100%**

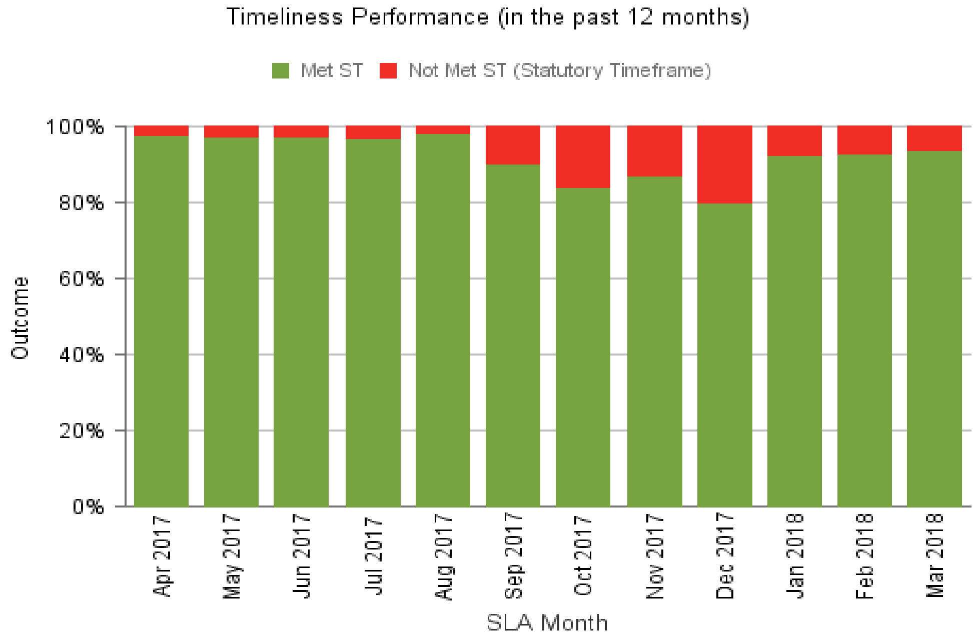
Figure 3 shows the number of information requests attributed by division and includes requests for information from multiple divisions arising from a single request.

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



All LGOIMA requests must be answered within the statutory timeframe of 20 working days. 92.7 per cent of requests in the quarter were completed within the statutory timeframe. The percentage of LGOIMAs completed within the statutory timeframe has improved by 8.8 per cent since the previous quarter.

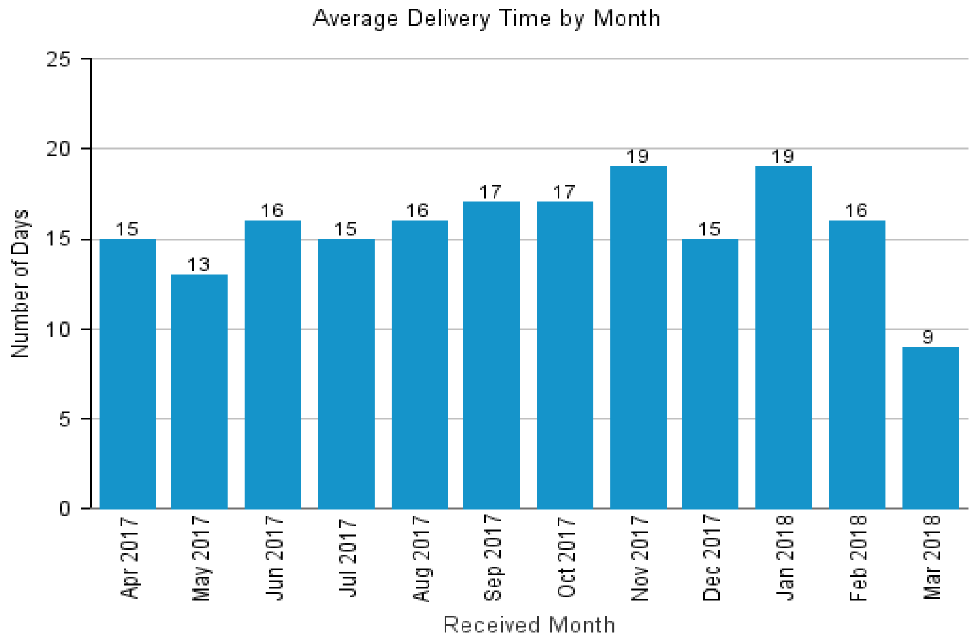
Figure 4: Percentage of requests answered within statutory timeframes – April 2017 to March 2018



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

Figure 5 shows an increase in the average number of days to complete requests in January 2018, before falling again in February and March. Response timeframes are affected by the number, size and complexity of requests, staff availability and coordination of requests across multiple parts of the organisation.

Figure 5: Average days to complete requests – April 2017 to March 2018



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

Appendix 5 – Customer service information

Executive summary

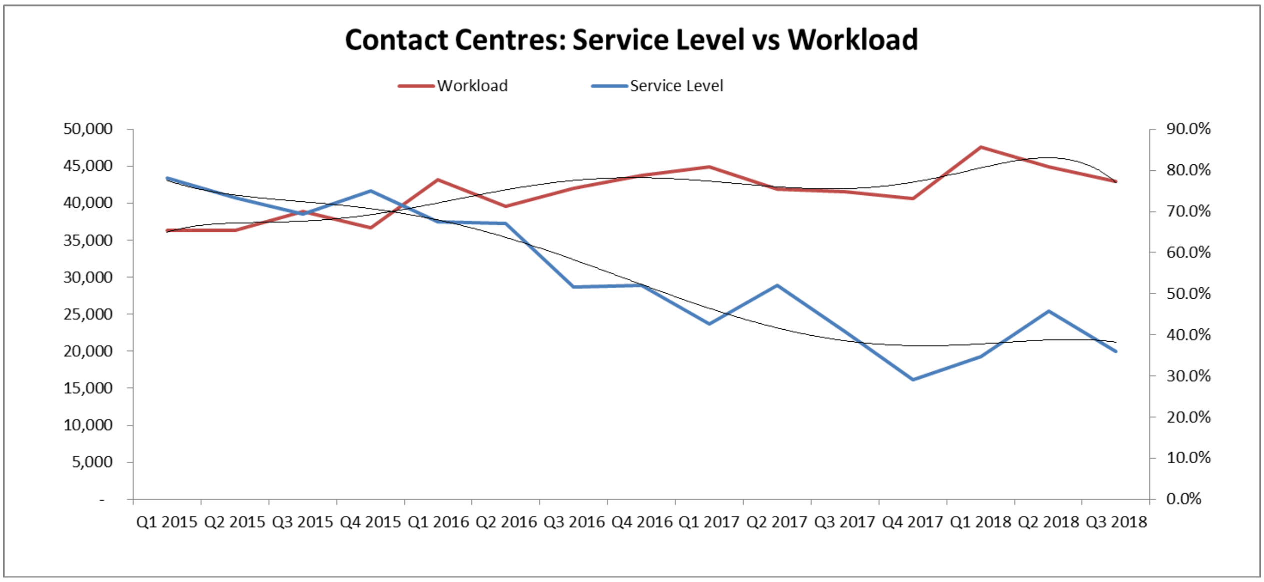
Activity across the Customer Service delivery channels and the wider business has led to a further increase in complexity and workload. The Centre of Excellence, compromising of the contact centre consolidation in Manukau, home agents and the supporting excellence teams have started to implement their performance and operating frameworks. A revitalised programme of work, with a focus on increasing productivity across the channels, has initiated with several initiatives now in design and execution phases.

During the third quarter in 2018, Customer Services supported a significant level of change, some of these included:

- Supporting the higher workload driven by the continued rollout of Waste Minimisation Programme across the region, illegal dumping campaign and the SAP CRM migration.
- Various debt recovery campaigns have provided additional volume to all channels with customers making queries and payments.
- The development of the new training programme as a means for considered recruitment kicked off, through a partnership with the Solomon Group, which required significant input from front-line and supporting staff.
- There are various technical (ICT) challenges in the Contact Centres and Written Communications groups that are repeating and impacting agreed Service Level standards.
- There is a continuing requirement for Customer Services resources for current and upcoming approved projects. This includes the Waste Minimisation rollout, various Digital initiatives (including Boosch & EBS) and Auckland Transport initiatives.

Contact Centres

Contact Centres – Q3 FY18 - Results and comparisons					
Item	**Q3 FY18**	**Comparison - Last Year (Q3 FY17)**			
	Result	**Result**	**Difference**		**% Difference**
Calls offered	467,242	476,779	-9,537	☐	-2%
Calls answered	380,868	390,144	-9,276	☐	-2%
Workload (Hours)	42,953	41,615	1,338	☐	3%
Service level (answered within 20secs)	36%	41%	-5%	☐	-12%
Average handle time in minutes	6m 46s	6m 24s	0m 22s	☐	6%



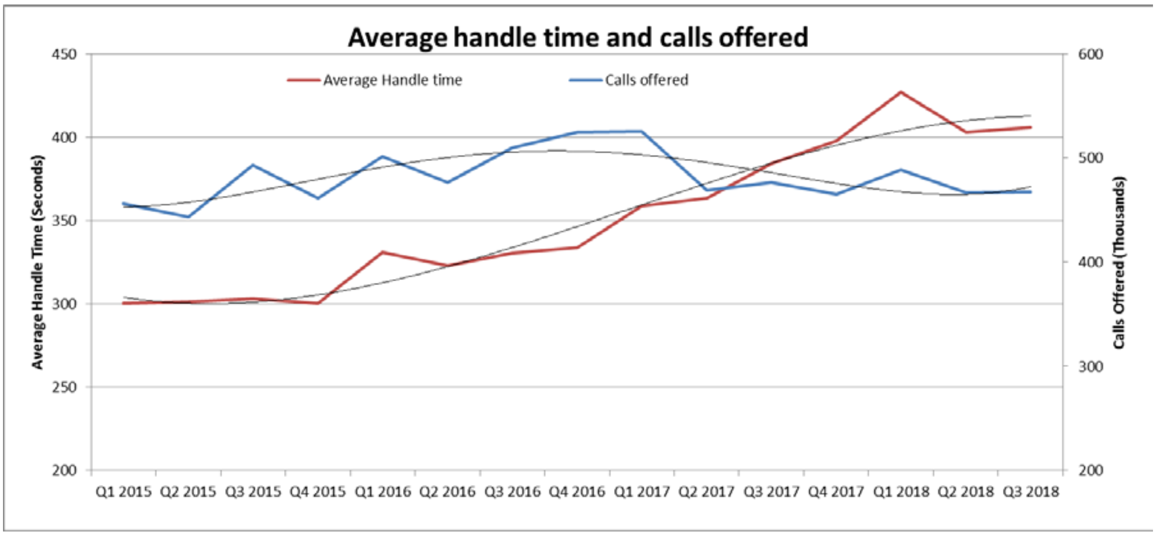
Commentary

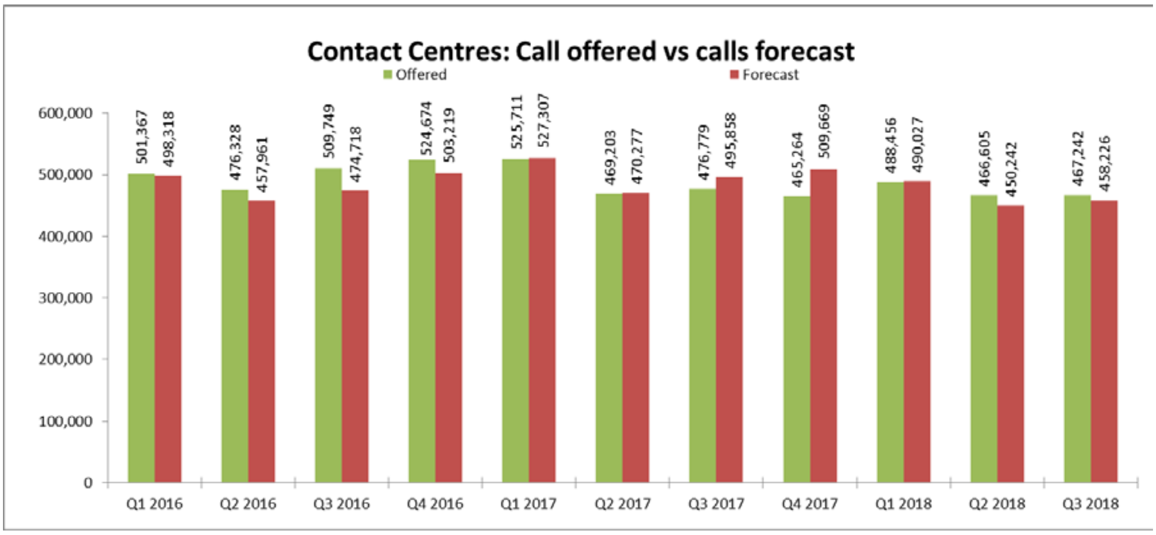
Impacts on service level this quarter

- Inflated call volumes caused by the various waste minimisation projects and the illegal dumping campaign
- Time taken to take and administratively manage calls continues to increase due to the increasingly over-engineered processes, particularly in regulatory, rates, waste and transport.
- Unproductive time spent waiting for tier-2 (planning / building) helpdesks waiting to answer or receive transferred calls has increased
- Higher than normal staff turnover has meant that number of agents available to take calls decreased
- Continued technology challenges facing remote workers in the Contact Centre leads to unproductive front line and not being able to meet SLA's. Outages in enterprise systems (CRM and Genesys) during March caused further unproductive time.
- Staff taking leave during and following the Christmas shutdown meant leave was higher that usual.
- Higher than forecasted call volumes primarily driven by rates debt collection notifications and the post-Christmas period to book building inspections
- Elevated wait times for customers as the rates type of calls take longer to process

New Initiatives this quarter – additional workload absorbed

- Waste processes migrated to SAP CRM. This will reduce the complexity and training requirements of having to use 5 other 'legacy' systems.
- 23 new staff to started with in January, including the migration of temporary staff into permanent roles. These new trainees hit the phones in February just in time for the February rates instalment
- Continued investigation and resolution into what is driving our increased handle times (and, thus our workloads); prior to Jul 2017 only 15% of our calls resulted in an off-phone action e.g. RFS now, it's 25-30%. Various initiatives have kicked off with business partners to reduce handling time.
- Continuous Staff/CSR's upskilling and cross skilling activities across different business unit projects including Enterprise Booking System (parks & reserves), BooSch (consent inspection bookings) and the waste and cemetery migration to CRM.





Service Centres

Service Centres - Q3 FY18 - Results and comparisons				
Item	**Q3 FY18**	**Comparison - Last Year (Q3 FY17)**		
	Result	**Result**	**Difference**	**% Difference**
Volume of interactions	38,382	47,245	-8,863	-23%
Resolved at FPOC	92%	96%	-4%	-4%

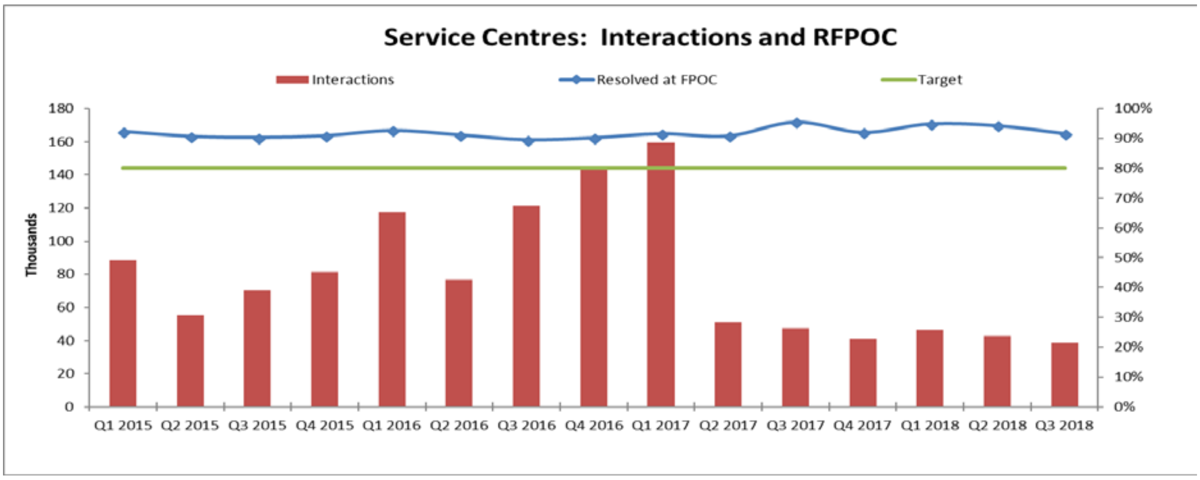
Commentary

- Service Centre continued to contribute answering emails managed by Written Comms with an average of 6 FTE’s committed to this activity
- Completion of the Southern Regulatory Re-shape delivery at Pukekohe and Papakura, with an emphasis of supporting the off-site model (with most regulatory staff now centralised in Manukau)
    - Customer service and our regulatory partners were able to maintain a satisfactory level of service for our Customers in the southern region.
    - Customer Services and Regulatory having been working very collaboratively and are building strong working relationships
    - A Clinic booking system was created and managed by Customer Services, allowing for greater visibility and planning of staff required

- The Southern pilot has identified improvement opportunities for the greater Hub and Spoke model that has been approved under the Corporate Property strategy
- Opportunities have been identified for upskilling of front end staff to resolve more at first point of contact, leading to a more detailed training schedule.

Focus areas for this quarter

- Planning for the take-on of Waiheke Island and Graham Street service centres from regulatory to the Customer Services way of working.
- Logistical focus on matters with our Regulatory business partners
- Process readiness for the annual animal management and rate strikes in coming months
- Pilot of the workforce scheduling with the Southern service centres, in alignment with the centre of excellence structure



Written communications

Written Communications - Q3 FY18 - Results and comparisons					
Item	Q3 FY18	Comparison - Last Year (Q3 FY17)			
	Result	Result	Difference		% Difference
Inbound emails	48,039	42,736	5,303	☐	12%
Grade of service	23%	35%	-12%	☐	-34%

Commentary

- Solicitor online statements portal went live with very positive feedback from the solicitors and the volume of emails from solicitor requests almost completely migrated.
- Improvements were implemented to the queue routing system, meaning all new emails are processed using new prioritisation rules, to better balance team workload and customer requirements. It also means priority emails are dealt with first.
- Service level was achieved for around half of the incoming emails. The backlog of emails increased further following the Christmas break. Additional resourcing and systems improvements are being investigated to deal with the backlog.
- Of concern is the fact that we are still receiving 900+ emails per day. Workload calculations have been based on 600 which means we are not getting as far ahead of the curve as anticipated.
- Staff have working outside office hours and weekends to clear the backlog of emails.
- Our analysis shows that around 80 percent of customers directly access the Contact-us page via external search engines such as google.com and bypass the self-serve section of our website. There were two web-improvement initiatives started this Quarter:
  - collaboration with Digital to make improvements to the Contact-us form, and
  - website improvement to reduce volume of incoming emails

Complaints and Issues Management

Complaints (Formal) - Q3 FY18 - Results and comparisons					
Item	**Q3 FY18**	**Comparison - Last Year (Q3 FY17)**			
	Result	**Result**	**Difference**		**% Difference**
Volume completed	1,344	1,407	-63	☐	-4%
Average days open	13.4	10.0	3.4	☐	34%

Commentary

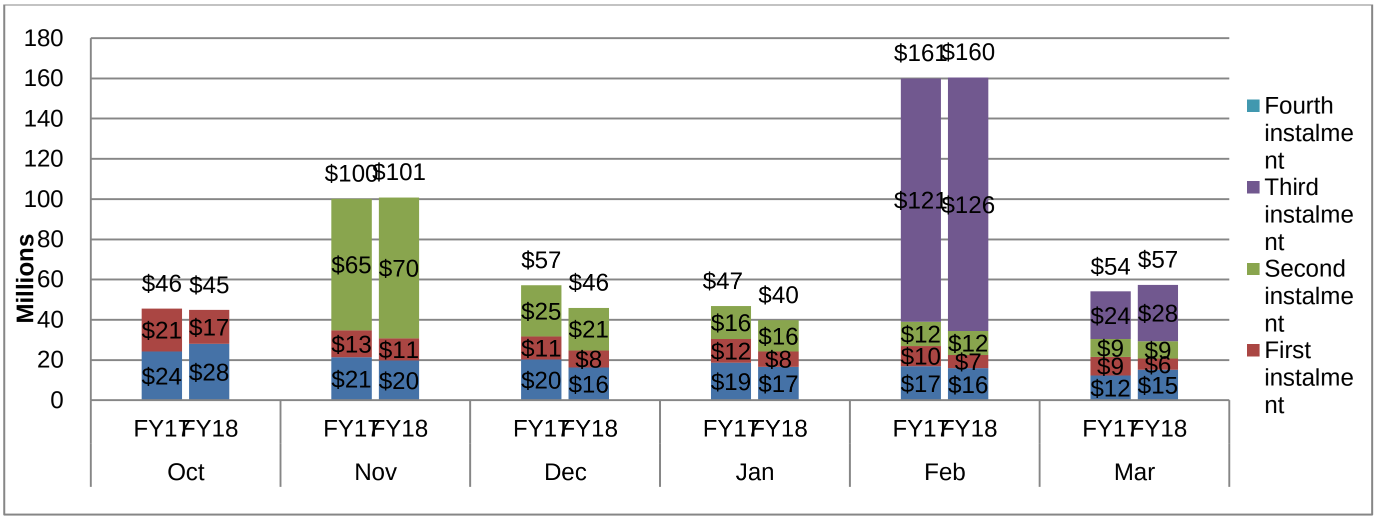
- Volume of complaints being received continues to be higher than normal which leads to a higher amount of days taken to deal with business partners / customers and complete the complaint.
    - Where normally we would expect numbers of complaints to decrease during the Christmas / New Year holiday period, they increased. This appears to reflect with what other business units are reporting.
    - One of the key themes coming from complaints this quarter is setting clear expectations with the customer around timeframes and keeping customers informed on any progress with their enquiry. Often a complaint back be raised because we haven't kept someone informed or got back to them.
- Recognised by the Ombudsman for only having to action 98% of complaints that were escalated in 2017/18 as a result of robust complaints management by Council.
- We expect to see a slight increase in days open due to the holiday period and this is reflected in the results this quarter.
- Most of the complaints this quarter relate to the new rubbish and recycling collection policy and inorganic collections taking place over this time.
- This quarter we started the rollout of information and training modules which provides strategies for the business when dealing with difficult or unreasonable customer behaviour. This initiative was formed out of a need to save time and resource which is currently being spent on escalations and ongoing issues which could have been resolved a lot sooner.

Appendix 6 – Debtor information

For the quarter ended 31st March 2018, the total outstanding net debtors balance is $142m. Rates debt makes up 40% ($57m) of this balance and the remaining 60% ($85m) relates to non-rates debt.

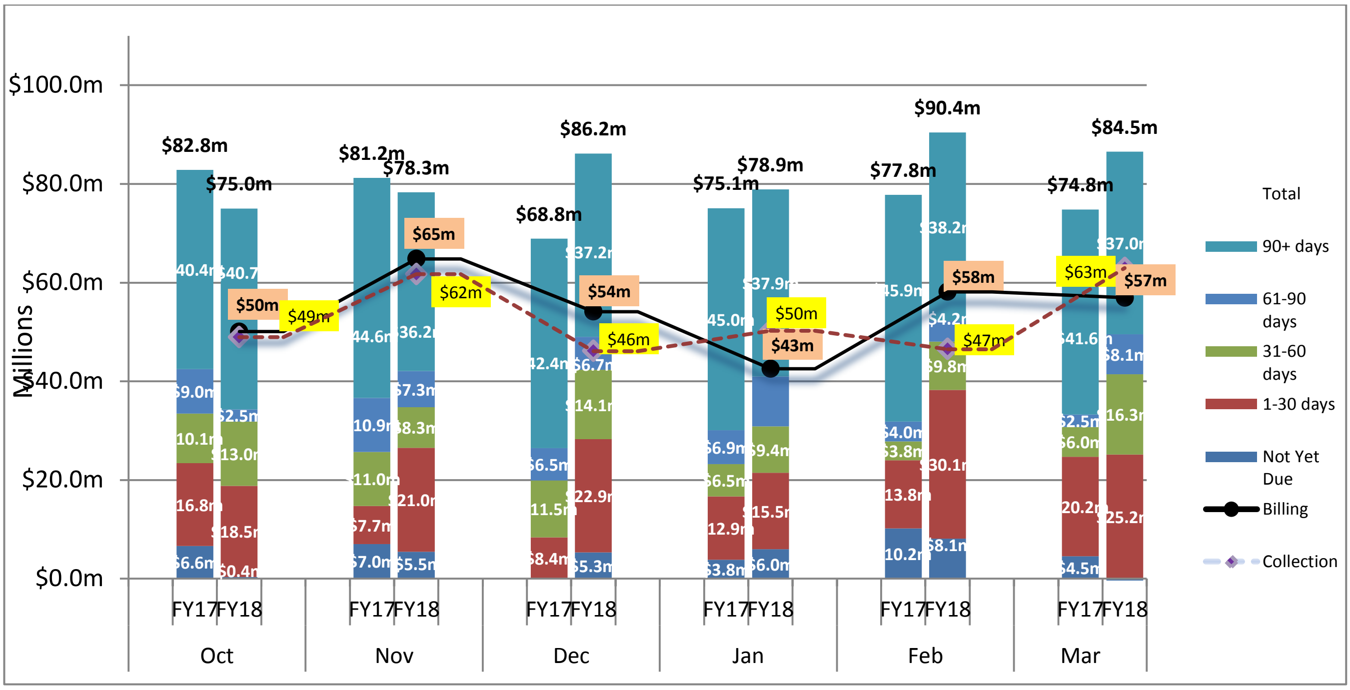
Rates Debt

Rates debt is $57m and comprises of $15m prior years' rates arrears, $6m for first instalment, $9m for second instalment and $28m for the third instalment.

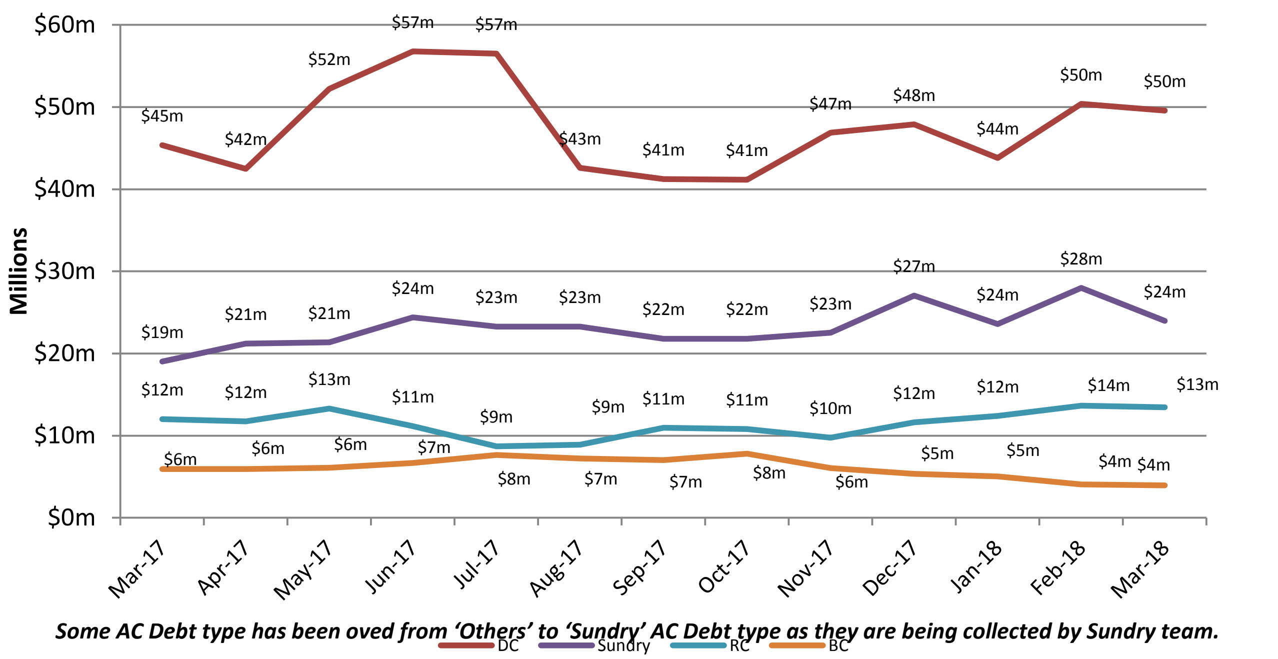


Non Rates – AC Debt type

Non-Rates net debt aging buckets show a total $85m as at 31st March, of this $37m is 90+ day debt. The remainder is spread across not yet due (-$2.0m), 1-30 day ($25m), 31-60 day ($16m), and 61-90 day ($8.1m).



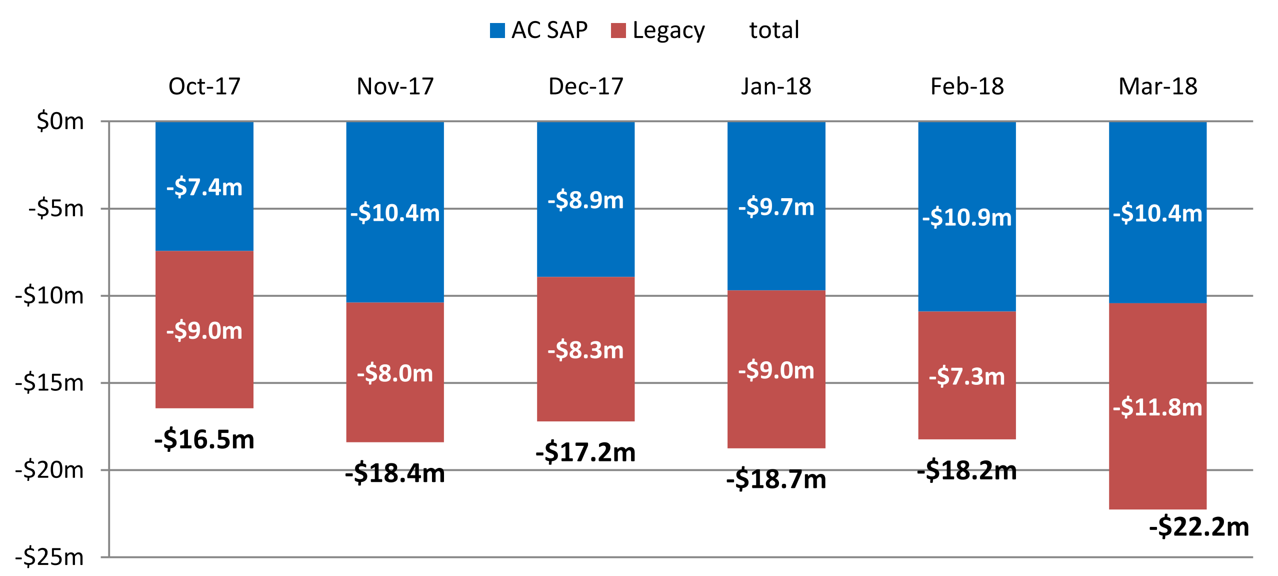
Non-rates gross debt breakdown by debt type comprises of Development Contributions of $50m (58%), Sundry of $24m (28%), Resource and Building Consents accounts for $17m (20%). There has been an increase in Development Contribution debt over the past 12 months due to increased volumes of billing in development contribution.



Some AC Debt type has been oved from 'Others' to 'Sundry' AC Debt type as they are being collected by Sundry team.

Unallocated Credits

Unallocated credits sit across 9 legacy systems making up $11.8m; the remainder are unallocated credits in AC SAP of $10.4m. A special project has commenced in July 2017 with the aim of reducing unallocated credits across legacy systems and AC SAP, either allocating the credits to invoices or returning the funds to customers. From the month of Sep17 the totals of 'Third Party Payments' has been excluded from AC SAP total.



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

Appendix 7 – Capital projects over $5 million

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

Theme	FY18 CX Total Allocated Budget (m)	FY18 CX YTD Actuals (m)	FY18 CX Current FY Forecast (m)	Sum of Variance (m)
Auckland development	35.3	15.3	20.2	(15.1)
Environmental management & regulation	56.2	48.4	62.4	6.2
Governance and support	18.5	10	12.9	(5.6)
Parks, community and lifestyle	25.5	18.9	26.5	1
Grand Total	**135.5**	**81.4**	**122.1**	**(13.5)**

1 As part of usual council project management process, all council projects are updated on a monthly basis using the council's Sentient project management system. The up-to-date project details are then used to compile the quarterly update on projects over $5 million that is subsequently presented to the Strategic Procurement and the Finance and Performance committees

2 The details included in the report are as follows:
- Project ID and Name
- Portfolio Department (e.g. Healthy Waters, Community Facilities, etc.)
- Primary Local Board
- Current project phase of the project (e.g. Strategic Assessment, Initiate, Plan, Deliver, etc.)
- Estimated start and finish dates
- CPI calculation (Cost Performance Index – CPI is a measure of the efficiency of expenses spent on a project. It is a forecast whether the project will be completed under or over the current project budget)
- % of project completion
- Total Project Budget (All Years)
- Total Project Actuals (All Years)
- Current FY year budget
- Current FY year Forecast
- Forecast vs Budget Variance for Current Year
- Project manager commentary
- Commentary by the local board

3 The report has a traffic light system:
- Green (CPI >1) – spend on project in line with project progress
- Amber (CPI 0.9-1) – spend slightly ahead of project progress
- Red (CPI <0.9) – spend significantly ahead of project progress

4 Please note that this report may change as recommendations to format and presentation are made.

5 The report is sorted by phase. Attention should be directed to those in Delivery Phase

The report is being compiled by the council's Strategic Portfolio and Programme Office and the quarterly report will be delivered by the Head of the SPPO, Ramari Slattery