Group Quarterly Performance Pack

2019/2020 Quarter 1

For the 3 months ending 30 September 2019

Finance and Performance Committee

Group financials at a glance

3 months into the second year of the updated 10-year budget

Solid capital progress

Capital expenditure of $502 million
Excluding CRL funding

- $130m (35%) increase compared to the same period last year
- $72m less than the budget with 87% delivered

The Group had $552 million of capital investment (including CRL funding) for the three months

Strong operating performance

$36 million favourable to budget

- **Direct Revenue** – $32m favourable to budget
- **Direct Expenditure** – $4m favourable to budget

Prudent debt management

Net debt at $9.1 billion

- Favourable against year-end budget of $9.6b

Net debt to total assets at 16%

- Favourable against year-end projection of 17%

Gross debt to adjusted revenue 263%

- Unfavourable against year-end projection of 253%

Stable credit ratings from S&P Global Ratings (AA) and Moody's (Aa2)

Outlook

- High gross borrowings and cash balance as a result of recent bond issuance
- Debt-to-revenue ratio will improve by year-end as maturing debt is repaid with the surplus cash

Risks

- The continued pressure from higher construction costs due to capacity constraints is being monitored by staff

Group capital performance

Capital expenditure & funding sources

($ million)	Notes	FY 19 Actual	FY 20 Quarter 1 YTD Actual	FY 20 Quarter 1 YTD Budget	FY 20 Quarter 1 YTD Variance	FY 20 Budget
Capital expenditure	**A**	**1,975**	**502**	**574**	**(72)**	**2,470**
Auckland Council[1]		543	133	174	(41)	886
Auckland Transport		667	153	162	(9)	903
ATEED		3	-	-	-	-
Panuku[1]		93	29	40	(11)	161
Ports of Auckland		144	30	33	(3)	136
Regional Facilities Auckland		97	18	19	(1)	78
Watercare		428	139	146	(7)	618
Group delivery assumption adjustment		-	-	-	-	(312)
City Rail Link investment *(Auckland Council share)*		**65**	**50**	**51**	**(1)**	**203**
Capital funding sources						
Development contributions	B	178	28	65	(37)	258
Capital grants and government subsidies	C	304	72	97	(25)	517
Asset sales		168	63			255
Change in net debt	D	445	402			579
Operating funding		945	(13)			1,064

Note: For this and the following pages within the Group Performance Overview, the prior period is defined as the 3 months to 30 September 2018.

1. Panuku managed assets and expenditure owned by Auckland Council is added to Panuku financials. Refer to glossary for more details.

Commentary

A: Capital expenditure was $502 million for the three-month period, which was up 35% or $130 million from the same period last year. This compares to the budget of $574 million with 87% of the budget delivered.

Key budget variances were from:

- Auckland Council: largely due to timing differences between the budget and actual delivery on land acquisition, motor vehicle replacement, and the WorkSmart programme.
- Panuku: largely due to delays at the VOS shed redevelopment from asbestos contamination issues, and budget timing differences for the Westhaven Promenade and AC36 infrastructure delivery.

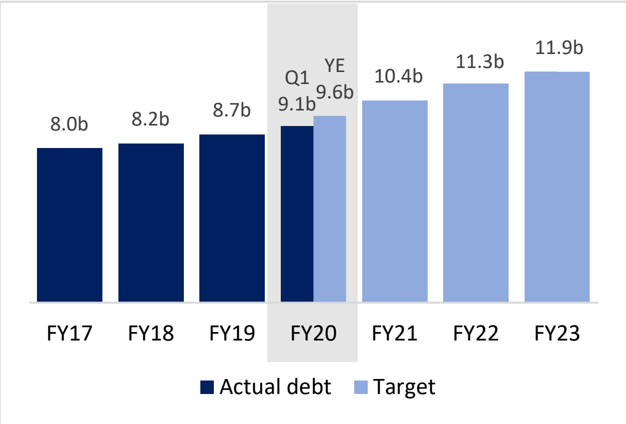
B: Development contributions were $37 million lower than expected. In January 2019 the revised Development Contributions Policy 2019 came into effect. This included extensions to the time at which payment was required for large residential developments. Developers have made greater use of the policy changes to delay payments than was forecast. In addition, Kāinga Ora has accelerated their development and associated demolitions. This has generated substantial development contributions credits further delaying expected revenue receipts.

C: The majority of the shortfall in capital grants and government subsidies relates to NZTA capital subsidies. This was largely due to only 39% of Auckland Transport's approved capital programme receiving NZTA subsidies against the 52% which was projected in the budget.

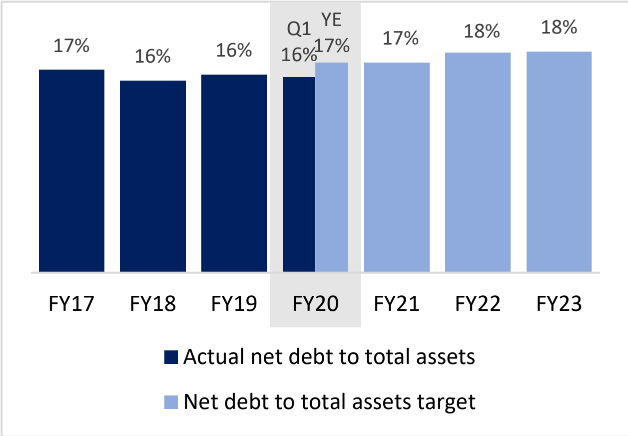
D: Net debt increased by $402 million over the three-month period primarily driven by capital spend on the Group's investment programme.

Group balance sheet

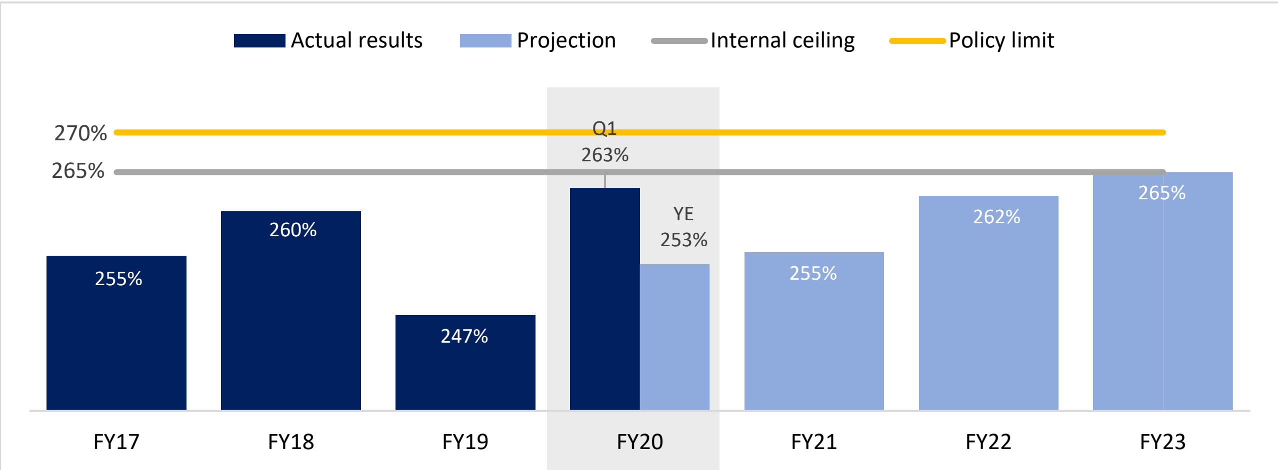
Net debt



Net debt to total assets



Gross debt to adjusted revenue



Commentary

20% of the $502 million capital expenditure over the three-month period was funded through operating cash-flows, grants and other sources with the remaining 80% financed via debt. This has resulted in a net debt to total assets ratio of 16%.

Net debt over the three-month period increased by $402 million, primarily driven by capital investment spending.

Gross borrowings increased by $1.4 billion, largely from a mix of Euro Bond, Green Bond, and commercial paper issuance during the first quarter of this financial year. The Green Bond funded electric trains and cycleway assets.

As a result of the increase in gross borrowings and cash balance, the quarter one gross debt to adjusted revenue of 263% is expected to reduce toward the year-end target of 253% over the next three quarters as maturing debt is repaid with the surplus cash.

Notes to gross debt to adjusted revenue:

Gross debt to adjusted revenue was calculated using the S&P methodology. The calculation adjusts net debt for cash balances, lease obligations, and exchange rate movements. It also adjusts operating revenue for capital revenue, development contributions, and capital grants/subsidies.

Group treasury performance as at 30 September 2019

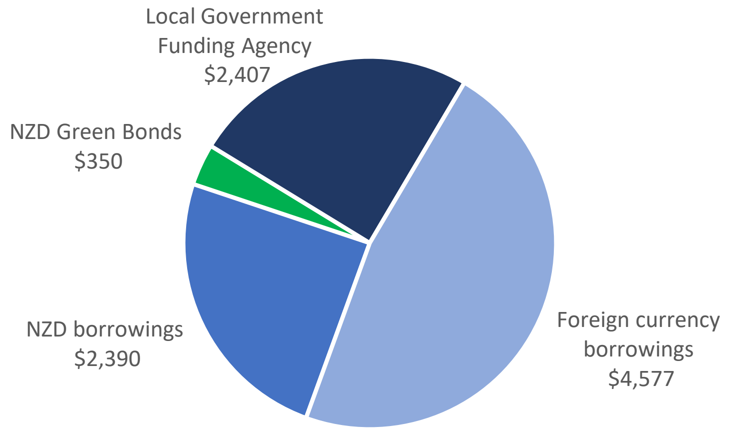
Key metrics

No breaches in Treasury Management Policy	✓
LGFA covenant compliance	✓
Credit rating (S&P/Moody's)	AA/Aa2
Average term to maturity of borrowings	5.6 yrs
Gross cost of funds	4.66%
Forecast borrowing requirement over next 12 months	$1.24b
Back-up facilities + cash	$1.75b
Mark to market interest rate swap position	($2.28b)

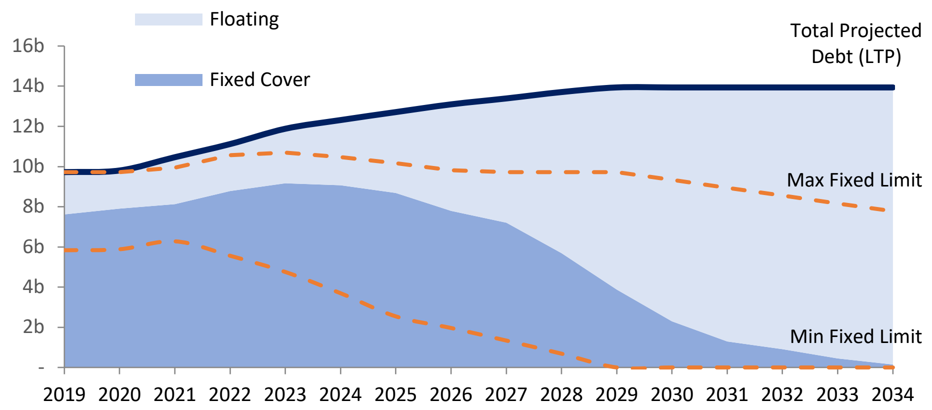
Commentary:

- S&P and Moody's have reaffirmed our credit ratings in the first quarter.
- Market interest rates declined during the quarter, leading to lower forecast cost of borrowings. However, this has resulted in an increase on the mark to market interest rate swap position.

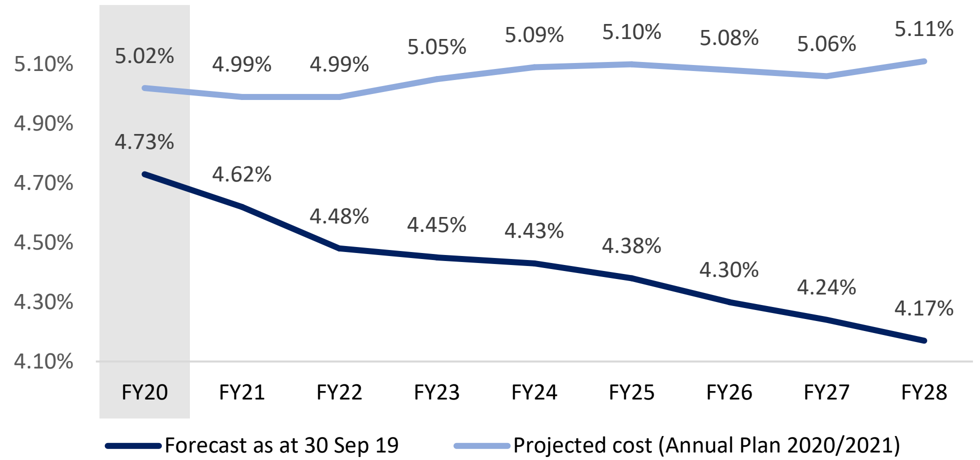
Borrowing sources in NZD million



Fixed vs floating rate interest cover



Forecast cost of borrowings



Note: The financials provided on this page excludes POAL

Group operating performance

Direct operating performance

($ million)	Notes	FY 19 Actual	FY 20 Quarter 1 YTD Actual	FY 20 Quarter 1 YTD Budget	FY 20 Quarter 1 YTD Variance	FY 20 Budget
Net direct expenditure	**A**	**681**	**212**	**248**	**36**	**797**
Direct revenue	**B**	**1,941**	**531**	**499**	**32**	**2,025**
Fees & user charges		1,333	358	343	15	1,411
Operating grants and subsidies		308	83	78	5	320
Other direct revenue		300	90	78	12	294
Direct expenditure	**C**	**2,622**	**743**	**747**	**4**	**2,822**
Employee benefits		911	244	235	(9)	960
Grants, contributions & sponsorship		144	92	92	-	156
Other direct expenditure		1,567	407	420	13	1,706
Other key operating lines						
General rates		1,582	1,641	1,638	3	1653
Targeted rates		208	225	224	1	224
Vested assets	D	486	113	62	51	300
Finance revenue		16	3	2	1	11
Regional fuel tax revenue		156	38	38	-	150
Non-direct revenue		8	-	-	-	-
Depreciation and amortisation		922	232	233	1	965
Finance costs		478	108	111	3	456
Non-direct expenditure		66	-	-	-	-

Commentary

A: Net direct expenditure was $36 million favourable to budget. Net direct expenditure includes operating revenue and costs from day-to-day operations and excludes accounting and finance factors such as depreciation, interest, and rates income.

B: Direct revenue was $32 million favourable primarily due to strong revenue growth from Regulatory Services, particularly from resource consents. Other direct revenue was also significantly favourable mainly from Watercare as a result of higher infrastructure growth charges than planned and a recent agreement between Watercare and the Department of Corrections for the maintenance and renewal of Paremoremo prison's water assets.

C: Direct expenditure was $4 million favourable primarily due to lower than expected spend in outsourced works from Auckland Council, Auckland Transport, and RFA.

Employee benefits is $9 million unfavourable due to a timing difference on annual leave expenses, and lower than anticipated staff capitalisation from Auckland Transport and RFA.

D: Vested assets revenue for the quarter is high at $113 million, with a $51 million variance particularly from Healthy Waters and Auckland Transport.

Other key finance areas

Ports of Auckland

($ million)	12 months to 30 Jun 2019	3 months to 30 Sep 2019	3 months to 30 Sep 2018	Change from prior period
Revenue	248.1	57.1	58.5	↓ 1.4
Net profit after tax	53.9	6.6	11.5	↓ 4.9
Net debt	488.7	459.3	425.9	↑ 33.4
Net assets	799.8	806.9	741.1	↑ 65.8

Commentary

Ports of Auckland is in the midst of a major investment programme to increase capacity, efficiency and returns. This includes container terminal automation, construction of a car handling facility and capital investment at its Waikato Freight Hub. This investment has resulted in an increase in net debt from $425.9 million to $459.3 million.

Container volumes fell due to a combination of reduced terminal capacity during the automation works and the loss of a major contract. Operating costs were also higher partly due to increased cost of revenue and staff costs. These factors resulted in an adverse impact on revenue and net profit after tax for the first quarter.

As more capacity is created from the accelerated capital investment, the outlook is projected to improve in 2021/22.

Auckland Int. Airport

$	30 Sep 2019	30 Jun 2019	Change	Council value
Share Price	9.15	9.85	↓ 7%	2.4b

($ million)	12 months to 30 Jun 2019	12 months to 30 Jun 2018	Change from prior period
Revenue	743	684	↑ 39
Net profit after tax	524	650	↓ 19
Dividend – Council	58.6	56.6	↑ 1.3
Cash dividend yield[1]	2.44%	2.36%	↑ 0.08%

Commentary

Auckland Council owns approximately 22% of Auckland International Airport Limited (AIAL). Auckland Council aims to ensure an optimal commercial return from the council's investment in AIAL.

As at 30 September 2019, Auckland Council holds approximately $2.4 billion worth of AIAL shares. Over the 3-month period, AIAL share price has decreased from $9.85 per share to $9.15 per share. Annualised cash dividend yield as at 30 September 2019 was at 2.44% ($58.6m).

AIAL is a NZX listed company and provides an annual report each year. Financial statements for the 12 months to 30 June 2019 can be found on their website [link].

1. Cash dividend yield annualised based on the 30 September 2019 share price of $9.15

Other key performance areas

Group FTEs

Entity FTEs	30 June 2019	30 Sep 2019	Variance
Group	**10,806**	**10,999**	**193**
Auckland Council	6,548	6,683	135
ATEED	183	202	19
Auckland Transport	1,659	1,681	22
Panuku	203	209	6
RFA	573	581	8
Watercare	960	972	12
POAL	680	671	(9)

Commentary

Auckland Council Group had a 193 increase in FTEs (1.8%) since 30 June 2019.

Auckland Council FTEs have increased largely due to recruitment for Regulatory Services in response to current consenting volumes, additional resource to support Customer & Community activities such as maintenance contract management. There was also an uplift in seasonal workers ahead of summer. FTEs in Regulatory Services are expected to continue to increase to cope with Auckland's rapid growth, which has seen an all-time record of 14,634 of building consents issued in the year to September.

ATEED FTEs increased mainly as vacancies for Americas Cup and APEC roles are filled due to increased activity in these areas as well as an increased activity in the film sector and GridAKL.

Auckland Transport FTEs increased partly from filling of vacancies within its Parking Services team and from providing additional resource to its Safety team for the implementation of the Vision Zero strategy.

Panuku FTEs increased partly due to additional roles in its Development team and Finance directorate to support procurement and contract management as Panuku moves into its delivery phase across the region.

Key targeted rates & RFT

($ million)	YTD revenue	YTD spend[2]	YTD budget[2]	Variance	Reserve
Water quality[1]	41.6	12.9	16.0	(3.1)	49.5
Natural environment[1]	29.6	3.7	3.4	0.3	38.8
City Centre[1]	23.7	1.0	3.0	(2.0)	72.0
Accommodation provider[1]	13.2	2.2			11.0
Regional Fuel Tax	38.3	15.8			89.6

Commentary

The Natural Environment and Water Quality targeted rates provides essential investment towards Auckland's natural environment and water quality outcomes. More information on these targeted rates are provided in Auckland Council's strategic focus areas.

The City Centre targeted rate helps fund the development and revitalisation of the city centre with the aim of enhancing the city centre as a place to work, live, visit and do business.

The Accommodation Provider targeted rate (APTR) funds 50% of ATEEDs activities towards growing the visitor economy, including tourism marketing and events. More information on the APTR is provided in ATEEDs strategic focus area – Destination.

The Regional Fuel Tax (RFT) supports transport expenditure that would otherwise be delayed or not funded. Auckland Transport has 14 key expenditure groups that are funded from a mix of RFT, development contributions, and NZTA funding. Detailed breakdown of the total spend toward the 14 key expenditure groups are provided in the Auckland Transport section of this pack.

1. Targeted rate revenues are recognised in full at the start of the financial year.
2. Relates to capital and operating expenditure

Glossary

Key financial term	Description	Why is this important?
Group	The consolidated Auckland Council Group, which includes Auckland Council, the council-controlled organisations (CCOs), subsidiaries, associates and joint ventures.	It provides an aggregated big picture view of the revenue and expenditure for Auckland Council, the CCOs, subsidiaries, associates and joint ventures.
Panuku Managed Activities (PMA)	The assets and related revenue and expenditure within Auckland Council that are managed by Panuku Development Auckland.	Some of Auckland Council’s assets, revenue and expenditure are managed by Panuku. The quarterly performance reports separate these assets, revenues, and expenditures from Auckland Council’s financials to provide a clearer reflection of Panuku and Auckland Council’s management performance respectively.
Group delivery assumption	The 10-year capital expenditure timing assumption that was made in the 10-year Budget 2018-2028.	While all projects will be delivered over the decade, not all expenditure will be spent in the specific financial years as initially planned. This includes consideration on the Group's overall capacity for capital delivery and constraints within Auckland's physical works market, particularly in the short term.
Development contributions	The fees that council charge for infrastructure on new developments. These fees are charged if the development requires council to provide new infrastructure for: transport, footpaths, roads and intersections.	Development contributions help fund capital expenditure that is related to providing new infrastructure for developments.
Net debt	The short and long-term borrowings (including bank overdrafts) less cash on hand.	The council borrows from domestic and offshore financial markets via bond issuances which may result in the council holding large amounts of gross debt and cash at certain times. Net debt provides the true liability view of the council’s borrowings.
Gross debt to adjusted revenue	The Group’s key borrowing metric as measured by S&P. The calculation adjusts net debt for cash balances, lease obligations, and exchange rate movements. It also adjusts operating revenue for capital revenue, development contributions, and capital grants/subsidies.	The Group has a limit of 270% in its treasury management policy and 265% as an internal limit. This ensures that the Group is managing its debt prudently.
Mark-to-market (MTM) interest rate swap position	The non-realisable gains/losses as a result of market interest rate movements on the Group’s interest rate hedges.	The Group does not speculate on interest rate movements but fixes a portion of its borrowings via interest rate swaps (financial contracts to convert variable interest rates into fixed rates). The MTM interest rate swap position shows the net impact to the Group’s surplus/deficit if it were to not hold the interest rate swaps to maturity but broke the contracts at the reporting date.

Glossary

Key financial term	Description	Why is this important?
Net direct expenditure	The operating expenditure less revenue collected from day-to-day operations excluding accounting and finance factors such as depreciation, interest, vested assets and rates income.	Net direct expenditure generally includes operating revenue and costs that each business unit is responsible for managing. It excludes items that are collected and allocated centrally, which is not within each business unit's control and performance. One-off and non-cash items are also excluded.
Vested assets	The value of assets that have been gifted/vested to council, normally as a result of a development agreement. Note: This is a non-cash transaction.	Vested assets are classified as an accounting revenue and are non-cash transactions that result in an increase in council assets. It is typically non-controllable and is driven by external development agreements. Council is subsequently responsible for maintaining these assets.
Full-time equivalents (FTE)	The human resource metric which converts the total hours worked by employees into a standardised measure. One FTE is 40 hours a week.	Unlike headcount, which is the actual number of full-time, part-time and casual employees. FTE shows a standardised measure based on the number of hours worked. For example, two part-time employees working 20-hours a week would equate to one FTE.
Financial year (FY)	The period between 1 July to 30 June of the following year. E.g. FY20 refers to 1 July 2019 to 30 June 2020.	The council's financial year begins on 1 July of every year and ends on 30 June of the following year. The council's Annual Plan and Annual Report are aligned to its financial year.
Year-to-date (YTD)	The period from the start of the financial year (1 July) and up to the current period. E.g. Q1 YTD refers to the first three months of the financial year.	YTD allows the council to report on its performance and progress within the financial year, typically on a three-monthly basis (quarters).

Auckland Council Group
Strategic Focus Areas

Auckland Council key strategic focus areas

Key strategic focus areas from the LTP are presented within each organisation's packs.
The below table provides an overview of each organisation's respective strategic focus areas.

Group	Auckland Council	Auckland Transport	Panuku	ATEED	Watercare	RFA
City Centre Programme	Healthy Waters	Customer experience	Waterfront development	Economic development	Central interceptor	Stadia
36th America's Cup (AC36)	Environmental Services	Road safety	Transform & unlocks	Destination – Visitor attraction	Water supply investment	Zoo development
City Rail Link	Regulatory	Public transport			Wastewater investment	Aotea Centre development
Māori outcomes delivered across the group	Waste	Active modes				
	Community investment *including One Local Initiatives (OLIs)*	Key projects				
		Asset management				

Group strategic focus area – City Centre Programme

Key commentary

For the 3 months to 30 September 2019, a total of $82.6m was spent on the City Centre programme against a budget of $108.1m.

Highlights

1. Overall, the major infrastructure programmes in the 36th America's Cup area, downtown and midtown/Karangahape Quarter are on track to meet delivery milestones.
2. Planning is underway for the Auckland's Future in Progress marketing campaign to deliver a cohesive city centre vision and narrative, increase awareness of the projects, their impacts and the benefits they offer people. The campaign is planned to go live in quarter four 2019.
3. Planning is underway for traffic operation changes to prepare for the City Rail Link C3 contract – comprising of Aotea, Karangahape and Mount Eden Stations – and other city centre projects such as Quay Street.
4. The first street trials for the Access for Everyone Concept Pilot in High Street commenced in October 2019. Concept development for the rest of the pilot is underway in partnership with the Auckland Design Office and Auckland Transport. Initial focus is tactical urbanism for the High Street area.

Issues/Risks

1. Significant cost pressure exists due to cost escalation and the realisation of risks, affordability issues are being managed within existing programme budget envelopes.
2. Programme risks remain high due to the tight time schedule and significant traffic management requirements. Interfacing with private sector developments may also potentially lead to delayed access and handover to the council to complete public realm upgrade projects.
3. Resource consent risks have now reduced due to a number of consents being approved. However, the downtown public space and mooring dolphin resource consents are still in process.
4. Operational and customer impacts due to construction – The delivery of city centres projects and the associated road closures will lead to disruption and traffic diversions. This will have significant and ongoing impacts on residents, businesses and workers over the coming years. Mitigation includes significant communication and engagement programmes and development response.

Strategic context

Auckland's city centre is an important 'economic engine' for both the region and New Zealand and is experiencing rapid growth. It will also host three key events in 2021: The America's Cup 36, APEC and Te Matatini. These will provide significant economic, cultural and legacy benefits for Auckland and New Zealand.

The city centre work programme will deliver key stormwater, transport and community infrastructure to support these events and achieve the City Centre Masterplan's vision. This positions the city centre as Auckland's cultural, civic, retail and economic heart.

Portfolio of works	YTD Actual/Budget	Description	Outlook
Waterfront development (delivered by Panuku)	$6.4m/$12.7m On track	Leading transformation from a former industrial area to a vibrant new waterfront city neighbourhood. Panuku facilitates outcomes including new housing, visitor and resident satisfaction; enhanced public amenity and access; place activation and community engagement	• **Park Hyatt Hotel** – Completion of the hotel and the adjacent Madden Plaza has now been indicated by the developer as being March 2020. • **The Vos Shed** – Asbestos contamination found in the structure has impacted on both the project budget and the timeframes for completion. Contingency budget will be used to complete the project objectives with completion expected in June 2020. • **Site 18** – Orams Sites 1 & 2 – a two-lot subdivision consent has been granted with new titles to be lodged in October for a residential and marine facility. Seawall remediation works have started and demolition of existing structures is expected to be completed by end of October. • **Wynyard Crossing Bridge Replacement** – a total of 61 submissions were received in response to the Resource Consent application with 62% in opposition. Panuku is now working through design and budget issues.

Portfolio of works	YTD Actual/Budget	Description	Outlook
Downtown programme (delivered by Auckland Transport)	$27.8m/$41.6m On track	Auckland Council has a 10 year vision to transform the waterfront into an attractive, people friendly environment. Auckland Transport will be delivering the first part of this vision from 2018 to 2021. The transformation will support the 36th America's Cup, Asia-Pacific Economic Forum, and Te Matatini in 2021.The project includes seismic strengthening to improve the resilience of critical infrastructure on Quay St water's edge.	• Construction of the Princes Wharf and Ferry Basin sections of the Quay Street • Strengthening project are programmed to commence in Q4. • Risk of cost increases being mitigated through value engineering.
AC36 Auxiliary works	$23.2m/$24.5m On track	Auckland Council and Panuku projects being completed to enable the delivery of the main AC36 infrastructure works.	• Wynyard Wharf Repairs - completed at the end of September. • Daldy Street Outfall Extension – The pipe arrived in September 2019. Installation of the 3.5 diameter pipe has commenced and tracking well • Sealink Ferry Facility – The SeaLink ferry terminal has been relocated to its new site on Hamer Street and will open for operations in November 2019. • Silo Park Extension – design has commenced on the enhanced Silo Park Extension.
AC36 shared infrastructure	$22.8m/$24.8m On track	Construction of essential infrastructure to host the 36th America's Cup including syndicate base platforms, Hobson Wharf Extension, Breakwater structures, infill structures and floating infrastructure.	• Construction programme on track for achieving milestones. • Bases A – ETNZ base was handed over in May 2019 • Bases C, D & E – base building platforms handed over August 2019. Mooring handover schedule for mid-Jan 2020. • Hobson Wharf Extension – on track for handover at the end of November. • Bases F &G – base building platforms on track for delivery end of Feb 2020.
Midtown / Karangahape quarter	$2.5m/$4.5m Delayed	Delivers improved pedestrian and public spaces around key transport hubs. The programme is aligned with and leverages off development opportunities from the City Rail Link and bus infrastructure.	• Karangahape Road Enhancements - construction of the first two stages is underway. These are the southern side of Karangahape Road, between Symonds Street and Upper Queen Street and the northern side of Karangahape Road, from Ponsonby Road to Howe Street. Works are expected to be completed early 2021. • Federal Street Stage 2 – The detailed design, resource and building consents have been received. The start of construction will be delayed beyond the first half of 2020 due to interfaces with the City Mission HomeGround development which will continue to be constructed throughout 2020. • City Rail Link continues to upgrade the section of lower Albert Street within their contract scope. This remains on track for completion late 2020.

Strategic focus area – 36th America's Cup (AC36)

Key commentary

For the 3 months to 30 September 2019, $22.8m was spent against the 2019/2020 America's Cup capital budget of $24.8m. A total of $79m has been spent against the total AC36 revised capital budget of $152.8m.

Highlights

1. Mana whenua partners Ngāti Whātua Ōrākei - Whai Maia, Ngāti Whatua o Kaipara, Te Patukiriki, Ngaati Whanaunga, and Te Ākitai Waiohua led a ceremony and karakia on 14 October to welcome INEOS Team UK and American Magic to their America's Cup bases.
2. The SeaLink ferry terminal has been relocated to its new site on Hamer Street and will open for operations on 6 November 2019. The custom built pipe for the Daldy Street Outfall extension arrived in September and the installation has commenced. Both projects are part of the Wynyard Edge Alliance's auxiliary works, which will support successful delivery of the cup.
3. Demolition of Bulk Storage Terminals' tanks began in August 2019. This will enable the public space around Silo Park to be expanded.
4. Detailed event and city planning is underway, with ATEED working closely with America's Cup Event Limited and relevant government and council agencies. Staff are gathering data for crowd and traffic management planning and delivery.
5. An activation framework has been developed to provide opportunities for third parties to undertake leverage activities during January-March 2021 (outside the race village), generating additional environmental, economic, social and cultural outcomes.
6. Leverage and legacy plans related to the event have been endorsed by the AC36 Joint Chief Executive Group, noting that the plans will continue to develop. The plans focus on adopting multi-partner initiatives that deliver to the programme outcomes of place, economic wellbeing, participation and storytelling via a collaborative approach. The team is currently working on funding proposals for projects which are yet to secure funding. A data and evaluation plan will be completed in December 2019.
7. Superyacht berths at Viaduct and Silo Marinas for October 2020 to March 2021 have been offered to successful applicants.
8. Emirates Team New Zealand launched their AC75 boat on 6 September 2019, followed by American Magic, Luna Rossa and INEOS Team UK.
9. The remaining World Series regatta venues and dates are expected to be confirmed by the Challenger of Record by end of November.

Issues/Risks

1. With five teams now involved in the cup, staff are analysing how the two vacant challenger bases could be re-purposed during the event. An alternative use for the bases will be confirmed in advance of the event.

Strategic context

The Prada Cup challenger selection series, and the 36th defence of the America's Cup will focus global attention on Auckland and New Zealand over the first three months of 2021.

The four themes of the hosts' America's Cup 36 programme are place, participation, economic wellbeing and storytelling. The programme vision is '*Ignite the Passion – Celebrate Our Voyages*'. This is underpinned by the whakataukī *'He waka eke noa kia eke panuku, kia eke tangaroa - We're in this waka together, through all our efforts, we will succeed'*.

The expected AC36 programme outcomes comprise a blend of hard and soft benefits that will improve the prosperity of Auckland and New Zealand and enhance the international profile of both.

Key programme of works	Status	Programme description	Outlook
AC36 Infrastructure project	**On Track**	Construction of essential infrastructure to host the 36th America's Cup including syndicate base platforms.	Construction programme is on track to be completed by November 2020. Final bases to be handed over June 2020.
Enabling third party commercial site negotiations and early works	**On Track**	Negotiations to relocate final Wynyard tenants to alternative sites to allow remaining infrastructure works to commence.	Negotiations with final Panuku tenants are progressing well.
AC36 Event (planning and city integration) project	**On Track**	National and city-wide planning and coordination to ensure AC36 events roll out safely and successfully.	Event planning is underway with key agencies and stakeholders being engaged.
AC36 Legacy and Leverage Project	**On Track**	Identifying, capturing and tracking of benefits related to AC36 pre, during and post the event.	Leverage and legacy plans have been endorsed. Data and evaluation plan will be completed in December 2019.

Group strategic focus area – City Rail Link (CRL)

Key commentary

Highlights

1. In July 2019 the C3 contract - which includes construction of the stations, tunnels and rail systems for the whole rail link – was completed and the contract awarded to the Link Alliance.
2. In September, City Rail Link Ltd completed negotiations to occupy central Auckland's iconic Mercury Plaza for the project. The site will be deconstructed and used to support construction of the Karangahape Road Station and tunnels.
3. In October 2019 KiwiRail installed the first section of a crossover or junction to allow trains to safely switch between the existing main line and a new track being built into Ōtāhuhu station. This new line is being electrified and communication and signal systems installed. Ōtāhuhu station is being expanded to three platforms to handle extra services when CRL is completed. There will be further network upgrades to support the introduction of the City Rail Link at Henderson and Newmarket in 2020.

Issues/Risks

1. Alongside the existing impacts of construction around Britomart and on Albert Street, there will be major traffic disruption in 2020, with several long-term road closures, partial closures and diversions as construction gets underway on the underground stations and tunnels. Mt Eden Station will also be closed from June 2020 until 2024. A public information campaign will start to let people know about closures and route changes and suggest better ways to get around town from January 2020.

Strategic context

The City Rail Link is New Zealand's largest transport infrastructure project ever. The 3.45km twin-tunnel underground rail link will transform the downtown Britomart Transport Centre into a two-way through-station. This will enable the Auckland rail network to at least double rail capacity when it is completed in 2024.
The link will extend the existing rail line underground through Britomart to Albert Street, then beneath Karangahape Road and rising to join the western line at Eden Terrace. Two new stations with underground platforms will be built on Albert Street and at Karangahape Road Square. Mt Eden Station will also be redeveloped to include the rail link and a new modern rail station.

Key programme of works	Status	Description	Outlook
Contract 1 – Britomart Station/Lower Queen St	**On track**	Building tunnels through and under Britomart Station and Queen Street to the Precinct Properties' Commercial Bay development so that trains can run in both directions through Britomart. Redeveloping the Britomart station building (the former Chief Post Office) into a more attractive, modernised transport centre.	Works are planned to complete the tunnel structures and the transfer of the Chief Post Office structure onto its new permanent foundations. City Rail Link have planned a "Walk the Tunnels" public event for November which will be open to up to 10,000 Aucklanders.
Contract 2 – Albert Street (Customs to Wyndham Street)	**On track**	Building tunnels down the middle of Albert Street between Wyndham Street and Customs Street to connect Britomart to the new Aotea Station. When complete, this contract will transform Albert Street to create a high-quality public space for people and businesses.	Works along Albert Street will continue to focus on completing the installation of utilities and the final finishes of the streetscape. When completed this work will involve widening the footpaths, planting trees, adding bus lanes and making the street more pedestrian-friendly.
Contract 3 – Stations, tunnels, western link connection and rail system	**On track**	Construction of the underground stations at Aotea and Karangahape Road Square, redevelopment of the Mt Eden Station, construction of the western rail link connection and rail systems.	Towards the end of 2019, we'll be diverting utility services between Victoria and Wellesley Street in preparation for the new Aotea Station. Work on the Aotea Station is planned to commence by mid-2020. Site preparation works will also commence at Mount Eden, Mercury Lane and Beresford Square in advance of the main works commencing in 2020.

Group strategic focus area – Māori outcomes

Key commentary

Māori outcomes initiatives with LTP funding (Te Toa Takitini)

Quarter one, Jul-Sept 2019 – council is on track. Approximately $1.9 m was spent in quarter one against a forecasted budget of the same. $13.0 million of the annual budget of $14.3 million is already allocated to 35 initiatives, with one initiative completed. Further initiatives will be considered for funding by the Māori Outcomes Steering Group (MOSG). Key highlights this quarter include Hīkoia te Kōrero and the development of a collaborative programme by ATEED, AC36, Te Matatini, Panuku, AT, RFA and other key council group departments and organisations to integrate Māori Outcomes into the 2021 events programme.

The cross-council MOSG oversees the strategic direction and funding of the Māori Outcome programme. It's working to lift programme delivery. Delivery risks remain on some key projects and MOSG is working with relevant units to respond.

Initiatives delivered through other funding sources

Across the council group, there were other initiatives that contributed to Māori outcomes in addition to the LTP funding. Key highlights include continued growth in the percentage of Māori engaging in consultations (recent 27% Māori response to climate change consultation), the consistent application of Te Aranga Design principles led by Auckland Transport and Reo Māori initiatives led by RFA. Further examples are highlighted in each organisation's pack.

Key Statistics

Initiatives delivered through Māori outcomes LTP funding	
No. of initiatives committed	35
No. of initiatives completed	1
Performance measures for Māori outcomes LTP funding	
Total no. of measures[1]	12
Measures for this period	
Met	N/A
Unmet	N/A
Overall financial progress for Māori outcomes LTP funding	
YTD expenditure	$1.9m
YTD budget	$1.9m

Strategic context

The council group is delivering the Māori Outcomes Portfolio to achieve improved outcomes for and with Māori. Adopted strategic priorities are:

1. Papakāinga & Māori Housing
2. Whānau & Tamariki Wellbeing
3. Marae development*
4. Te Reo Māori*
5. Māori Identity and Culture
6. Māori Business, Tourism & Employment*
7. Realising Rangatahi potential
8. Kaitiakitanga (particularly water)*
9. Effective Māori participation
10. Organisational Effectiveness (internal)

*These four priorities are the focus for the first 3 years of the 10-year budget. Initiatives progressed through dedicated Māori outcomes LTP funding.

1. The six performance measures relate to LTP measures that are measured annually at this stage. Te Waka Anga Mua ki Uta is currently developing an improved performance measure framework to include other measures.

Strategic priority	YTD Actual/Budget	Key deliverables & outlook
Marae development	$571k/$262K On track	The cultural initiatives fund is an annual contestable grant available for marae and papakāinga covering capital works, maintenance, feasibility and concept design, strategic financial planning, governance and asset management. $1,212k has been allocated in FY20 ($450k has been allocated to support papakāinga housing projects). The marae infrastructure 10-year programme for FY20 continues to deliver the pilot programme, working initially with four marae. This flexible programme responds to the needs of each marae through the process. Planned physical works will likely start in the second half of this financial year, subject to the marae agreements on timing. Auckland Transport is working on infrastructure improvements with Makaurau, Motairehe and Te Aroha Marae to improve safety and expand travel choices. Four marae hosted activations around climate change for Māori communities.
Reo Māori outcomes	$271k/$290k On track	Hīkoia te Kōrero 2019: Māori Language Week event on Maungakiekie – this collaborative project with Tūpuna Taonga Trust (representing 13 iwi), Tūpuna Maunga Authority and council. Over 3,000 school pupils enjoyed a hīkoi, pōhiri, free kai, entertainment and historical storytelling. The event attracted a high level of media interest. Auckland Transport expanded Te reo Māori implementation on signage, in infrastructure projects, and on buses including the Link bus network. Te Kete Rukuruku project, Māori stories and naming of parks and places, is a significant initiative toward this outcome. A lot of progress has been made by way of identifying places to name, developing partnerships with mana whenua and local boards, and putting in place robust processes to look after mātauranga Māori (Māori knowledge). Mana Whenua are looking forward to their meetings with local boards in the New Year where they will be gifting the first tranche of names for some parks.

Strategic priority	YTD Actual/Budget	Key deliverables & outlook
Kaitiakitanga outcomes (particularly water)	$6k/$43k Delayed	Development of Te Tāruke-ā-Tāwhiri: Auckland's climate action framework (partly funded by Māori outcomes LTP funding to enable mana whenua and mataawaka contribution to decision-making on climate change actions for Auckland) is progressing well. Watercare is continuing with its mana whenua engagement programme. Council has initiated He Taronga Whetu - Reaching for the Stars initiative to lead a collaborative project to deliver the first Tāmaki Makaurau Māori star compass.
Māori Business, Tourism & Employment	$136k/$126k On track	Planning is underway for the January 2020 Tāmaki Herenga Waka Festival. Māori Outcomes funding has been allocated to support ATEED's Whariki Māori business network to grow its membership and offering. The Southern Initiative's He Waka Eke Noa is a social procurement initiative that supports Māori businesses to be ready to, and to connect with large public and private procurers. It supports buyers to deliver high impact procurement opportunities for diverse suppliers, and advocates strongly for supplier diversity to grow the pool of buyers. Auckland Council and Auckland Transport are participating in He Waka Eke Noa. Healthy Waters is investigating the feasibility of Sustainable Employment: Ngā Puna Pūkenga & Te Whare ā Te Ringa Rehe (the provision of pastoral support for beneficiaries as they transition into full time employment through the employment initiative 'Ngā Puna Pūkenga – Industry Partnerships' programme). Māori Outcomes funding is supporting the establishment of a Mana Whenua café business in the to-date vacant Kiosk building that will align to the Tūpuna Maunga Values and celebrate Māori culture. Due to open before Christmas 2019.
Realising Rangatahi potential	$35k/$18k On track	Rangatahi engagement / Māori education plan programme - a series of pilot initiatives developed in partnership with The Southern Initiative, Democracy Services, Local Boards, Chief Sustainability Office, Healthy Waters and Māori Communities is trialling ways of enhancing rangatahi Māori leadership and participation. ATEED has funded the delivery of the Young Animators programme (two-day programme to introduce rangatahi to the world of animation and digital storytelling) at three other secondary schools with high numbers of Māori students: Papakura High School, Sir Edmund Hillary College and Manurewa High School.
Māori Identity and Culture	$249k/$254k On track	Panuku are collaborating with Mana whenua to enable a meaningful expression of Māori culture and identity in the Awataha Greenway restoration project in Northcote. Mana whenua artists have been appointed to the project team and concept designs are underway. The largest spend was in the Māori Cultural Heritage programme, a working partnership with Mana Whenua to identify, protect and manage sites and places of significance to Mana Whenua. The scope was recently increased to include an incentives programme for sites of significance which are located on private land. Council is supporting the Waitakere Arts and Culture Development Trust to establish a Māori Arts Centre. New Zealand Maritime Museum has several initiatives including the Tuia- Tākiri (unfurling) Exhibition, The Talking Portrait project, and securing taonga for the museum.
Māori Housing & Papakāinga	$13k/$13k On track	The Māori Housing unit continues to provide opportunities, enhanced support, and facilitation for Māori organisations that are developing affordable and Papakāinga housing. Three grants ($450k) have been allocated to support papakāinga housing projects.
Whānau & Tāmakiri Wellbeing	$0k/$0k On track	Council and Mana whenua are working to deliver a second māra hupara (traditional Māori playground) in Birkenhead War Memorial Park. Auckland Transport contributes to road safety through Te Ara Haepapa programme that delivers driver licensing, child restraint training, speed management, drug and alcohol education and promoting walking and safe cycling. Auckland Transport have released a te reo Māori special edition registered AT Hop card for free weekend travel for 5-15 year olds. The AT Hop card is being distributed to kura kaupapa whānau. Work is also being done through Te Ara Haepapa to provide greater access to AT Hop Cards and enable Māori communities to benefit from Child Free-Fare Weekends.
Effective Māori participation (internal)	$616k/$829k On track	RIMU delivered a project to increase voter turnout using behavioural insights in the lead up to the October elections, with the final report due in Q2. Council continue to fund and support the Mana Whenua Kaitiaki Forum with the annual funding level increased to $1.26 million. The largest spend went towards the Kaitiakitanga of Tāmaki Makaurau (Capacity Contracts) initiative, enabling Mana whenua capacity to build relationships with council and contribute to decision-making. Council and Mana whenua are progressing their collaboration to co-design and implement an improved Cultural Value Assessment process. $465K invested in a mataawaka engagement partnership programme is achieving good results with Māori submissions totalling 18% for the recent water strategy consultation, agreement of a Māori outcomes plan between Western Local Boards and Māori communities, and collaboration between Mana whenua and Mataawaka in Māori engagement for elections 2019 and Auckland Climate Action Framework.
Organisational Effectiveness (internal)	$164k/$206k On track	MAHI (council's internal employment strategy) highlights include Whānau Manawa – Māori Staff Network Annual Workforce Development Conference (Hui-a-Tau) in August with 130 attendees and Council's Executive Lead Team, Pō Whakanuia event at Tatai Hono Marae to recognise and award eight members of staff in their efforts to build capability in the workplace environment to deliver on Māori Responsiveness Plans, and the setting of ELG targets for Māori – refreshed executive recruitment and interview panel approach.