Kōmiti ā Pūtea, ā Mahi Hoki / Finance and Performance Committee

OPEN ATTACHMENTS

ADDITIONAL ATTACHMENTS UNDER SEPARATE COVER

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

To: Finance & Performance Committee
cc: Executive Leadership Team, Hibiscus & Bays Local Board, Rodney Local Board
From: Rod Aitken

Subject: 50 Centreway Road, Orewa

2 December 2019

As part of the Corporate Property Portfolio Strategy (approved May 2018), 50 Centreway Road Orewa is being prepared for sale.

Panuku has appointed Colliers to act as agents in the sale. Online marketing began over the weekend and will likely run through until February 2020.

There will be a leaseback agreement providing us with the certainty that we are able to remain as tenant until our accommodation at the new North/West Hub is complete, currently expected to be in 2022/3.

As you’ll be aware, the Finance and Performance Committee approved the Corporate Property Portfolio Strategy in May 2018. The strategy will deliver a property portfolio better aligned to service local communities, and will deliver safe, healthy and more productive work environments for our people.

Capital receipts from the sale of the properties will be reinvested into a fit for purpose corporate property network. This includes reinvestment into establishing a much-needed Rodney Local Board office within the local board’s boundaries - a recommendation in the 2018 Local Government Commission Report on Enhancing local government for Aucklanders.

In addition, there is funding to refresh the Hibiscus & Bays Local Board office in Browns Bay and address some of the challenges with space and access in that location.

In Ōrewa, there will be the opportunity to locate the service centre in a more accessible location for the Ōrewa community and place it in closer proximity to other council services.

We have briefed the media team to proactively deal with any issues should they arise from this and any upcoming sales.

This advice is for your information and visibility. Please advise if you require any further information.

Ngā mihi
Rod Aitken
Head of Corporate Property
Memo
19 December 2019

To: Members of the Finance and Performance Committee
cc: Matthew Walker, Group Chief Financial Officer
From: Nicola Mills, General Manager Financial and Business Performance

Subject: Quarter One performance reporting queries – Auckland Council

This memo provides responses to questions raised by councillors regarding the quarter one performance of Auckland Council, included in the agenda of the 3 December 2019 Finance and Performance Committee meeting.

1. Number of noise complaint calls received about fireworks (Cr. Casey)

   Fireworks complaints do not have their own statistical category. The following information is based on a text search for “Firework” on a report from the SAP noise complaints database.
   - November 2018: 127 complaints between 1-10 November 2018 and a total of 152 complaints for the full month.
   - November 2019: 80 complaints between 1-10 November 2019 and a total of 102 for the full month.

2. Regarding illegal dumping: number of cameras, where those cameras have been located in the last six months, operating cost of cameras, enforcement costs relating to illegal dumping (Cr. Newman)

   There are 17 cameras operating regionwide with 9 of these in the South. Cameras, in the South, have been intermittently at the locations below over the last year: Fencible Dr, Inlet Rd, Gifford Rd, Tilberg St, Lawford Pl, Manuroa Rd, Castlebaine Dr, Diversy Lane, Whakatupu, Ihumatao Rd, Takanini School Rd, Wastney Rd, Mayo Road

   Camera costs:
   - Supply of camera, case, cable, card, batteries ($600 per camera)
   - Installing, maintenance and downloading (approximately $300 per camera per month)

   Enforcement Costs (staff only):
   The staff costs for enforcement for 2017/2018 were approximately $663,000.

   Infringements and Prosecutions:
   There have been 175 infringement notices issued so far for this financial year across the Auckland region. 69 of these notices have been issued in the south.
   Year to date there have been 3 prosecutions of which one offender was operating in the south, central and west. The other two were both in the north.
3. **Planned locations of any further expansion to the resource recovery centre network, particularly in south Auckland (Cr. Newman)**

In April 2019 a Request for Expression Of Interest (REOI) was released to the market requesting expressions of interest for two Community Recycling Centres in the south. The REOI invited proposals from organisations with a site in the south of Auckland and/or organisations who want to partner with Auckland Council to operate a re-use facility, and to work with the community to provide residents and local businesses in the south of Auckland with essential waste and resource recovery services.

There were three respondents to this REOI process, two of which were deemed to have potential. Negotiations with one of these suppliers for a site and operations of the facility in the Otara area is currently underway. The second potential operator doesn't have a site but discussions with them will focus on their ideas about finding a site in our preferred locations.

4. **Where plastic recycling is being sent to (Cr. Walker)**

Plastics collected at Visy are currently distributed as follows:
- 50% PET to Flight Plastic in Wellington, the other 50% to Australia
- The remainder of the plastic is sent to Malaysia.
- Current market for mixed paper is India.

In response to the changing markets Auckland Council is proactively working with other New Zealand councils as well as central government, iwi and the recycling industry to find better, more sustainable long-term solutions to waste issues, including the option of on-shore processing.
5. **The budget allocated to address waste from construction and demolition (Cr. Coom)**

Construction and demolition (C&D) waste (e.g. rubble, concrete, timber, plasterboard, insulation materials) accounts for 40 percent of all waste sent to landfills. As Auckland’s single largest waste stream, with high tonnages going to landfill and high diversion potential, C&D waste has been identified as a priority waste stream to achieve the targets of the Waste Management and Minimisation Plan (WMMP) — reducing total waste to landfill by 30 percent by 2027.

The council has limited influence or regulation over the construction industry’s behaviour however have developed a three-pronged strategy to influencing C&D waste:

a) Working across Council to influence and set targets for council’s operational waste. (see information below on collaboration with Community Facilities for council’s new builds, renovations and building removals)

b) Working with large-scale developers, including Kāinga Ora to influence and support C&D waste diversion through policy development and wider uptake of deconstruction methods of demolition, and facilitating the recycle and reuse of materials

c) Working across the community and with Māori and Mana Whenua to develop social enterprise opportunities, employment and training opportunities, a collaborative approach including with industry, and identifying community destinations for recycled materials

Waste Solutions’ investment in C&D waste has been in people resource. This is funded through the waste levy not through rates.

Council’s deconstruction projects:

- All the council’s deconstruction projects that have been worked on to date are Community Facilities projects and as such, are funded within budgets allocated to Local Boards for new builds, renovations and building removals.
- The Local Boards approve the programme and the funding for each project. The Waitemata Local Board directed funding to the Argyle St Masonic Hall salvage, deconstruction and the subsequent addition of that space to Salisbury Reserve through its renewals budget.
- It is worth noting that there was a particularly long period of consultation with the Waitemata Local Board and the community regarding the fate of the Masonic Hall and its method of removal with the Local Board being in favour of a deconstruction.
- One exception to this was the Three Kings project where the Puketāpapa Local Board provided an additional $5,000 for social outcomes. None of the projects worked on have exceeded the original set budget because of salvage or deconstruction apart from a minor variation in relation to the Birkenhead Grandstand.
Memo

17 January 2020

To: Finance & Performance Committee, Henderson-Massey Local Board
cc: Executive Leadership Team, Waitākere Ranges Local Board
From: Rod Aitken

Subject: Unconditional agreement signed for sale of Henderson buildings

Panuku Development Auckland, on behalf of Auckland Council, have entered an unconditional agreement with Laidlaw College to sell a portion of the Henderson council offices and adjoining land at 2-4 and 6 Henderson Valley Road.

The sale includes the Administration building and Central One, plus the adjacent land surrounding these two buildings. Refer map page two for more detail.

Auckland Council will retain the Civic building, which will provide a significant workspace for staff along with space for Henderson-Massey Local Board and the Service Centre. We will be leasing back any additional workspace required until some teams are relocated to the new office at Albany in 2023.

The proceeds of the sale will be reinvested into our Corporate Property network - one that is better aligned to council’s service to local communities and will deliver safe, healthy and more productive work environments for staff. This includes investment in the Civic Building to provide fit-for-purpose spaces that enhance this significant building.

Releasing this site will enable a key part of Panuku’s Unlock Henderson urban regeneration programme which aims to boost numbers and business in the town centre significantly sparking further regeneration and support for development in Henderson. It will also progress Panuku’s urban eco centre vision and enable the continuation of this area becoming one of New Zealand’s first Green Star Communities.

This has been a highly collaborative process between Auckland Council, Panuku and Laidlaw College to realise great outcomes for the community, council and local iwi. The attached joint media release from Laidlaw and Panuku provides more detail on these outcomes.

This advice is for your information and visibility. Please advise if you require any further information.

Rod Aitken
Head of Corporate Property
Map of 2-4 and 6 Henderson Valley Road

Areas included in the sale agreement are the areas identified in pink.

The sale excludes:
- the Civic building, and chamber (blue)
- Japanese garden (green)
- reserved City Rail Link land (grey)
- internal road and greenway currently under construction (green).
Memorandum

To: Members of the Finance and Performance Committee
Subject: CCO Review: Community Engagement
From: Claire Gomas
Contact information: Claire.gomas@aucklandcouncil.govt.nz, 021560302

Purpose
1. To update elected members on the CCO review engagement process and to seek from elected members a list of stakeholders they would like to provide to the Independent Panel by close of business, Tuesday, 11 February, 2020.

Discussion
2. Apologies, if the process for community and stakeholder engagement for the CCO Review was not make clear at the workshop today.
3. The panel are committed to wide engagement and are looking to obtain a range of views on the review’s areas of focus. In seeking feedback, the panel are interested in views on what is working well, as well as what is not.
4. Time and cost considerations will not allow the panel to meet with every person interested in the review, but the panel are confident that through a mix of meetings, written feedback and workshops (to be determined) they will get a good cross-section of views.
5. The process for community and stakeholder engagement is summarised below.

Community engagement – feedback form, submissions, events
6. The process for community engagement aligns with the Annual Budget process for awareness raising and uses the same online and offline feedback channels.
7. The Independent Panel are looking to engage with the community primarily through the feedback form (online, hard copy and via social media) and written submissions.
8. The panel are providing 4 drop in sessions, where interested parties can meet and talk to them directly, and a hui for Mana Whenua. They are also exploring Radio Waatea live stream and panel discussion.
9. HYS Events - staff from the CCO Governance team will be present, on the panels behalf, at the HYS events.

Stakeholder engagement
10. The panel has requested from the CCOs a list of key stakeholders and customers. These stakeholders will receive a letter inviting them to submit in writing by the 22nd March.
11. A broader list of stakeholders is being developed based on input from councillors, the CCO Governance team and other teams within council. These stakeholders will receive the same letter from the panel inviting them to submit in writing by the 22 March.
12. The panel are determining a list of those stakeholders they would like to meet with. Consideration is being given to ensuring there is a demographic spread, those stakeholders that deal with more than one CCO and those that are likely to provide a unique perspective.
Elected member engagement

13. A confidential workshop is scheduled with the panel and governing body on the 17 February 2020.

14. A panel member, Leigh Auton, is meeting with the Local Board Chairs Forum to discuss their issues and views on the 10 February, 2020.

Next steps

15. Please provide a list of stakeholders you consider the panel should send a letter inviting them to submit to me by close of business, Tuesday 11 February.

16. If you have any further questions or issues you would like to discuss, please contact me on 021 560 302 or by email (Claire.gomas@aucklandcouncil.govt.nz).

17. A monthly progress report on the CCO Review will be provided to the CCO Oversight Committee.

Attachments

- Community Engagement Document
- Feedback Form
Independent Panel
Council-Controlled Organisations Review
Feedback Form

Email
Scan your completed form and email it to akhaveyoursay@aucklandcouncil.govt.nz.

In person
Drop your completed form off at your local library, service centre or local board office.

By post
Place your completed form in an envelope and send it to free post address: AK Have Your Say, Auckland Council, Freepost Authority 182382, Private Bag 92 300, Auckland 1142.

Attachment D
Item 16

You can give us your feedback until Sunday 22 March 2020.

Please read the engagement document available at akhaveyoursay.nz or at any library, service centre, local board office or by phoning 09 301 0101 before you give feedback. It has more information about the Council-Controlled Organisations Review.

We encourage you to give feedback online at akhaveyoursay.nz, or you can complete this form and return it to us using one of these options:

WE WANT YOUR FEEDBACK

The Independent Panel is keen to receive feedback from all Aucklanders.

Auckland Council has five council-controlled organisations (CCOs): Auckland Transport (AT), Auckland Tourism, Events and Economic Development Limited (ATEED), Panuku Development Auckland (Panuku), Regional Facilities Auckland (RFA), Watercare Services Limited (Watercare).

These CCOs are responsible for delivering a range of services to the Auckland region. We are interested in your opinion about the issues, what is working, what is not and what could be improved. We would be grateful if submissions are short, concise and clear.

Your feedback will be included in public documents.

All other personal details will remain private.

First name: __________________________
Last name: __________________________
Email address or postal address: __________________________________________
________________________________________
________________________________________

Your local board: __________________________________________

Is your feedback on behalf of an organisation or business? (If yes, this confirms you have authority to submit on the organisation’s behalf)

[ ] Yes [ ] No

Name of organisation or business: __________________________

The following information is optional but will help us know whether we are hearing from all Aucklanders.

Are you: [ ] Female [ ] Male [ ] Gender diverse

What age group do you belong to?

[ ] Under 15 [ ] 15-24 [ ] 25-34 [ ] 35-44
[ ] 45-54 [ ] 55-64 [ ] 65-74 [ ] 75+

Which of the following describes your ethnicity? (Please select as many as apply)

[ ] Pākehā/NZ European [ ] Maori
[ ] Chinese [ ] South East Asian
[ ] Samoan [ ] Tongan
[ ] Indian [ ] Korean
[ ] Cook Islands Māori [ ] Other (please specify) __________________________

Auckland Council is managing the public feedback process on behalf of the Independent Panel. All personal information that you provide in this submission will be held and protected by Auckland Council in accordance with our privacy policy (available at aucklandcouncil.govt.nz/privacy) and at our libraries and service centres) and with the Privacy Act 1993. Our privacy policy explains how we may use and share your personal information in relation to any interaction you have with the council, and how you can access and correct that information. We recommend you familiarise yourself with this policy.
1. Overall how well do you think each of the CCOs is providing services?

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<th>Poor</th>
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<tr>
<td>Auckland Transport</td>
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<td>Auckland Tourism,</td>
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<td>Events and Economic</td>
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<td>Development Limited</td>
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<td>(ATEED)</td>
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<tr>
<td>Panuku Development</td>
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<td>Auckland (Panuku)</td>
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<td>Regional Facilities</td>
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<td>Auckland (RFA)</td>
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<td>Watercare Services</td>
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<td>Limited (Watercare)</td>
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2. Please provide specific feedback to support your ratings above.

| What are the main issues or | What are they doing well? |
| areas for improvement?      |                            |

Auckland Transport

Auckland Tourism, Events and Economic Development Limited (ATEED)

Panuku Development Auckland (Panuku)

Regional Facilities Auckland (RFA)

Watercare Services Limited (Watercare)

Do you have any other feedback related to this review?

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

Need more room? You can attach extra pages, but please make sure they are A4 and also include your name and contact information.
Foreword

I am the independent chair of the panel that Auckland Council has appointed to review its council-controlled organisations (CCOs). The review panel has two other members, Doug Martin and Leigh Auton.

We have been asked by Auckland Council to examine three areas: (1) the CCO model, roles and responsibilities, (2) the accountability of CCOs, and (3) CCO culture. The detail of this is covered later in this document.

We are committed to wide engagement so we can obtain many different views about the issues, what is working, what is not and what could be improved.

Minerva R Dean CNZM QC

Why review Auckland Council’s CCOs now?

Auckland Council has five CCOs: Auckland Transport (AT), Auckland Tourism, Events and Economic Development Limited (ATEED), Panuku Development Auckland (Panuku), Regional Facilities Auckland (RFA), and Watercare Services Limited (Watercare). Established as part of the 2010 reorganisation of Auckland’s local government, the CCOs account for 55 percent of council’s operational budget and deliver a range of activities previously provided by the former Auckland councils.

Over the last ten years the context within which the CCOs operate has changed.

As a region Auckland has, and continues to face, unprecedented growth and social change. Our diverse population has created a wealth of cultural values and lifestyles as well as differing expectations and demands for housing, transport, local amenities, services, civic engagement and democracy. In addition, the need to protect our natural environment and respond to climate change will continue to put pressure on resources, impacting council’s decisions on what to prioritise and invest in.

At a central government level, legislative changes and the introduction of new agencies may also affect the decision-making processes of council and CCOs.

To meet these challenges, the council is exploring new ways of working, hence this review. Our objectives are to ensure:

- an effective and efficient model of service delivery for Auckland Council and Aucklanders, and;
- a sufficient level of political oversight, public transparency and accountability of CCOs in their decision-making.

We have been asked to deliver a draft report on the key issues, including feedback from the community and stakeholders, to the council in May 2020. We will then provide our final report with recommendations by July 2020.
What are CCOs and what do they do?

CCOs have been part of local government in New Zealand since 2002. The council sets the strategic direction and objectives for CCOs and CCOs determine how best to deliver services that achieve those objectives. CCOs allow local government, in this case Auckland Council, to apply a business focus and expertise in the management of key assets, infrastructure and service delivery.

CCOs are independent organisations, each with their own board of directors, chief executive and staff. The Mayor, Councillors and local board members cannot be appointed to the board of a CCO (with the exception of Auckland Transport).

The council appoints each CCO’s board of directors who oversee the overall performance and effectiveness of the CCO. The council also approves their annual objectives and performance targets. CCOs are required to provide quarterly performance reporting. This is publicly available and CCOs present this information to council’s elected members regularly through the year. CCOs are required to hold two public meetings a year to consider strategy and performance.

Auckland CCOs

As previously noted, Auckland Council has five CCOs: Auckland Transport, Panuku Development Auckland, Watercare, Regional Facilities Auckland, and Auckland Tourism, Events and Economic Development Auckland. Each of the CCOs are either responsible for delivering a significant service to Aucklanders or own or manage assets valued at more than $10 million. Below is a brief description of the five CCOs:

**Auckland Transport (AT)**

AT is responsible for managing the region’s transport system and planning for our future transport needs. It looks after our public transport network (in 2019 over 100 million journeys were made by either train, bus or ferry), 7,550km of roads, 7,137km of footpaths, bus and cycleways, and parking management.

**Auckland Tourism, Events and Economic Development Limited (ATEED)**

ATEED promotes Auckland as a great place to live, work, invest, study and visit. It focuses on attracting visitors and investment to Auckland and last year their major and business events contributed $43.9 million to regional GDP and 295,000 new visitor nights to the region.

**Panuku Development Auckland (Panuku)**

Panuku is Auckland Council’s redevelopment agency tasked with creating vibrant, liveable places with high-quality housing and business developments. It is partnering with the property development sector, iwi and central government to facilitate redevelopment of 18 neighbourhood transformation projects. Panuku also manages the council’s $3 billion property portfolio and sells council-owned sites that are no longer needed.

**Regional Facilities Auckland (RFA)**

RFA provides a regional approach to running and developing Auckland’s arts, culture and heritage, sport and leisure sector. It manages major facilities and landmark venues across the region, including: Aotea Centre, Auckland Art Gallery Toi o Tamaki, Auckland Town Hall, Auckland Zoo, Bruce Mason Centre, The Civic, Mt Smart Stadium, QBE Stadium, Western Springs Stadium and New Zealand Maritime Museum. These facilities were visited by 3.36 million people in 2019.

**Watercare Services Limited (Watercare)**

Watercare provides a high quality, safe water supply to our homes, workplaces, and cultural and leisure venues. It looks after 9,000km of pipes as well as the treatment and disposal of around 396 million litres of wastewater Auckland produces every day.
What are we examining?

Auckland Council has asked us to examine the following three areas. The full terms of reference can be found here.

The CCO model, roles and responsibilities

The key question that we are investigating is whether the CCO model delivers council services with the maximum of efficiency and transparency. You can help us to better understand this by providing your opinion on how well some, or all, CCOs are providing services to you and/or the community. For example, is there anything in the way that CCOs operate that you think could be improved? Do you think that there are better ways to organise how these services are delivered?

CCO accountability and responsibility to Auckland Council and Aucklanders

Here, the key issue the panel will be examining is whether the council’s current approach to holding CCOs to account on behalf of Aucklanders (through appointing CCO directors, setting CCO strategy and monitoring CCO performance) could be improved. We are interested in your views on how effectively CCOs are responding to the concerns of communities.

CCO culture

The central issue we will be examining is whether CCOs need to improve how they consult, engage with and respond to the wider community and council. Do Auckland’s CCOs act as effective stewards of Auckland’s assets and use all money and resources in a way that delivers and builds trust with the public? Do the CCOs provide an excellent level of service to Aucklanders?

We want your feedback

We encourage you to give feedback online at akhaveyoursay.nz, or you can complete a hard copy Feedback Form. You can give us your feedback until Sunday 22 March 2020.

The panel will also be holding drop in sessions to listen to views of Aucklanders. Information on these sessions can be found at akhaveyoursay.nz.

After receiving feedback, the panel will report on key issues, community and stakeholder feedback to council in May 2020. The panel will provide a final report and recommendations to council in July 2020.

Information about the panel’s work can be found at https://www.aucklancouncil.govt.nz/about-auckland-council/how-auckland-council-works/council-controlled-organisations/Pages/review-of-council-controlled-organisations.aspx
Memorandum

7 February 2020

To: Mayor Goff, Deputy Mayor Cashmore, Finance & Performance Committee Chairperson Simpson, all councillors, Independent Audit & Risk members Sue Sheldon, Paul Conder, Bruce Robertson

CC: Stephen Town, Chief Executive; Matthew Walker, Group Chief Financial Officer; Dani Gardiner, General Counsel; Bram van Melle, Manager Property & Commercial; Barry Potter, Director Infrastructure & Environmental Services; Gael Ogilvie, General Manager Environmental Services; Anita Furniss, Executive Officer Finance Division; Rhonwen Heath, Head of Rates Valuations & Data Management

From: John Bishop, Group Treasurer

SUBJECT: RETROFIT YOUR HOME PROGRAMME

Background

1. On Monday 3 February 2020 I advised you that we had identified an error in the way that we have been calculating some of the Retrofit Your Home (RYH) targeted rate payments and that while we are working through the issue we have delayed sending those customers their third quarter rates assessment/invoice for the 2019/2020 rating year.

2. We have also advised the approximately 14,000 RYH customers of the delay and placed notices on our website. We are assuring people that they will not need to pay more as a result of the error and, that if necessary, we will change the payment due dates and adjust direct debits so they are not disadvantaged.

3. This memo is a further update for you on this issue.

The RYH programme

4. As you will know, via the RYH programme council offers ratepayers financial assistance (of up to $5,000) for the installation of clean heat, insulation, water conservation, mechanical extraction and fire place decommissioning in customer properties. The assistance is repaid by a targeted rate on their property over a nine year term. The targeted rate includes a floating interest rate updated annually (essentially, Council’s average cost of borrowing plus a 1% margin). There are eligibility criteria for the programme, terms and conditions, and targeted rates setting processes etc.

5. Because council is offering financial assistance in this way, we are bound by obligations under the Local Government (Rating) Act 2002 (LGRA); and other relevant laws including the Credit Contracts & Consumer Finance Act 2003 (CCCFA), the Fair Trading Act 1986 (FTA) and the Financial Markets Conduct Act 2013 (FMCA) also apply to the programme.

Errors were identified

6. Late last year staff queried the interest rates showing on customer statements. Further investigations early this year identified that since transferring from a manual to automatic process in 2018/2017 errors have occurred in the interest calculations. The interest rates in SAP (where customer information is stored) had not been updated to reflect our correct floating interest rate. As a result many customers had been overcharged on the interest calculations.
7. We have since identified further issues relating to potentially incorrect communication to some customers about interest rates and some issues with the quality of the programme documentation and associated processes.

8. The full amounts due to RYH customers and cost to council is yet to be calculated and will be known once our remediation plan is finalised.

We are urgently remediing the error for our RYH customers

9. We have established an internal team working under urgency to understand the full scope and nature of the issues, and to prepare a remedial plan.

10. We are currently not accepting new RYH applications. We are in the process of advising suppliers and new applicants.

11. We have been processing RYH rating information for the purposes of property sales/settlements manually to ensure that we are providing accurate information (we process an average of 27 of these requests every week).

12. We identified that we had an immediate issue with the third quarterly rates assessment/invoices due to be sent out to all ratepayers in the first week of February. We have delayed sending these out to RYH customers as we are unable to de-couple the RYH targeted rate from other rates, and we did not want to send them out when we knew that the RYH payment information was incorrect. We also note that about 4500 of these customers pay by direct debit of varying periodic frequencies.

13. We are urgently investigating possible solutions so that remedial actions can promptly follow. We are aiming to have re-calculated rates assessments/invoices out to the majority of RYH customers by the end of March (one month later than usual).

14. The need to minimise customer disruption is the focus of our decisions and approach. We also acknowledge that it is important for Council to handle this process well for both reputational and compliance reasons. While a mistake is never welcome, how we manage it going forward will be important to maintain trust in Council and confidence of our ratepayers. To that end we have also contacted the Commerce Commission and will discuss with them our remediation.

15. Once we have calculated the likely remediation amount/s, we will include an appropriate provision in the half year results being reported to the Audit & Risk Committee at the end of this month.

Ensuring the RYH programme (and other similar arrangements) are robust in the future

16. It is critical we ensure the RYH programme, and any similar programmes, are robust going forward.

17. Our Internal Assurance Services Team is establishing a review which will ascertain how these errors have occurred, ensure remediation has been robust, identify what improvements are required and ensure that the relevant processes and systems are fully compliant in the future. That review will be progressed as a matter of urgency.

18. Over recent months we have been in discussions with the NZ Green Investment Fund (NZGIF) to discuss alternative funding mechanisms for RYH customers.

19. There have been recent amendments to the Credit Contracts & Consumer Finance Act 2003 which begin to come into force from 1 June 2020. These amendments add even more onerous requirements to what is already a prescriptive regulatory environment.
20. The most likely time that we would bring to you any recommendations relating to the RYH programme or similar programmes will be in May when we make Annual Budget decisions. To ensure that we are being transparent to customers who may be affected we will be suggesting to you (before the Annual Budget consultation material is adopted) some short additions to the consultation material noting the upcoming legislative change.

Customer help/questions

21. RYH customers can be advised that:
   a. They will not need to pay more as a result of the error.
   b. We will change the payment due dates and adjust direct debits so they are not disadvantaged.
   c. They can still pay their rates (excluding their Retrofit Targeted Rate) if they want to, but they won’t be disadvantaged if they don’t. We can help them work out the amounts owing.
   d. When we are confident that invoices are correct and up to date, we will send them out. We are aiming for the end of March for the majority of them.

22. We have set up a dedicated phone number so that RYH customers can contact our Retrofit Your Home team if they have any questions: 09 890 7898 or email retrofit@aucklandcouncil.govt.nz.

ENDS
Auckland Council Group – NZX Release

Councillor approval meeting of results announcement to the market for the half year ended 31 December 2019

NZX Half Year Announcement

The purpose of this meeting is to provide information to enable the chair and deputy chair of the Finance and Performance Committee to authorise the release of the NZX half year announcement.

The Finance and Performance Committee delegated the chair and deputy chair to approve the NZX half year announcement by resolution dated 3 December 2019. Under the NZX Main Board/Debt Market Listing Rules (Section 10: 10.3.2) each issuer must release an announcement to the NZX no later than 60 days after the end of the half year reporting period.

For your review and approval:

1. draft NZX half year announcement
2. draft interim report
3. draft media release

Approved
Cr Desley Simpson
Chair Finance and Performance Committee
Date: 26 February 2020

Approved
Cr Shane Henderson
Deputy Chair Finance and Performance Committee
Date: 26 February 2020

This information is confidential and subject to the rules of continuous disclosure. The information in the NZX Half Year Announcement will be released on 28 February 2020.
Pūrongo Taupua a te Rōpū Kaunihera o Tāmaki Makaurau
31 O HAKIHEA 2019

Auckland Council Group Interim Report
31 December 2019
Mihi

Tāmaki Makaurau
who straddles shimmering seas,
and verdant mountains.

From the bathing waters of our forebears,
and hills that echo with voices
that acclaim.

Your mountains stand lofty,
your valleys spread from them
and your streams run freely.

Your harbours are majestic,
your beaches widespread,
the environment that surrounds you is a legacy.

Take care of it so that you will always be known
as 'the world-class city
where talent wants to be'.

Tāmaki Makaurau looking to the future,
repository of our hopes
for generations to come,
anchor stone for those who venture
through your gateway,
and the bridge that connects
your citizens to life.

Tāmaki Makaurau moving on,
accepting all challenges.

Where even heaven and earth might meet.
Rise with the sun as there is work to be done
and when evening comes,
allow your dreams to glide among the stars.

Perpetual health and growth
is beyond the horizon of cresting waves.
Open your arms and pull them to your embrace.

Tāmaki Makaurau, you are a city
where valued business and enterprise thrives;
let your good name traverse the world.

No ho mai rā Tāmaki Makaurau,
meana waiwhetu,
maunga kakākiri.

Mai i ngā wai kaukau o ngā tūpuna,
ki ngā puke kawe i ngā reo o te tini,
i puta ai te ki māu.

Tū ana he maunga,
takoto ana he naore,
heke ana he awaawa.

Ko ō wahapū te ataaahu,
ō tāhuna te mahora,
te taiāeo e whiti ki nei i a koe he taonga tuku iho.

Tiakina kia meina tonu ai koe
ko ‘te tūone tāirore nei o te ao,
manakahia e te iwi pūmanawa’.

Tāmaki Makaurau tirohia te pai tāwhiti
he whakairenga tūmanako
mō ngā uri whakahēke ō apōpo,
te toka herenga mō te hunga ka takahi ake
mā ō tomokanga,
te puti e whakawhiti ai
tō iwi ki ngā huanahi o te ora.

Tāmaki Makaurau e toro whakamua,
hikina te mānuka.

Tēra te rangi me te whenua te tūtaki;
Maranga me te rā, he māhi māu me tīmata,
ka numuri ana ki te po,
whakatūwaha o moemoea ki ngā whenu.

Ko te oranga mātua māu
ki tūa ki te tūmanaha maona,
Tūwhenua ō ringa, kāmea mai ki tō uma.

Tāmaki Makaurau
he tāpui whangā kūmu punamu koe,
buaia tō rongo kia rene i te ao.

Item 16
Ngā Upoko Kōrero

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He karere nā te koromātua
Message from the Mayor

Over the next decade, Auckland’s population will grow to over two million people and the equivalent of two Hamiltons worth of new housing developments will be added to our city.

To cater for this growth and ensure Auckland can fulfil its role as New Zealand’s only international and globally competitive city, the Auckland Council Group (the group) is investing at record levels, with $26.2 billion set out in our ten-year budget to address transport congestion, increase the supply and affordability of housing and protect and enhance our environment.

Our annual budget, confirmed last year, further strengthens our focus in these areas, committing new funding to provide free weekend and public holiday travel for children on public transport, ferry fare integration for Hop card users, and financial support for the City Mission’s HomeGround Project, which will help tackle chronic homelessness.

The budgeted $2.7 billion of capital investment in the current financial year is accelerating the delivery of the infrastructure projects we need, including projects set for completion this year to accommodate the tens of thousands of domestic and international visitors expected in 2021, when Auckland hosts APEC, the America’s Cup, Te Matatini and much more.

General rates rises have been kept fair and reasonable focusing on delivering this unprecedented programme of capital investment, while ensuring that its operations remain efficient and effective and provide value for money to ratepayers.

General rates rises have been kept fair and reasonable at an average of 2.5 per cent, necessary to allow us to invest in new and upgraded infrastructure to keep our rapidly growing city moving and ensure we can deliver the services Aucklanders want and need.

$19 million in savings have been achieved in the six months to 31 December 2019 with an additional $13 million forecast to be realised over the remainder of the year.

The retention of the group’s credit ratings with S&P Global Ratings and Moody’s at AA and As2 respectively, both with a stable outlook, reflects the group’s prudent financial management, balancing the need to increase investment and service delivery with our responsibility to ensure efficiency and value for money for ratepayers.

For New Zealand to succeed Auckland must succeed, and the work being undertaken by the group now is necessary for our region to be a truly world-class place to live, work and play.

Hon Phil Goff
Mayor of Auckland
28 February 2020
He karere nā te tumu whakarāe  
Message from the Chief Executive

This interim financial report reflects the continued investment in the infrastructure required to support Auckland’s growing and more diverse population.

Our investment in infrastructure has continued at unprecedented levels - $227 million in roads and footpaths, $118 million in public transport, $272 million in water and wastewater infrastructure and $130 million in City Rail Link Limited.

Our growing population doesn’t only require great transport and water infrastructure, but also strong communities to support and encourage diversity, and protection of one of Auckland’s most important assets, our natural environment. Improvements to the quality of our waterways, tackling the spread of Kauri Dieback, and work to make Auckland pest-free by 2050 are examples of projects funded from the Water Quality and Natural Environment targeted rates introduced in 2018/2019.

In the community space we’re delivering shared paths, upgrading parks and building multi-purpose community facilities that make Auckland a supportive and vibrant place to live.

The council’s declaration of Auckland’s climate change emergency is a core consideration behind all our decisions. In this interim financial report we are making our first climate change risk disclosure. This disclosure is our first step towards being fully accountable for our climate change action, and in future we will continually improve this.

From a financial perspective, our key results are positive. They include:

- Operating surplus of $1,349 million, $135 million more than the same period last year
- Revenue of $3,494 million, $233 million more than the same period last year
- Total net group debt of $9,214 million, an increase of $547 million over the six-month period, against the back drop of total assets increasing over the period by $1,819 million to $54,692 million.

Our focus remains on achieving value for money to ratepayers, and we are on track to deliver on our promise of efficiency savings of $23 million by the end of the financial year.

We’re investing in a growing city and managing our finances responsibly

Stephen Town
Chief Executive
28 February 2020
Hurihanga āhuarangi

CLIMATE CHANGE

Item 16

Attachment F
Hurihanga āhuarangi  
Climate change

Climate change is one of the most significant issues we face today. Auckland has already felt some of the impacts from climate change such as rising sea levels, flooding, drought and heat waves. The Governing Body of the Auckland Council Group declared a climate emergency in June 2019, which committed the group to taking the necessary action to manage and mitigate our risks, whilst taking advantage of the opportunities created by climate change.

The group has a number of initiatives underway to address climate change risk. Here are some examples:

- Resilience and emission expectations are being set through the group’s procurement levers.
- We are developing emissions reduction plans that cover our assets, services and travel.
- Zero-waste initiatives are in motion to achieve our plan for Auckland to be zero-waste by 2040.
- We are developing Coastal Management Plans to prepare for the impacts of climate change.
- We have a ‘Million Trees’ programme and an Urban Ngaere (Forest) Strategy that are focused on increasing tree coverage and carbon capture across the region.
- We provide e-bikes in our fleet system. We are addressing the emissions associated with our staff’s work-related travel by improving our video and web-conference capabilities and increasing the numbers of electric vehicles and e-bikes in our fleet system.
- We are taking steps to make our largest wastewater treatment plants energy neutral by 2025, and generated over 25% of Watercare’s electricity in 2018/2019 by collecting methane.
- We are supporting ‘Live Lightly’ and development of ‘Future Fit’, a carbon footprint tool.
- We are advocating to central government on its climate-related policy developments such as the Zero Carbon Bill and amendments to the emissions trading scheme and resource management regime.
- We piloted the installation of three solar stations connected to our pumping stations, reservoirs and water treatment plants.

We have a programme to overhaul delivery of water infrastructure to reduce construction emissions by 40% over the next 4 years.

We are reducing emissions by running 3 electric buses with plans for more over the coming years.

We are encouraging a shift towards public transport and low emissions options by improving public transport services through networking, busway and rail upgrades. We are adding 15 electric trains which will enable longer trains and providing high quality cycleways across Auckland.
Tūponotanga e pā ana ki te hurihanga āhuarangi
Climate change risk

 Auckland Council Group’s response to climate change risk is outlined in this climate change risk disclosure, which has been prepared for the first time under the framework provided by the Task Force on Climate-related Financial Disclosures (TCFD). The disclosure will develop over time as the group’s response to climate change evolves.

The largest subsidiaries in the group are Watercare Services Limited, Ports of Auckland Limited and Auckland Transport. Their boards have individually responded to climate change risk, and each entity is at different stages of risk assessment and strategy development. We outline examples of their responses separately.

Governance

The Auckland Council Group is governed by the elected Governing Body, local boards and the respective boards of each subsidiary. The Governing Body is made up of the mayor and twenty ward councillors with a focus on Auckland-wide strategic decisions. To enable efficient decision-making, the Governing Body delegates powers to various committees. The governance of city-wide climate change related matters are the responsibility of two committees:

1. the Environment and Climate Change Committee; and
2. the Audit and Risk Committee.

Local boards set the strategic direction for each local board area and are responsible for local initiatives that address climate change.

Advises the Governing Body in meeting its responsibility for risk management and internal control. Oversees the management of the council’s top risks register.

Deals with development and monitoring of strategy, policy and action plans associated with climate change activities.

Has a leading role alongside the departments in assessing and addressing climate change risks related to both the organisation as well as the region. The CSO reports on these to the Governing Body and the committees on an ongoing basis.

The Watercare Board of Directors has oversight of climate change risk through the organisation’s Enterprise Risk Register which includes the impacts of climate change. In 2020 a Board subcommittee, Committee for Climate Action, will be established to focus on the governance of climate change risk.
Strategy

The Auckland Region is exposed to a range of climate-related risks. These risks form the core of Auckland Council’s climate-related risk exposure. Climate change is being manifested in the region as follows:

- Increased renewable energy demands
- More time spent in drought
- Rising sea levels
- New diseases and pathogens
- Ocean acidification
- Increased fire risk
- Land usage change
- High rain events
- Drier soils, changes to river flow (both low flows and floods), and increases in slips
- Ocean acidification, impacting ocean productivity and the development of marine species
- Establishment and proliferation of non-native marine species
- Sea-level rise impacting coastal communities, infrastructure and habitats
- Changes to air quality impacting the health of Aucklanders
- Indigenous biodiversity will be affected both directly by climate changes (e.g. drought and increased temperature) and indirectly by pests and habitat loss.

Auckland Council has analysed projected climate changes for the Auckland region and potential impacts of climate change on some of Auckland’s environments and sectors.

Projected Climate changes for Auckland

- Higher temperatures expected
- Number of hot days to increase
- Changes to seasonal distribution of rainfall
- Drought and flooding more common
- Number of windy days to decrease, while intensity of tropical cyclones to increase.

Significant impacts

Risks

- Our natural and human made systems won’t work as well as a result of changing climate conditions or damaging extreme events
- Direct impacts on biodiversity, cultural heritage, productivity or changes in market demands for goods and services
- Unequal distribution of impacts, with those such as the elderly, the very young, those living in poverty or with chronic health issues more likely to be negatively affected.

Opportunities

- Innovation to minimise cost impacts through the transition to a low carbon economy
- Significant cost avoidance from embedding long-term climate change considerations into planning decisions
- Significant cost avoidance from reducing the need for major retrofitting or land-use changes as impacts become more frequent and severe
- Economic activity and employment through supporting new business opportunities that focus on providing services to Auckland that mitigate the effects of climate change.

As part of the next 10-year budget for 2021-2031, Auckland Council will consider a significant investment package as the council’s contribution to climate action. The scope of this work includes actions that either directly or indirectly move us to a zero carbon, climate resilient future. In the meantime we need to continue to act. In 2020/2021 we plan to invest in foundational work for climate change action. This includes developing climate assessment tools and understanding the likely economic impacts of climate change.
Sustainability Strategy which addresses climate change has been drafted but has not yet been publicly released. The strategy is expected to have Board approval in 2020. Their transport design manual, a key strategy to ensure future infrastructure, is designed to reasonably withstand and pressures created from climate change hazards. Asset management plans are also in place to ensure current infrastructure is maintained and upgraded appropriately over time.

Risk Management

We manage risk by identifying, communicating, monitoring and regulating risks. Auckland Council risks are identified through the council’s top risk register. These are reviewed and reported quarterly to the Audit and Risk Committee.

The climate change adaptation and mitigation risk is assessed as inherently high and has a high residual risk rating.

A climate change risk review report provides assurance that climate change risk is being effectively managed, controls have been identified and the risk rating is appropriate. This also includes a review of risks, strategies, plans, policies and commitments (Auckland’s Climate Action Framework and the Climate Change Response (Zero Carbon) Amendment Bill (since adopted as the Zero Carbon Act)).

The climate change risk review identified Auckland’s Climate Action Framework as a key control to delivering Auckland’s integrated climate change actions. This is currently under development, the final framework will be reported to the Environment and Climate Change Committee for adoption after June 2020.

Numerous plans and strategies are in development or have been implemented to address climate change risks, which have been outlined in our climate change risk review. Some of the most significant plans are outlined below.

SEE CLIMATE CHANGE RISK REVIEW REPORT
https://infocouncil.aucklandcouncil.govt.nz/Open/2019/06/AUD_20190605_AGN_B416_AT.PDF

<table>
<thead>
<tr>
<th>Department/Business Unit</th>
<th>Mitigation or Adaptation</th>
<th>What are they doing about climate change – key controls?</th>
<th>Implemented or in development?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Sustainability Office (part of the Chief Planning Office)</td>
<td>Mitigation &amp; Adaptation</td>
<td>Auckland Climate Action Plan (ACAP)</td>
<td>In development</td>
</tr>
<tr>
<td>Chief Planning Office</td>
<td>Mitigation &amp; Adaptation</td>
<td>Auckland Plan, Unitary Plan, Regional Policy Statements, Infrastructure Strategy</td>
<td>Implemented</td>
</tr>
<tr>
<td>Community Facilities</td>
<td>Mitigation &amp; Adaptation</td>
<td>Waste minimisation and recycling, Water efficiency plans</td>
<td>Implemented</td>
</tr>
<tr>
<td>Auckland Emergency Management</td>
<td>Adaptation</td>
<td>Natural Hazards Risk Management Action Plan</td>
<td>In development</td>
</tr>
<tr>
<td>Infrastructure &amp; Environmental Services</td>
<td>Adaptation</td>
<td>Water or stormwater Strategy (50–100-year outlook), Resilient Communities, Catchments and Coastlines, R3C project, Regional Pest Management Plan</td>
<td>In development, Implemented</td>
</tr>
</tbody>
</table>

Climate-related strategic planning will be informed by the outputs of the risk and opportunities assessment work that is planned for the next 12 months. Scenario-based analysis will be undertaken in the next financial year, to better understand how resilient operations, assets and supply chains are to climate change under different likely scenarios.
Metrics and Targets

As a member of the New Zealand Climate Leaders Coalition and C40 Climate Leadership Group, Auckland Council has committed to do our part in keeping global temperature rise to well below 2 degrees and make best efforts towards remaining below 1.5 degrees.

Since 2012 Auckland Council has been compiling an inventory of greenhouse gas (GHG) emissions associated with its business units' operations. The measurement of these GHG emissions has been independently assured by Tótů Envirocare since 2017, in accordance with ISO 14064-1:2016 - Specification with Guidance at the Organisation Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

Auckland Council’s GHG emission sources have been classified into the following categories:

- **Scope 1** – includes direct emissions from sources owned or controlled by Auckland Council.
- **Scope 2** – includes indirect emissions from the generation of purchased electricity, heat or steam consumed by Auckland Council.
- **Scope 3** – includes indirect emissions that occur as a consequence of our activities, but from sources not owned or controlled by Auckland Council.

Emissions associated with council buildings, such as our pools, libraries and service centres, make up the largest portion of the council’s Scope 1 and 2 emissions. Emissions from the combustion of natural gas (Scope 1) used to heat and cool our buildings increased in 2018/2019** by 1% but the generation of electricity provided to Council buildings (Scope 2) has decreased by 26% from our base reporting year in 2016/2017.

Our second most significant source of Scope 1 emissions is agriculture and other land uses, largely associated with the 21 farms owned and operated by council. We have seen a 6% reduction in our agricultural emissions from 2017/2018 due mainly to an increase in sheep numbers and fewer cattle. Improved supplier reporting and increased scopes of work related to the maintenance of our public spaces, from 2017/2018 has resulted in a 3% increase of our Scope 3 transport and waste emissions.

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Watercare

Watercare has three mitigation targets. A 40% reduction in infrastructure carbon by 2025, 45% reduction in operational emissions by 2030, and Net zero carbon emissions by 2050.

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*Council-controlled organisations and Ports of Auckland are not included in this inventory but maintain separate inventories due to the distinct nature of their respective operations.

**Verification reporting periods
2016/2017 - 1 July 2016 - 30 June 2017.
Tirohanga mō te pāinga ā moni

FINANCIAL PERFORMANCE OVERVIEW
Tirohanga mō te pāinga ā moni
Financial performance overview

Auckland Council Group (the group) results reflect the group’s continued commitment to managing its finances prudently while delivering community services and infrastructure to make Auckland a place where people want to work and live. The interim report is unaudited.

Our financial performance compared to the same period last year
Auckland Council Group generated an operating surplus before gains and losses of $1,349 million for the first six months to 31 December 2019, an increase of $135 million or 11% on the same period last year.

Revenue
The group’s revenue was $233 million higher than the prior year. The most notable increases came from the following:
• Rates increased by $13 million, of which $73 million came from general rates due to the 2.5% general rate rise and a 1.7% growth in the rating base. The remaining $20 million was from targeted rates, of which $13 million was from the waste management targeted rate.
• Grants and subsidies increased by $98 million of which $79 million funded downtown construction for America’s Cup 36, APEC and Te Matatini, as well as road and public transport projects.
• Fees and user charges increased overall by $64 million, mainly due to the increase in building and resource consent fees of $20 million as a result of an increasing number of complex consents due to Auckland’s increasing density. In addition, there was a significant increase in revenue from water and wastewater volume growth, water infrastructure growth charges and the continued growth in public transport patronage.

These increases were partly offset by lower development contribution revenue as the group implemented policy changes to support housing developers to increase the housing stock in Auckland. These policy changes allow developers to delay development contributions, resulting in $30 million less revenue in the current period.

Expenditure
The group remains committed to prudently managing its controllable costs to deliver value for ratepayers’ money. Expenditure increased by $198 million compared to the prior year. The largest increases were in the following areas:
• Employee benefits increased by $51 million due to cost of living increases, additional staff recruited to fill vacancies particularly in more complex areas of regulatory control and engineering, and restructure costs due to an ongoing review to ensure that the organisation is future-fit.
• Other operating expenses, which are generally linked to the generation of additional revenue and the provision of enhanced levels of service, increased by $49 million. Some of the largest areas that have increased are public transport costs (due to new and revised lease contracts reflecting the increase in patronage), IT licence costs and the costs associated with streetscapes maintenance contracts which were amended to increase the frequency and quality of service. The group recorded additional amounts for a number of provisions during the reporting period, including the weather tightness claims expense of $21 million, a decrease of $41 million compared to the prior year. We also recognised a $7 million provision for remediation of issues relating to certain Retrofit Your Home loans, involving errors in the way that Retrofit Your Home loan payments were calculated along with certain other errors in the retrofit process.

The overall increase in expenditure was partly offset by a $21 million decrease in finance costs, which reflects the effect of declining market interest rates on our long-term debt.

Net other gains and losses
The overall losses within net gains and losses decreased by $135 million compared to the prior year.

The group actively manages its interest rate exposure to provide certainty over interest costs in the medium and long-term through derivatives. Derivatives are valued based on market interest rates and foreign exchange rates as at 31 December 2019. As a result of the movements in interest rates and foreign
exchange rates between 30 June 2019 and 31 December 2019, the group recognised an unrealised loss of $57 million on offshore debt and its derivatives portfolio. This was $110 million less compared to the same period last year.

The group recorded a gain of $16 million on property sales between 30 June 2019 and 31 December 2019. This was $25 million higher than the same period last year.

Our financial position compared to 30 June 2019
The group increased its net asset position by $1,329 million from 30 June 2019. Most of the increase arose from increases in assets, mainly property, plant and equipment, receivables and prepayments, other financial assets and our investment in joint ventures and associates. The increase was partly offset by the increase in net debt. The most significant reasons for the increases are:

Property, plant and equipment
Property, plant and equipment increased by $844 million, which includes additions to infrastructure and community assets of $1,005 million and assets vested from developers of $231 million partly offset by disposals and depreciation.

Receivables and prepayments
Rates revenue is recognised in full when annual rates notices are issued at the beginning of the financial year. This resulted in an increase in rates receivables of $945 million for rates instalments not yet due.

Investment in associates and joint ventures
The increase in the group’s investment in associates and joint ventures mainly relates to capital contributions of $130 million to City Rail Link Limited, to fund construction costs of the City Rail Link.

Net debt
Net debt, being borrowings and bank overdraft, net of cash and cash equivalents increased by $547 million. This increase was primarily made up of new long-term debt issuances comprising $150 million of green bonds issued in July 2019, and $877 million from EUR 500 million offshore bonds in September 2019, partly offset by the repayment of maturing debt.

Our cash flows compared to the same period last year
During the six-month period to 31 December 2019, the Group spent $1,282 million to build and renew infrastructure and community assets. The most significant areas of capital spend were as follows:

- $475 million was spent on roading and public transport infrastructure such as the City Rail Link, Rapid Transit Network, the renewal of roading assets and works in downtown Auckland to support America’s Cup 36.
- $331 million was spent on water, wastewater and stormwater assets, including new infrastructure such as the central and northern wastewater interceptors and upgrades and expansions at the Pukekohe and Rosedale wastewater treatment plants.
- $372 million was spent on community assets including the development and renewal of local and regional community parks and facilities, downtown community assets, town centre regeneration, redevelopment of the zoo’s South East Asia Jungle Track and refurbishment of the Aotea Centre.

This capital spend was funded by net operating cashflows of $746 million with the balance from borrowings.

Looking ahead
The Group is on track to deliver a record $2.7 billion of capital investment by the end of the financial year. The infrastructure needs of the city and the pace we can deliver at will be a key discussion point with the community in our upcoming consultation on Long-term plan 2021-2031.

Capital investment in transport activity has proceeded rapidly as we deliver on the investments jointly agreed with central government through the Auckland Transport Alignment Project. However, capital subsidies for transport investment have been below budget as we continue to work with the central government on accessing the agreed funding levels.

While Auckland is experiencing strong development activity, due to the change in our development contributions policy we are expecting full year revenue from development contributions for 2019/2020 to be around $100 million lower than budget. The policy change has resulted in developers being able to delay development contributions. Future year variances should reduce as timing changes play out and any changes from regular policy reviews are implemented.

Overall, we expect our year-end debt to revenue ratio to be comfortably within our internal debt policy and broadly consistent with our 2019-2020 annual budget projection.
## Tauāki ā-moni whiwhi, ā-whakapaungā pūtea

**Statement of comprehensive revenue and expenditure**

For the six months ended 31 December 2019

<table>
<thead>
<tr>
<th>Million</th>
<th>Note</th>
<th>Unaudited 6 months to 31 Dec 2019</th>
<th>Unaudited 6 months to 31 Dec 2018</th>
<th>Audited 12 months to 30 Jun 2019</th>
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<tr>
<td><strong>Revenue</strong></td>
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<td></td>
<td></td>
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<td>Rates</td>
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<td>1,871</td>
<td>1,778</td>
<td>1,790</td>
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<td>Fees and user charges</td>
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<td>725</td>
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<td>Grants and subsidies</td>
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<td>341</td>
<td>243</td>
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<tr>
<td>Development contributions</td>
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<td>68</td>
<td>96</td>
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<tr>
<td>Other revenue</td>
<td></td>
<td>251</td>
<td>233</td>
<td>464</td>
</tr>
<tr>
<td>Vested assets</td>
<td></td>
<td>231</td>
<td>239</td>
<td>486</td>
</tr>
<tr>
<td>Finance revenue measured using effective interest method</td>
<td></td>
<td>7</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Other finance revenue</td>
<td></td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Total revenue excluding other gains</td>
<td></td>
<td>3,494</td>
<td>3,261</td>
<td>4,879</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits¹</td>
<td></td>
<td>456</td>
<td>447</td>
<td>911</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td></td>
<td>464</td>
<td>454</td>
<td>922</td>
</tr>
<tr>
<td>Grants, contributions and sponsorship</td>
<td></td>
<td>112</td>
<td>103</td>
<td>144</td>
</tr>
<tr>
<td>Other operating expenses²</td>
<td></td>
<td>854</td>
<td>805</td>
<td>1,633</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>217</td>
<td>238</td>
<td>478</td>
</tr>
<tr>
<td>Total expenditure excluding other losses</td>
<td></td>
<td>2,145</td>
<td>2,047</td>
<td>4,088</td>
</tr>
<tr>
<td>Operating surplus before gains and losses</td>
<td></td>
<td>1,349</td>
<td>1,214</td>
<td>791</td>
</tr>
<tr>
<td>Net other losses</td>
<td>A2</td>
<td>(41)</td>
<td>(176)</td>
<td>(651)</td>
</tr>
<tr>
<td>Share of surplus in associates and joint ventures</td>
<td></td>
<td>25</td>
<td>21</td>
<td>93</td>
</tr>
<tr>
<td>Surplus before income tax</td>
<td></td>
<td>1,333</td>
<td>1,059</td>
<td>233</td>
</tr>
<tr>
<td>Income tax expense</td>
<td></td>
<td>17</td>
<td>20</td>
<td>58</td>
</tr>
<tr>
<td>Surplus after income tax</td>
<td></td>
<td>1,316</td>
<td>1,039</td>
<td>175</td>
</tr>
</tbody>
</table>

**Other comprehensive revenue/(expenditure)**

<table>
<thead>
<tr>
<th>Item</th>
<th></th>
<th>Unaudited 6 months to 31 Dec 2019</th>
<th>Unaudited 6 months to 31 Dec 2018</th>
<th>Audited 12 months to 30 Jun 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealised gain on revaluation of financial asset</td>
<td></td>
<td>14</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Movement in cash flow hedge reserve</td>
<td></td>
<td>1</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>Net gain on revaluation of property, plant and equipment</td>
<td></td>
<td>-</td>
<td>-</td>
<td>41</td>
</tr>
<tr>
<td>Deferred tax written back to revaluation reserve on asset transfer</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tax on revaluation of property, plant and equipment</td>
<td></td>
<td>-</td>
<td>-</td>
<td>(11)</td>
</tr>
<tr>
<td>Tax on movement in cash flow hedges</td>
<td></td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Share of associates and joint ventures reserves</td>
<td></td>
<td>(2)</td>
<td>(3)</td>
<td>-</td>
</tr>
<tr>
<td>Total other comprehensive revenue</td>
<td></td>
<td>13</td>
<td>(15)</td>
<td>60</td>
</tr>
<tr>
<td>Total comprehensive revenue</td>
<td></td>
<td>1,329</td>
<td>1,034</td>
<td>235</td>
</tr>
</tbody>
</table>

¹The comparative financial information for the six months to 31 December 2018 has been restated to reflect the effects of the reclassification of $4.8 million from Employee benefits to Other operating expenses described in the Basis of Reporting section.

²The accompanying notes to the financial statements form part of and are to be read in conjunction with these financial statements.
## Tauāki mō te tūāhua tahua pūtea
### Statement of financial position

As at 31 December 2019

<table>
<thead>
<tr>
<th>SMILLION</th>
<th>NOTE</th>
<th>UNAUDITED AS AT 31 DEC 20/19</th>
<th>UNAUDITED AS AT 31 DEC 20/18</th>
<th>AUDITED AS AT 30 JUN 20/19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>173</td>
<td>280</td>
<td>294</td>
</tr>
<tr>
<td>Receivables and prepayments</td>
<td></td>
<td>1,425</td>
<td>1,177</td>
<td>475</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>B5</td>
<td>5</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Other financial assets</td>
<td></td>
<td>175</td>
<td>61</td>
<td>56</td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td>49</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>Non-current assets held for sale</td>
<td></td>
<td>2</td>
<td>13</td>
<td>59</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>1,829</td>
<td>1,582</td>
<td>935</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables and prepayments</td>
<td></td>
<td>56</td>
<td>9</td>
<td>41</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>B5</td>
<td>397</td>
<td>274</td>
<td>441</td>
</tr>
<tr>
<td>Other financial assets 1</td>
<td></td>
<td>145</td>
<td>126</td>
<td>131</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>B1</td>
<td>49,040</td>
<td>47,247</td>
<td>48,196</td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td>665</td>
<td>613</td>
<td>640</td>
</tr>
<tr>
<td>Investment property</td>
<td></td>
<td>611</td>
<td>776</td>
<td>629</td>
</tr>
<tr>
<td>Investment in associates and joint ventures</td>
<td></td>
<td>1,068</td>
<td>1,707</td>
<td>1,850</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td></td>
<td>11</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>52,863</td>
<td>50,823</td>
<td>51,938</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>54,692</td>
<td>52,405</td>
<td>52,873</td>
</tr>
</tbody>
</table>

| **Liabilities**   |      |                              |                              |                            |
| Current liabilities |      |                              |                              |                            |
| Bank overdraft     |      | 9                            | 1                            | 3                          |
| Payables and accruals |      | 876                          | 631                          | 869                        |
| Employee entitlements |      | 95                           | 82                           | 106                        |
| Borrowings         | B4   | 999                          | 1,078                        | 1,172                      |
| Derivative financial instruments | B5   | 12                           | 4                            | 9                          |
| Provisions         | B3   | 151                          | 145                          | 171                        |
| **Total current liabilities** |      | 2,142                        | 1,941                        | 2,330                      |
| Non-current liabilities |      |                              |                              |                            |
| Payables and accruals |      | 116                          | 100                          | 106                        |
| Employee entitlements |      | 5                            | 5                            | 5                          |
| Borrowings         | B4   | 8,379                        | 7,486                        | 7,786                      |
| Derivative financial instruments | B5   | 1,923                        | 1,190                        | 1,839                      |
| Provisions         | B3   | 272                          | 399                          | 299                        |
| Deferred tax liabilities |      | 1,484                        | 1,043                        | 1,446                      |
| **Total non-current liabilities** |      | 12,779                       | 10,623                       | 11,501                     |
| **Total liabilities** |      | 14,921                       | 12,564                       | 13,831                     |

| **Net assets**     |      | 40,371                       | 39,841                       | 39,042                     |

Equity

- Contributed equity: 26,732
- Accumulated funds 1: 3,052
- Reserves: 10,587

**Total equity:** 40,371

1 The Other financial assets and Accumulated funds balances for the comparative period as at 31 December 2018 were restated to increase them by $5 million for the impact on adoption of PBE IFRS 9 Financial Instruments.

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements.
### Statement of changes in equity

For the six months ended 31 December 2019

#### 1 July 2019 to 31 December 2019

<table>
<thead>
<tr>
<th></th>
<th>Unaudited</th>
<th>Auditor</th>
<th>Reserves</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Million</td>
<td>Million</td>
<td>Million</td>
<td>Million</td>
</tr>
<tr>
<td>Balance as at 1 July 2019</td>
<td>26.732</td>
<td>1,788</td>
<td>10,522</td>
<td>39,042</td>
</tr>
<tr>
<td>Surplus after income tax</td>
<td>0</td>
<td>1,316</td>
<td>13</td>
<td>1,316</td>
</tr>
<tr>
<td>Other comprehensive revenue</td>
<td>0</td>
<td>0</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Total comprehensive revenue</td>
<td>0</td>
<td>1,316</td>
<td>13</td>
<td>1,329</td>
</tr>
<tr>
<td>Transfers to/from reserves</td>
<td>0</td>
<td>(52)</td>
<td>52</td>
<td>0</td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2019</strong></td>
<td><strong>26.732</strong></td>
<td><strong>3,052</strong></td>
<td><strong>10,587</strong></td>
<td><strong>40,371</strong></td>
</tr>
</tbody>
</table>

#### 1 July 2018 to 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>Unaudited</th>
<th>Auditor</th>
<th>Reserves</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Million</td>
<td>Million</td>
<td>Million</td>
<td>Million</td>
</tr>
<tr>
<td>Balance as at 1 July 2018</td>
<td>26.732</td>
<td>1,667</td>
<td>10,403</td>
<td>38,802</td>
</tr>
<tr>
<td>Adjustment on adoption of PBE IFRS 9</td>
<td>0</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td><strong>Adjusted balance as at 1 July 2018</strong></td>
<td><strong>26.732</strong></td>
<td><strong>1,672</strong></td>
<td><strong>10,403</strong></td>
<td><strong>38,807</strong></td>
</tr>
<tr>
<td>Surplus after income tax excluding PBE IFRS 9 adjustment above</td>
<td>0</td>
<td>1,039</td>
<td>-</td>
<td>1,039</td>
</tr>
<tr>
<td>Other comprehensive revenue</td>
<td>0</td>
<td>0</td>
<td>(5)</td>
<td>(5)</td>
</tr>
<tr>
<td>Total comprehensive revenue</td>
<td>0</td>
<td>1,039</td>
<td>(5)</td>
<td>1,034</td>
</tr>
<tr>
<td>Transfers to/from reserves</td>
<td>0</td>
<td>(106)</td>
<td>106</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2018</strong></td>
<td><strong>26.732</strong></td>
<td><strong>2,605</strong></td>
<td><strong>10,504</strong></td>
<td><strong>39,841</strong></td>
</tr>
</tbody>
</table>

#### 1 July 2018 to 30 June 2019

<table>
<thead>
<tr>
<th></th>
<th>Audited</th>
<th>Auditor</th>
<th>Reserves</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Million</td>
<td>Million</td>
<td>Million</td>
<td>Million</td>
</tr>
<tr>
<td>Balance as at 1 July 2018</td>
<td>26.732</td>
<td>1,667</td>
<td>10,403</td>
<td>38,802</td>
</tr>
<tr>
<td>Adjustment on adoption of PBE IFRS 9</td>
<td>0</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td><strong>Adjusted balance as at 1 July 2018</strong></td>
<td><strong>26.732</strong></td>
<td><strong>1,672</strong></td>
<td><strong>10,403</strong></td>
<td><strong>38,807</strong></td>
</tr>
<tr>
<td>Surplus after income tax excluding PBE IFRS 9 adjustment above</td>
<td>0</td>
<td>175</td>
<td>-</td>
<td>175</td>
</tr>
<tr>
<td>Other comprehensive revenue</td>
<td>0</td>
<td>0</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Total comprehensive revenue</td>
<td>0</td>
<td>175</td>
<td>60</td>
<td>235</td>
</tr>
<tr>
<td>Transfers to/from reserves</td>
<td>0</td>
<td>(59)</td>
<td>59</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance as at 30 June 2019</strong></td>
<td><strong>26.732</strong></td>
<td><strong>1,788</strong></td>
<td><strong>10,522</strong></td>
<td><strong>39,042</strong></td>
</tr>
</tbody>
</table>

1 The opening balance for the comparative period 1 July 2018 to 31 December 2018 was restated for the impact on adoption of PBE IFRS 9 Financial Instruments.

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements.
## Tauāki mō ngā moni utu, whiwhinga rānei

**Statement of cash flows**

For the six months ended 31 December 2019

<table>
<thead>
<tr>
<th>Million</th>
<th>NOTE</th>
<th>UNAUDITED 6 MONTHS TO 31 DEC 2019</th>
<th>UNAUDITED 6 MONTHS TO 31 DEC 2018</th>
<th>AUDITED 12 MONTHS TO 30 JUN 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers, rates, grants and other services</td>
<td></td>
<td>2,465</td>
<td>2,223</td>
<td>4,328</td>
</tr>
<tr>
<td>Interest received</td>
<td>6</td>
<td>8</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>Dividends received</td>
<td>33</td>
<td>32</td>
<td>65</td>
<td></td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(1,541)</td>
<td>(1,318)</td>
<td>(2,682)</td>
<td></td>
</tr>
<tr>
<td>Income tax refund</td>
<td>-</td>
<td>-</td>
<td>(14)</td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>(217)</td>
<td>(238)</td>
<td>(465)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash inflow from operating activities</strong></td>
<td>C3</td>
<td>746</td>
<td>707</td>
<td>1,248</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of property, plant and equipment, investment property and intangible assets</td>
<td>68</td>
<td>43</td>
<td>168</td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment, investment property and intangible assets</td>
<td>(1,152)</td>
<td>(917)</td>
<td>(1,809)</td>
<td></td>
</tr>
<tr>
<td>Acquisition of other financial assets</td>
<td>(117)</td>
<td>(23)</td>
<td>(18)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of other financial assets</td>
<td>21</td>
<td>126</td>
<td>132</td>
<td></td>
</tr>
<tr>
<td>Investment in joint ventures</td>
<td>(130)</td>
<td>(30)</td>
<td>(65)</td>
<td></td>
</tr>
<tr>
<td>Advances to external parties1</td>
<td>(60)</td>
<td>(2)</td>
<td>(31)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash outflow from investing activities</strong></td>
<td>(1,370)</td>
<td>(803)</td>
<td>(1,713)</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from borrowings1</td>
<td>2,234</td>
<td>820</td>
<td>2,482</td>
<td></td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(1,716)</td>
<td>(1,021)</td>
<td>(2,282)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from derivative financial instruments</td>
<td>7</td>
<td>6</td>
<td>35</td>
<td></td>
</tr>
<tr>
<td>Payment for derivative financial instruments</td>
<td>(28)</td>
<td>(40)</td>
<td>(69)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash inflow from financing activities</strong></td>
<td>497</td>
<td>(235)</td>
<td>146</td>
<td></td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents and bank overdraft</strong></td>
<td>(127)</td>
<td>(111)</td>
<td>(319)</td>
<td></td>
</tr>
<tr>
<td>Opening cash and cash equivalents and bank overdraft</td>
<td>279</td>
<td>610</td>
<td>610</td>
<td></td>
</tr>
<tr>
<td>Closing cash and cash equivalents and bank overdraft</td>
<td>164</td>
<td>279</td>
<td>291</td>
<td></td>
</tr>
</tbody>
</table>

1The comparative financial information for the 12 months to 30 June 2019 has been restated to reflect the effects of the reclassification of $30 million from financing activities to investing activities to better reflect the nature of the transaction.

The accompanying notes to the financial statements form part of, and are to be read in conjunction with, these financial statements.
He pito kōrero mō ngā Tauākī Tahua Pūtea

NOTES TO THE FINANCIAL STATEMENTS
He pito kōrero mō ngā Tauākī Tahua Pūtea

Notes to the Financial Statements

Basis of reporting

Auckland Council (the council) is a local authority domiciled in New Zealand and governed by the following legislation:

- Local Government Act 2002 (LGA 2002);
- Local Government (Auckland Council) Act 2009 (LGACA 2009); and

The council is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 (FMCA 2013).

The council’s principal address is 135 Albert Street, Auckland Central, New Zealand.

The Auckland Council Group (the group) consists of the council, its council-controlled organisations, subsidiaries, associates and joint ventures. All entities are domiciled in New Zealand.

Significant council-controlled organisations and subsidiaries comprise of:

- Auckland Tourism, Events and Economic Development Limited
- Auckland Transport
- Panuku Development Auckland Limited
- Regional Facilities Auckland
- Watercare Services Limited
- Ports of Auckland Limited

The primary objective of the group and the council is to provide services and facilities to the Auckland community for social benefit rather than to make a financial return. Accordingly, the council has designated itself and the group as public benefit entities (PBEs) and applies New Zealand Tier 1 PBE Accounting Standards. These standards are based on International Public Sector Accounting Standards (IPSASs), with amendments for the New Zealand environment.

Statement of compliance

These interim financial statements are for the six months ended 31 December 2019 and have been prepared for the group only and are to be read in conjunction with the annual report for the year ended 30 June 2019. They are prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with PBE IAS 34 Interim Financial Reporting.

The financial results for the six-month period ended 31 December 2019 are unaudited however they have been subject to a review by the Auditor-General, pursuant to the NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity.

Basis of preparation

The interim financial statements are presented in New Zealand dollars (NZD), which is the functional currency of each of the group’s entities, and are rounded to the nearest million dollars, unless otherwise stated. All items in the interim financial statements are stated exclusive of Goods and Services Tax (GST), except for receivables and payables, which include GST.

The interim financial statements have been prepared on a going concern basis and the accounting policies applied are consistent with those used at 30 June 2019 except as described below.

Implementation of new and amended accounting standards by the group

PBE Standards on interests in other entities:

- PBE IPSAS 3.4 Separate Financial Statements;
- PBE IPSAS 3.5 Consolidated Financial Statements;
- PBE IPSAS 3.6 Investments in Associates and Joint Ventures;
- PBE IPSAS 3.7 Joint Arrangements; and
- PBE IPSAS 3.8 Disclosure of Interests in Other Entities.
The New Zealand Accounting Standards Board issued these standards to incorporate the equivalent standards issued by the International Public Sector Accounting Standards Board into PBE Standards. These standards replace PBE IPSAS 6 Consolidated and Separate Financial Statements, PBE IPSAS 7 Investments in Associates and PBE IPSAS 8 Interests in Joint Ventures.

The group adopted these standards with effect from 1 July 2019. The key changes introduced by the new standards and the expected impact on the group are as follows:

(a) Control: The new standards introduce an amended definition of control including extensive guidance on this definition, which if applicable result in consolidation of entities that are not owned by virtue of shareholding.

The adoption of new standards has not resulted in the consolidation of additional entities.

(b) Investment entities: The standards introduce the concept of an “investment entity”. They exempt investment entities from consolidating controlled entities and instead, require investment entities to recognise controlled entities at fair value through surplus or deficit.

These requirements do not apply to the group, as neither the council nor any of its controlled entities meet the definition of an investment entity.

(c) Joint arrangements: PBE IPSAS 37 introduces a new classification of joint arrangements; sets out the accounting requirements for each type of arrangement (joint operations and joint ventures), and removes the option of using the proportionate consolidation method.

The group has reclassified its interests in jointly controlled entities as joint ventures under the new standards and will continue to account for these interests using the equity method of accounting.

(d) Disclosures of interests in other entities: The standards require PBEs to disclose information of their interests in other entities, including some additional disclosures that are not currently required under PBE IPSAS 6, 7 and 8.

This will result in additional disclosures for the group regarding the group’s controlled entities, associates and joint arrangements.


The amendments change the scope of PBE IPSAS 21 and PBE IPSAS 26 to include assets measured at revalued amounts under the revaluation model in PBE IPSAS 17 Property, Plant and Equipment and PBE IPSAS 39 Intangible Assets (“revalued assets”). As a result of the amendments, revalued assets are subject to the same impairment assessment requirements as assets that are measured using the cost model. Consequential amendments were also made to PBE IPSAS 17 and PBE IPSAS 39.

Other than extending the scope of the group’s accounting policy on impairment to include revalued assets, there have been no other changes to the group’s financial statements as a result of these amendments. The adoption of these amendments resulted in an immaterial impact on the group interim financial statements.

PBE IPSAS 39 Employee Benefits

PBE IPSAS 39 replaces the previous standard on employee benefits, PBE IPSAS 25 Employee Benefits. PBE IPSAS 39 is based on IPSAS 39, which was issued by the IPSASB to update its standards for the amendments to IAS 19 by the IASB during the 2011-2015 period.

The new standard:
- amends the short-term employee benefit definition to be those employee benefits that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service;
- removes the option to defer the recognition of certain actuarial gains and losses arising from defined benefit plans (the “corridor approach”);
- eliminates some of the presentation options for actuarial gains and losses arising from defined benefit plans;
- introduces the net interest approach, which is to be used when determining the defined benefit cost for defined benefit plans; and
- structures the disclosures for defined benefit plans according to explicit disclosure objectives for defined benefit plans.

As the group does not have material defined benefit plans the new standard has not impacted the group’s interim financial statements.
Comparatives
Apart from the matters disclosed below, there has been no change to balances and disclosures reported in the prior period.

Restatement of opening accumulated funds
Following the finalisation of PBE IPSAS 9 Financial Instruments opening adjustments, a fair value adjustment of $5 million was applied to the opening balance of Other financial assets which resulted in an increase in opening Accumulated funds of the same amount for the comparative period as at 31 December 2018.

Restatement of Statement of comprehensive revenue and expenditure
$4.8 million of cost recoveries have been reclassified from Employee benefits to Other operating expenses to reflect the nature of these costs accordingly for the comparative period six months to 31 December 2018.

Restatement of Statement of cash flows
A $30 million loan to an external party has been reclassified from financing activities to investing activities to reflect the nature of the transaction for the comparative period 12 months to 30 June 2019.

Significant accounting policies
Accounting policies that are considered critical to the portrayal of the group’s financial condition and results, and contain judgements, estimates and assumptions about matters that are inherently uncertain have been included in the notes to these interim financial statements. These accounting policies are consistent with those used at 30 June 2019 with the exception of property, plant and equipment which now takes into account the amendments to PBE IPSAS 21 and PBE IPSAS 26. The accounting policies include judgements on the timing of recognition of rates revenue, the useful lives and fair values of property, plant and equipment, and the fair values of financial instruments and provisions.
He pito kōrero mō ngā Tauākī Tahua Pūtea
Notes to the Financial Statements

Section A: Financial performance

A1 Revenue
Rates revenue is recognised in full at the point of issuance of the ratings notice and measured at the amount assessed, which is the fair value of the cash received or receivable.
Sources of revenue are consistent with prior periods.

A2 Net other gains and losses

<table>
<thead>
<tr>
<th>Million</th>
<th>Unaudited 6 Months to 31 Dec 2019</th>
<th>Unaudited 6 Months to 31 Dec 2018</th>
<th>Audited 12 Months to 30 Jun 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gains/(losses) from financial instruments and derivatives</td>
<td>(37)</td>
<td>(167)</td>
<td>(663)</td>
</tr>
<tr>
<td>Net gains/(losses) on other</td>
<td>16</td>
<td>(9)</td>
<td>12</td>
</tr>
<tr>
<td>Total net other gains and losses</td>
<td>(41)</td>
<td>(176)</td>
<td>(651)</td>
</tr>
</tbody>
</table>
He pito kōrero mō ngā Tauākī Tahua Pūtea

Notes to the Financial Statements

Section B: Financial position

B1 Property, plant and equipment

Accounting policy

The property, plant and equipment of the group and Auckland Council are classified into three categories:

- **Infrastructure assets** include land under roads and systems and networks integral to the city's infrastructure. These assets are intended to be maintained indefinitely, even if individual assets or components are replaced or upgraded.
- **Operational assets** include property, plant and equipment used to provide core council services, either as a community service, for administration, or as a business activity. Other operational assets include landfills, motor vehicles, office equipment, library books and furniture and fittings, and
- **Restricted assets** include property and improvements where the use or transfer of title outside of the group or Auckland Council is legally restricted.

Initial recognition and subsequent measurement

Property, plant and equipment is initially recognised at cost, unless acquired through a non-exchange transaction, in which case the asset is recognised at fair value at the date of acquisition. Subsequent costs that extend or expand the asset's future economic benefits or service potential are capitalised. After initial recognition, certain classes of property, plant and equipment are revalued. Work in progress is recognised at cost less impairment, if any, and is not depreciated.

Useful lives

The useful lives used to calculate the depreciation of property, plant and equipment are as follows:

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Estimated useful life (years)</th>
<th>Asset class</th>
<th>Estimated useful life (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td></td>
<td>Operational (continued)</td>
<td></td>
</tr>
<tr>
<td>Land and road formation</td>
<td>Indefinite</td>
<td>Marinias</td>
<td>1 to 100</td>
</tr>
<tr>
<td>Roads</td>
<td>8 to 100</td>
<td>Rolling stock</td>
<td>3 to 35</td>
</tr>
<tr>
<td>Water and wastewater</td>
<td>3 to 200</td>
<td>Wharves</td>
<td>4 to 100</td>
</tr>
<tr>
<td>Machinery</td>
<td>3 to 200</td>
<td>Works of art</td>
<td>Indefinite</td>
</tr>
<tr>
<td>Storm water</td>
<td>10 to 200</td>
<td>Other operational assets</td>
<td>1 to 100</td>
</tr>
<tr>
<td>Other Infrastructure</td>
<td>10 to 120</td>
<td>Restricted</td>
<td></td>
</tr>
<tr>
<td>Operational</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>Indefinite</td>
<td>Parks and reserves</td>
<td>Indefinite</td>
</tr>
<tr>
<td>Buildings</td>
<td>1 to 100</td>
<td>Buildings</td>
<td>5 to 100</td>
</tr>
<tr>
<td>Train stations</td>
<td>6 to 60</td>
<td>Improvements</td>
<td>3 to 100</td>
</tr>
<tr>
<td>Bus stations and shelters</td>
<td>10 to 40</td>
<td>Specified and cultural</td>
<td>Indefinite</td>
</tr>
<tr>
<td></td>
<td></td>
<td>heritage assets</td>
<td></td>
</tr>
</tbody>
</table>

Disposals

Gains and losses on the disposal of property, plant and equipment are recognised in surplus or deficit. Any amounts included in the asset revaluation reserve in respect of the disposed assets are transferred to accumulated funds on disposal.

Impairment

Property, plant and equipment that is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in surplus or deficit for the amount by which the carrying amount of property, plant and equipment exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Assets are considered cash generating if their primary objective is to provide a commercial return. The value in use for cash-generating assets is the present value of expected future cash flows. For non-cash generating assets, value in use is determined using an approach based on a depreciated replacement cost.
Revaluation

Infrastructure assets (except land), restricted assets (except improvements and specified cultural and heritage assets) and operational assets (except other operational assets) are revalued with sufficient regularity, and at least every three years to ensure that their carrying amounts do not differ materially from fair value. The carrying values of revalued assets are assessed at each reporting period to ensure that they do not differ materially from the assets’ fair values. If there is a material difference, then those asset classes are revalued. Revaluations are accounted for on an asset class basis.

Net revaluation gains are recognised in other comprehensive revenue and expenditure and are accumulated in the asset revaluation reserve in equity for each class of asset. Revaluation losses that result in a debit balance in an asset class’ revaluation reserve are recognised in surplus or deficit. Any subsequent gain on revaluation is recognised first in surplus or deficit up to the amount previously expensed and then recognised in other comprehensive revenue and expenditure.

<table>
<thead>
<tr>
<th>SMILLION</th>
<th>UNAUDITED 6 MONTHS TO 31 DEC 2019</th>
<th>UNAUDITED 6 MONTHS TO 31 DEC 2019</th>
<th>AUDITED 12 MONTHS TO 30 JUN 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions</td>
<td>1,236</td>
<td>947</td>
<td>2,251</td>
</tr>
<tr>
<td>Net disposals and transfers to non-current assets held-for-sale</td>
<td>2</td>
<td>(25)</td>
<td>4</td>
</tr>
<tr>
<td>Capital commitments</td>
<td>2,353</td>
<td>1,419</td>
<td>2,450</td>
</tr>
<tr>
<td>Share of capital commitments from joint ventures (CRLF)</td>
<td>871</td>
<td>92</td>
<td>73</td>
</tr>
</tbody>
</table>

There have been no material changes in fair value for property, plant and equipment between 30 June 2019 and 31 December 2019.

City Rail Link Limited (CRL) awarded Contract 3 in July 2019, a contract which will involve the design, supply, construction and installation management of the CRL project from just south of Wynyard Street to the North Auckland Line at Mt Eden, and two new underground stations at Aotea square and Karangahape Road. This resulted in the significant increase in the group’s share of capital commitments from joint ventures.

B2 Other financial assets

The Eden Park Trust Loan

In prior years Auckland Council provided a financial guarantee in relation to a $40 million ASB Bank Limited (ASB) loan to Eden Park Trust (EPT), this loan was due for repayment on 30 September 2019 and the guarantee had been fully provided.

In September 2019 the $40 million EPT loan and other facilities with ASB were assigned to the group under an assignment and termination agreement in consideration for the group paying $40 million to ASB, which released the group from any further obligations under the ASB guarantee. The group then restructured the loan into a $54 million revolving cash advance facility which was provided to EPT on normal commercial terms.

At initial recognition, the council recorded the fair value of the EPT loan as nil due to the inherent uncertainty surrounding EPT’s financial position and its forecast financial performance. As the group had previously recognised a provision for the $40 million financial guarantee and a provision for doubtful debts against the $6.5 million community loan, the new loan arrangement had no significant impact on net assets during the six months to 31 December 2019. As at 31 December 2019 the outstanding balance on the revolving cash advance facility loan of $44 million had a carrying value of nil in the financial statements.

B3 Provisions

Accounting policy

Provisions are recognised in the statement of financial position only where the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be estimated reliably.

Provisions are measured at the present value of the expected future cash outflows required to settle the obligation. The increase in the provision due to the passage of time is recognised as a finance cost in surplus or deficit.
Financial guarantees

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under PBE IFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of amortisation recognised in accordance with the principle of PBE IPSAS 9 Revenue from Exchange Transactions.

The fair value of a financial guarantee is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Apart from the change in provision for financial guarantees related to Eden Park, there have been no material changes in provisions between 30 June 2019 and 31 December 2019.

B4 Borrowings

Accounting policy

Borrowings are initially recognised at face value plus transaction costs and are subsequently measured at amortised cost using the effective interest method.

Foreign currency borrowings are translated into NZD using the spot rates at balance date. Foreign exchange gains and losses resulting from the settlement of borrowings and from translation are recognised in the surplus or deficit.

<table>
<thead>
<tr>
<th>SMILLION</th>
<th>UNAUDITED 6 MONTHS TO 31 DEC 2019</th>
<th>UNAUDITED 6 MONTHS TO 31 DEC 2018</th>
<th>AUDITED 12 MONTHS TO 30 JUN 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>9,378</td>
<td>8,564</td>
<td>8,958</td>
</tr>
<tr>
<td>Add bank overdraft</td>
<td>9</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Less cash and cash equivalents</td>
<td>(173)</td>
<td>(260)</td>
<td>(294)</td>
</tr>
<tr>
<td>Total borrowings and bank overdraft less cash and cash equivalents</td>
<td>9,214</td>
<td>8,285</td>
<td>8,667</td>
</tr>
</tbody>
</table>

Net borrowings increased by $547 million, largely from a Euro Bond and Green Bond issuance between 30 June 2019 and 31 December 2019. This was partially offset by debt maturities during this period.

There were no defaults or breaches on any borrowing arrangement during the period (31 December 2018: nil; 30 June 2019: nil).

B5 Derivative financial instruments

Accounting policy

The group and the council use derivative financial instruments, such as forward foreign currency contracts and interest rate swaps to mitigate risks associated with foreign currency and interest rate fluctuations. The group and the council do not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Any gains or losses arising from changes in the fair value of derivatives are taken directly to surplus or deficit, except for the effective portion of derivatives designated in cash flow hedges.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative assets and derivative liabilities are classified as current when the remaining maturity is 12 months or less, or as non-current when the remaining maturity is more than 12 months.
Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised directly in other comprehensive revenue and expenditure. The gain or loss relating to the ineffective portion is recognised immediately in surplus or deficit. On derecognition, amounts accumulated in cash flow hedge reserve are transferred to surplus or deficit.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in cash flow hedge reserve at that time remains in equity and is recognised when the forecast transaction occurs.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss in cash flow hedge reserve is recognised immediately in the surplus or deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognised in other comprehensive revenue and expenditure are transferred to the initial cost of carrying amount of the non-financial asset or liability.

The group has entered into derivative financial instrument contracts to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with approved financial risk management policies.

<table>
<thead>
<tr>
<th>FAIR VALUE (SMILLION)</th>
<th>UNAUDITED AS AT 31 DEC 2019</th>
<th>UNAUDITED AS AT 31 DEC 2018</th>
<th>AUDITED AS AT 30 JUN 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ASSETS</td>
<td>LIABILITIES</td>
<td>ASSETS</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow hedge</td>
<td>-</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>Fair value through surplus or deficit</td>
<td>54</td>
<td>1,738</td>
<td>37</td>
</tr>
<tr>
<td>Forward foreign currency contracts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow hedge</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Fair value through surplus or deficit</td>
<td>-</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Cross-currency interest rate swaps</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value through surplus or deficit</td>
<td>309</td>
<td>179</td>
<td>235</td>
</tr>
<tr>
<td>Basis swaps</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value through surplus or deficit</td>
<td>9</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Total derivative financial instruments</td>
<td>372</td>
<td>1,935</td>
<td>277</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NOTIONAL (SMILLION)</th>
<th>UNAUDITED AS AT 31 DEC 2019</th>
<th>UNAUDITED AS AT 31 DEC 2018</th>
<th>AUDITED AS AT 30 JUN 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ASSETS</td>
<td>LIABILITIES</td>
<td>ASSETS</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>1,345</td>
<td>9,989</td>
<td>1,525</td>
</tr>
<tr>
<td>Forward foreign currency contracts</td>
<td>2</td>
<td>115</td>
<td>19</td>
</tr>
<tr>
<td>Cross-currency interest rate swaps</td>
<td>2,130</td>
<td>2,446</td>
<td>2,598</td>
</tr>
<tr>
<td>Basis swaps</td>
<td>2,056</td>
<td>-</td>
<td>1,216</td>
</tr>
<tr>
<td>Forward rate agreements</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total derivative financial instruments</td>
<td>5,533</td>
<td>12,550</td>
<td>5,358</td>
</tr>
</tbody>
</table>
Section C: Other disclosures

C1 Investment in other entities
There have been no material changes in the group’s investments in other entities which include subsidiaries, associates and joint arrangements, listed in Note F3 of the Annual Report 2018/2019 (volume 3), during the six months to 31 December 2019 except the group provided $130 million of equity funding to City Rail Link Limited.

C2 Contingencies
Local Government Funding Agency
The group is a shareholder and guarantor of the Local Government Funding Agency (LGFA). The group’s cross-guarantee on LGFA’s other borrowings was $8.1 billion at 31 December 2019 (30 June 2019: $7.1 billion). The group considers the risk of the LGFA defaulting on repayment of interest or capital to be very low and accordingly the expected credit loss on this guarantee has been assessed as immaterial.

Accommodation provider targeted rate judicial review
At 30 June 2019 the group disclosed a contingent liability in relation to legal proceedings that challenged the council’s decision to set the accommodation provider targeted rate, as well as resetting the rate in 2018 and extending it to the online accommodation sector. The maximum exposure was $26.2 million plus legal costs, and has increased to $40.2 million as at 31 December 2019.

There have been no other material changes in contingencies between 30 June 2019 and 31 December 2019.

C3 Reconciliation of surplus after income tax to net cash inflow from operating activities

<table>
<thead>
<tr>
<th></th>
<th>UNAUDITED 6 MONTHS TO 31 DEC 2019</th>
<th>UNAUDITED 6 MONTHS TO 31 DEC 2018</th>
<th>AUDITED 12 MONTHS TO 30 JUNE 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus after income tax</td>
<td>1,316</td>
<td>1,039</td>
<td>175</td>
</tr>
<tr>
<td>Add/(less) non-cash items:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>464</td>
<td>454</td>
<td>922</td>
</tr>
<tr>
<td>Vested assets</td>
<td>(231)</td>
<td>(239)</td>
<td>(486)</td>
</tr>
<tr>
<td>Other non-cash revenue</td>
<td>48</td>
<td>189</td>
<td>641</td>
</tr>
<tr>
<td>Less items classified as investing or financing activities</td>
<td>1</td>
<td>-</td>
<td>(2)</td>
</tr>
<tr>
<td>Add/(less) movements in working capital items</td>
<td>(852)</td>
<td>(736)</td>
<td>(2)</td>
</tr>
<tr>
<td>Net cash inflow from operating activities</td>
<td>746</td>
<td>707</td>
<td>1,248</td>
</tr>
</tbody>
</table>

C4 Events after the reporting period

Accommodation provider targeted rate judicial review
The application for the accommodation provider targeted rate judicial review mentioned in Note C2 was dismissed in February 2020. The applicants have until 5 March 2020 to file an appeal. As there is a possibility that the group may be exposed to a loss as a result of this legal action, the group considers that a contingent liability with a maximum value of $40.2 million exists.

There were no other material events after the reporting period that would require adjustment or disclosure for the group.
Independent Reviewer’s Report

To the readers of Auckland Council Group’s Interim Financial Statements for the six months ended 31 December 2019

I am the auditor of Auckland Council and its subsidiaries (together, the Auckland Council Group). I have used my staff and appointed auditors and their staff to carry out a review of the Auckland Council Group’s interim financial statements for the six months ended 31 December 2019.

I have reviewed the interim financial statements of the Auckland Council Group on pages 16 to 29 that comprise the statement of financial position as at 31 December 2019, the statement of comprehensive revenue and expenditure, statement of changes in equity and statement of cash flows for the six months ended on that date, and the notes to the interim financial statements that include the accounting policies and other explanatory information.

Conclusion

Based on my review, which is not an audit, nothing has come to my attention that causes me to believe that the Auckland Council Group’s interim financial statements do not:

- comply with generally accepted accounting practice in New Zealand in accordance with PBE IAS 34: Interim Financial Reporting; or
- present fairly, in all material respects:
  - Auckland Council Group’s financial position as at 31 December 2019; and
  - the results of its operations and cash flows for the six months ended on that date.

My review was completed on 28 February 2020. This is the date at which my conclusion is expressed.

The Council’s responsibilities

The Council is responsible for preparing interim financial statements in accordance with New Zealand law and generally accepted accounting practice, including PBE IAS 34: Interim Financial Reporting, which present fairly the financial position of the Auckland Council Group as at 31 December 2019 and the results of its operations and cash flows for the six months ended on that date.

The Council is also responsible for such internal control as it determines is necessary to enable it to prepare interim financial statements that are free from material misstatement, whether due to fraud or error.

My responsibilities as reviewer

I am responsible for reviewing the interim financial statements and providing an independent report to you based on the procedures performed by my staff and appointed auditors and their staff.

I carried out the review in accordance with NZ SRE 2410: Review of Financial Statements Performed by the Independent Auditor of the Entity issued by the External Reporting Board, which requires me to conclude whether anything has come to my attention that causes me to believe that the interim financial
statements, taken as a whole, have not been prepared in all material respects, in accordance with generally accepted accounting practice in New Zealand.

I carried out my review in accordance with the ethical and quality requirements of the Auditor-General that are relevant to the audit of financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. My work was limited primarily to enquiries of Auckland Council and Auckland Council Group’s personnel responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit, and thus a review provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion. Also, I did not evaluate the security and controls over the electronic publication of the interim financial statements.

Independence

When carrying out this review, my staff, and appointed auditors and their staff followed the Auditor-General’s independence requirements, which incorporate the independence requirements of the External Reporting Board.

As an Officer of Parliament, I am constitutionally and operationally independent of the Auckland Council and the Auckland Council Group.

In addition to this review, I and my staff or appointed auditors and their staff have carried out the following engagements in the past year:

- the audit of the Auckland Council and the Auckland Council’s Group’s financial statements, activity statements, other information and local board reports contained in its annual report for the year ended 30 June 2019;
- an assurance engagement in respect of information provided by the Auckland Council and Auckland Council Group as required by the terms of its foreign borrowings programme;
- a limited assurance engagement in respect to the Auckland Council’s Debenture Trust Deed and Master Trust Deed reporting certificates;
- a review of service performance audit, as required by s104 of the Auckland Council legislation, on the effectiveness of the Council’s post implementation review process; and
- other engagements for Watercare Services Limited in the areas of taxation services, cyber and security risk advisory, probity services and limited assurance on selected non-financial information which are compatible with those independence requirements.

Other than these engagements, and in exercising my functions and powers under the Public Audit Act 2001 as the auditor of public entities, I have no relationship with, or interests in the Auckland Council or any of its subsidiaries.

Greg Schollum
Deputy Auditor-General
Wellington, New Zealand
Ngā rerekētanga matua o ngā Pae Tikanga Kaute Pūtea a IFRS me PBE

MAIN DIFFERENCES BETWEEN IFRS AND PBE ACCOUNTING STANDARDS
Ngā rerekētanga matua o ngā Pae Tikanga Kaute Pūtea a IFRS me PBE

Main differences between IFRS and PBE Accounting Standards

Introduction

Under the New Zealand Accounting Standards Framework, public sector public benefit entities (PBEs) apply PBE Accounting Standards. The New Zealand Accounting Standards Framework defines public benefit entities (PBEs) as reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders. Many public sector entities are classified as PBEs. The Auckland Council Group (the group) is classified as a public sector PBE for financial reporting purposes and therefore the financial statements of the group have been prepared in accordance with PBE Accounting Standards.

The PBE Accounting Standards are primarily based on International Public Sector Accounting Standards (IPSAS). IPSAS are based on IFRS but are adapted to a public sector context where appropriate, by using more appropriate terminology and additional explanations where required. For example, IPSAS introduces the concept of service potential in addition to economic benefits in the asset recognition rules and provides more public sector specific guidance where appropriate. This is in contrast with IFRS that are written for the for-profit sector with capital markets in mind.

The key differences in recognition and measurement between PBE Accounting Standards applicable to the group and IFRS (applicable to annual periods beginning on or after 1 July 2019) are set out below. Differences that impact only on presentation and disclosure have not been identified.

PBE Accounting Standards with comparable IFRS equivalent

Formation of Auckland Council Group

PBE

PBE IFRS 3 Business Combinations contains a scope exemption for business combinations arising from local authority reorganisations. This scope exemption is carried forward from NZ IFRS 3 (PBE) Business Combinations, the standard that was applicable to the group at the time it was formed on 1 November 2010 as a result of the amalgamation of eight predecessor Auckland local authorities.

Under the exemption, all assets and liabilities of the predecessor local authorities were recognised by the group using the predecessor values of those assets and liabilities. The initial value at which those assets and liabilities were recognised by the group is deemed to be their cost for accounting purposes.

IFRS

Without the scope exemption, the amalgamation of the predecessor local authorities into the group would have been accounted for as a business combination under IFRS 3 applying the acquisition method. Under the acquisition method, an acquirer would have been identified and all of the identifiable assets and liabilities acquired would have been recognised at fair value at the date of acquisition.

Impact

The impact of the above accounting treatment is that the carrying value of the assets and liabilities received were not re-measured to fair value and no additional assets and liabilities such as goodwill and contingent liabilities, or a discount on acquisition were recognised as would have been required if the transaction was accounted for as a business combination under IFRS 3.

Property, plant and equipment

PBE

In accordance with PBE IPSAS 17 Property, Plant and Equipment, PBEs are required to account for revaluation increases and decreases on an asset class basis rather than on an asset-by-asset basis.

IFRS

IFRS requires asset revaluations to be accounted for on an asset-by-asset basis.
Impact
Decreases on revaluation will be recognised in operating surplus except to the extent there is sufficient asset revaluation reserves surplus relating to the same class of assets under PBE Accounting Standards and relating to the same asset under IFRS. This difference could result in higher operating results under PBE Accounting Standards where there is a decrease in the carrying value of an asset. This is because, to the extent that there is sufficient revaluation surplus in respect of the same asset class (as opposed to the same asset), the group recognises a revaluation decrease in asset revaluation reserves.

Borrowing costs
PBE
PBE IPSAS 5 Borrowing Costs permits PBEs to either capitalise or expense borrowing costs incurred in relation to qualifying assets. A qualifying asset is defined in PBE IPSAS 5 “as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale”. The group’s accounting policy is to expense all borrowing costs. As a consequence, borrowing costs are not included in the original cost or revaluations of qualifying assets.

IFRS
IAS 23 Borrowing Costs requires capitalisation of borrowing costs incurred in relation to qualifying assets. The definition of a qualifying asset is identical to that definition in PBE IPSAS 5.

Impact
This difference results in the group’s property, plant and equipment value, and subsequent depreciation expense, being lower than they would be under IFRS. In addition, there is higher interest expense in the periods in which qualifying assets are constructed.

Impairment of Assets
PBE
PBEs apply PBE IPSAS 21 Impairment of Non-Cash-Generating Assets or PBE IPSAS 25 Impairment of Cash-Generating Assets, as appropriate to determine whether a non-financial asset is impaired. PBEs are therefore required to designate non-financial assets as either cash-generating or non-cash-generating. Cash-generating assets are those that are held with the primary objective of generating a commercial return. Non-cash-generating assets are assets other than cash-generating assets.

The PBE Accounting Standards require the value in use of non-cash-generating assets to be determined as the present value of the remaining service potential using one of the following: the depreciated replacement cost approach; the restoration cost approach; or the service units approach.

IFRS
IFRS does not provide specific guidance for the impairment of non-cash-generating assets. The value in use of an asset or a cash generating unit is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Impact
Assets with future economic benefits that are not primarily dependent on the asset’s ability to generate cash and may not be impaired under PBE Accounting Standards because of the asset’s ability to generate service potential might be impaired under IFRS due to limited generation of cash flows. The group’s asset values may therefore be higher under PBE Accounting Standards because some impairment may not be required to be recognised that would be required to be recognised under IFRS. Further, the value in use of an asset may be different under PBE Accounting Standards due to differences in calculation methods.

PBE Accounting Standards that have no IFRS equivalent / IFRS equivalent is not comparable
The following standards provide guidance on the same or similar topics but are not directly comparable. The comparison below identifies the key recognition and measurement difference.

Revenue from non-exchange transactions
PBE
The PBE Accounting Standards require revenue to be classified as revenue from exchange or non-exchange transactions. Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. Non-exchange transactions are transactions that are not exchange transactions.
PBE IPSAS 23 Revenue from Non-Exchange Transactions deals with revenue from non-exchange transactions. The group’s non-exchange revenue includes revenue from general rates, fuel tax, grants and subsidies, fees and user charges derived from activities that are partially funded by general rates are also considered to be revenue arising from non-exchange transactions.

The group recognises an inflow of resources from a non-exchange transaction as revenue except to the extent that a liability is also recognised in respect of the same inflow. A liability is recognised when a condition is attached to the revenue that requires that revenue to be returned unless it is consumed in the specified way. As the conditions are satisfied, the liability is reduced and revenue is recognised.

**IFRS**

IFRS does not have a specific standard that deals with revenue from non-exchange transactions. IAS 20 Accounting for Government Grants and Disclosure of Government Assistance contains guidance relating to the accounting for government grants. Under IAS 20, government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate. In the case of grants related to assets, IAS 20 results in setting up the grant as deferred income or deducting it from the carrying amount of the asset.

**Impact**

The group’s accounting policy may lead to earlier recognition of revenue from non-exchange transactions than if it was recognised under IAS 20. It may also result in differences in asset values in relation to grants related to assets.

Under PBE IPSAS 23, the timing of recognising the group’s rates revenue is at the date of issuing the rating notices for the annual general rate charge resulting in the entire rates revenue being recognised in the interim financial statements of the group. This is likely to be an earlier recognition than if this revenue was accounted for under IFRS.

**Revenue from exchange transactions**

**PBE**

As discussed above, the PBE Accounting Standards require revenue to be classified as revenue from exchange or non-exchange transactions.

PBE IPSAS 9 Revenue from Exchange Transactions deals with revenue from exchange transactions. The group’s exchange revenue includes revenue from fees and user charges (water and wastewater charges, development contributions, infrastructure charges, port operations, consents, licences and permits) and revenue from sales of goods.

The group recognises revenue related to services on a percentage of completion basis over the period of the service supplied. Revenue from sale of goods is recognised when the substantial risks and rewards of ownership have been passed to the buyer.

**IFRS**

IFRS 15 Revenue from Contracts with Customers introduces a single revenue model for contracts with customers. It does not distinguish between sales of goods and services. It defines transactions based on performance obligations, which are promises to transfer goods or services in a contract with a customer.

The core principle of the standard is that revenue is recognised as a result of the entity satisfying performance obligations or promises to transfer goods or services at an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. These may be satisfied over time versus at a point in time based on when control of the good or service transfers to a customer.

**Impact**

The group’s accounting policy may result in a different timing of recognition of revenue from exchange transactions compared to IFRS 15.

For example, IFRS 15 contains more detailed guidance on identifying distinct performance obligations in a contract and allocating the consideration to these based on the stand alone selling price of the performance obligations. This may result in some revenue recognised earlier or later than under PBE IPSAS 9.

Further, IFRS 15 contains detailed guidance on the accounting treatment of variable consideration which may result in change in timing of recognising revenue related to items such as rebates and price concessions.

The impact of these differences may result in revenue recognised earlier/later in the contract period however it should not impact on the total revenue recognised during the contract term.
Service Concession Arrangement (also known as Public Private Partnership Arrangements)

PBE

PBE IPSAS 32 Service Concession Arrangements deals with the accounting for service concession arrangements from the grantor’s perspective. Service concession arrangements are more commonly known as Public Private Partnership (PPP) arrangements. Broadly, service concession arrangements are arrangements between the public and private sectors whereby public services are provided by the private sector using public infrastructure (service concession asset).

PBE IPSAS 32 requires the grantor (public entity) to recognise the service concession asset and a corresponding liability on its statement of financial position. The liability can be a financial or other liability or a combination of the two depending on the nature of the compensation of the operator.

A financial liability is recognised if the grantor compensates the operator by the delivery of cash or another financial asset. A non-financial liability is recognised if a right is granted to the operator to charge the users of the public service related to the service concession asset (liability for unearned revenue).

IFRS

IFRS contains no specific guidance addressing the accounting by the grantor (public entity) in a service concession arrangement. However, IFRS contains guidance for the operator’s accounting (private entity).

Impact

Applying IFRS to service concession arrangements would not result in a significant impact on the group’s financial position or financial performance as, in absence of specific guidance in NZ IFRS, prior to the adoption of PBE Accounting Standards, NZ practice has been to ‘mirror’ the accounting treatment of the private entity under IFRS which is consistent with the requirements of the PBE Accounting Standards.

Fair Value Measurement

PBE

There is no specific standard in the PBE Accounting Standards, however a number of PBE Accounting Standards contain guidance on the measurement of fair value in specific context (for example PBE IPSAS 17 Property, Plant and Equipment and PBE IFRS 9 Financial Instruments).

IFRS

IFRS 13 Fair Value Measurement does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

Impact

IFRS 13 Fair Value Measurement does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

Lease accounting

PBE

Under PBE IPSAS 13 Leases, the group’s current accounting policy is to make a distinction between finance leases and operating leases.

Finance leases are recognised on the statement of financial position.

Operating leases are not recognised on the statement of financial position, instead, payments are recognised in the statement of financial performance on a straight-line basis or another systematic basis that is more representative of the pattern of the lessee’s benefit.

IFRS

IFRS 16 Leases requires the lessee to recognise almost all lease contracts on the statement of financial position; the only optional exemptions are for certain short-term leases and leases of low-value assets.

There is no significant difference in respect of the accounting treatment applicable to lessors, or for lessees in contracts classified as finance leases under PBE IPSAS 13.
Impact
Where the group is the lessee in contracts classified as operating leases under its current accounting policy, applying IFRS 16 would result in the group having to recognise a 'right-of-use' asset (that is, the asset that reflects the right to use the leased asset) and a corresponding lease liability (obligation to make lease payments) on its statement of financial position.

Further, applying IFRS 16 would result in the group having to recognise interest expense on the lease liability and depreciation on the 'right-of-use' asset. Due to this, for lease contracts currently classified as operating leases, the total amount of expenses at the beginning of the lease period would be higher than under the current accounting policy of the group.

There is no significant difference where the group is a lessor in the lease arrangement or a lessee in contracts classified as a finance lease under PBE IPSAS 13.
Media release

28 February 2020

Encouraging financial performance in half-year results for the Auckland Council Group.

The Auckland Council Group’s results for the six months ended 31 December 2019 have been released today.

The results show significant progress in delivering the infrastructure that supports our growing city.

$1.3 billion has been invested in building key infrastructure across the city, which is $335 million more than the same period last year. This includes $475 million in transport, $351 million in water, wastewater and stormwater, and $372 million in community infrastructure.

Finance and Performance Committee Chair Councillor Desley Simpson comments: “We’re investing at unprecedented levels to meet the demands a growing population has on council services. We’re on track to deliver a record $2.7 billion of capital investment by the end of the financial year. The infrastructure needs of the city and the pace we can deliver at will be a key discussion point in our upcoming 2021-2031 10-year budget”.

Group Chief Financial Officer Matthew Walker adds: “Operationally, the Auckland Council Group continues to perform well. The group delivered an operating surplus before gains and losses of $1,349 million, $135 million more than the same period last year. Cashflows from operating activities increased $39 million to $746 million for the half year”.

The Auckland Council Group continues to demonstrate responsible financial management. This is reflected by the group’s credit rating with S&P Global Ratings and Moody’s remaining at AA and Aa2 respectively, both with a “stable” outlook. Total net group debt at the end of December 2019 was $9,214 million, an increase of $547 million over the six-month period. At the same time assets continued to grow reaching $54.7 billion by the end of the period.

Following Auckland Council’s declaration of a climate emergency, the interim report includes climate change risk disclosures made in line with the Taskforce on Climate-related Financial Disclosures (TCFD) framework.

For further information refer to the Auckland Council Group Interim Report for 31 December 2019, available on the council’s website.

Ends

For media enquiries contact:
Emma Quantrill, Corporate Communications
emma.quantrill@aucklandcouncil.govt.nz
+64 21 571 283
Minutes of a workshop of the Finance and Performance Committee held in the Reception Lounge, Auckland Town Hall, Auckland on Wednesday, 11 March 2020 at 10.00am.

PRESENT

Cr Desley Simpson, JP, Chairperson
Cr Shane Henderson, Deputy Chairperson
Cr Cathy Casey
Cr Bill Cashmore
Cr Pippa Coom
Cr Linda Cooper, JP
Cr Chris Darby
Cr Alf Filipaina
Cr C Fletcher
Hon Phil Goff, CNZM, JP
Cr Richard Hills
Cr Tracy Mulholland
Cr Daniel Newman, JP
Cr Sharon Stewart
Cr Wayne Walker
Cr Paul Young

From 10.07am
From 10.03am
From 10.06am, until 11.43am
From 10.04am
From 10.20am
From 10.14am
Until 11.13am
From 10.05am, until 11.50am
From 10.03am

APOLOGIES

IMSB Member Renata Blair
Cr Fa’anana Efeso Collins
Cr Angela Dalton
Cr Greg Sayers
Cr John Watson
ABSENT

Cr Josephine Bartley
IMSB Chair David Taipari

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 to receive regional stakeholder feedback for the Annual Budget 2020/2021.

<table>
<thead>
<tr>
<th>Item</th>
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</table>
| 1 | Apologies  
Apologies from Cr G Sayers and Cr J Watson for absence, on council business; Cr A Dalton and IMSB Member Blair for absence; and Cr C Fletcher for lateness were noted. A subsequent apology was received from Cr J Bartley, for absence.  
| 2 | 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. No declarations of interest were received.  
| 3 | Annual Budget 2020/2021 – Regional Stakeholder Feedback  
**Grey Power Zone 2 (Auckland Region)**  
Mr B Rayner addressed the committee with items of concern from Grey Power Zone 2 (Auckland Region)  

Cr C Casey joined the workshop at 10.03am.  
Cr P Young joined the workshop at 10.04am.  
Cr A Filipaina joined the workshop at 10.04am.  
Cr W Walker joined the workshop at 10.05am.  
Cr C Darby joined the workshop at 10.06am.  
Cr S Henderson joined the workshop at 10.07am.  
Cr D Newman joined the workshop at 10.14am.  

**BID Collective**  
Mark Knoff-Thomas, Newmarket Business Association, accompanied by Viv Beck, Heart of the City; Kevin O’Leary, North Harbour Business Association; Cheryl Adamson, Parnell Business Association spoke to the verbal submission from the BID Collective.
**Item 16**

_Cr C Fletcher joined the workshop at 10.20am._

**Auckland Marina Users Association Inc**

Richard Steel, Chairman and Euan Little, Deputy Chair spoke to the submission from the Auckland Marina Users Association Inc. A PowerPoint presentation was provided and is attached to these minutes.

_Cr S Stewart retired from the workshop at 11.13am._

**Property Council New Zealand**

Andrew Hay, Auckland Branch Executive President and Katherine Wilson, Senior Advocacy Advisor spoke to the written submission from the Property Council New Zealand, which is attached to these minutes.

_Cr C Darby retired from the workshop at 11.43am._
_Cr W Walker retired from the workshop at 11.50am._

The workshop closed at 12.02pm.
REGIONAL STAKEHOLDER EVENT,
11 MARCH 2020
SUBJECT - AUCKLAND REGIONAL
MARINA STRATEGY

SUBMISSION BY AUCKLAND MARINA USERS ASSOCIATION INC

15 March 2019 Resolution – Passed 17 : 3

That the Planning Committee:

a) endorse the development of a region wide marina strategy
   prioritising the Council owned marinas including Gulf Harbour,
   Hobsonville (Westpark), Half Moon Bay and Westhaven.

b) commence the strategy process with stakeholder and mana
   whenua and mataawaka engagement that identifies relevant
   information, needs and how urgent issues can be prioritised.

c) agree that Auckland Council is a creature of statute, which
   adheres to the intent of empowering acts even where those acts
   are inconsistent with any precinct plans at individual marinas.
2019-20 Annual Plan Submissions

- Northern Reclamation Yacht Clubs Working Group – Royal New Zealand Yacht Club, Ponsonby Cruising Club, Richmond Yacht Club
- West Harbour Residents Group
- Auckland Yachting and Boating Association
- Akarana Marine Sports Charitable Trust
- Bayswater Community Committee Inc
- Auckland Marina Users Association Inc – Westhaven, Pine Harbour, Gulf Harbour, Bayswater, Hobsonville

The Marina Asset – Jewels in the City of Sails

- 12 marinas with 6,000 berths and various ramps, haul out facilities, hardstand and dry stacking, marine services, ferry terminals, esplanades, cafes, restaurants, open space etc

- Marinas are key as focal points for safe access to the water and to support the rapidly growing range of marine recreational activities and watercraft.
The Marine Recreational Constituency

- 160,000+ water craft including
  - 11,400 yachts and launches
  - 55,000 trailer boats – 50,000 power
  - Circa 100,000 dinghies, wind surfers, personal watercraft etc
- Over 110 clubs and sports organisations with a minimum of 11,000 members plus an estimated 19,000 non-members engaged in marine sports in the region.

Need for Strategy is Now More Urgent - Why

Occupation of the seabed (marine) and “licensing” of developers/operators is for a fixed term – what happens when existing “licences” expire?

- Westhaven 2026 and 2029
- Bayswater 2031
- Hobsonville 2025 (renewable to max 2035)
- Pine Harbour 2038
- Gulf Harbour 2028 (renewable to max 2088)

No provisions in Regional Coastal Plan (Chapter F of AUP) for allocation of Occupation permits – provisions for aquaculture but not marinas

No licensing provisions in By Laws – provisions for moorings in “Navigation Safety Bylaw 2014 - but not marinas

Lack of conditions in recent “exclusive” occupation permits to 2054
### Choice - Community Assets or “Private” Marinas?

<table>
<thead>
<tr>
<th>Community Assets (Public Ownership and Control)</th>
<th>Private Marinas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requires new by laws and additions to the Regional Coastal Plan to enable Council to select and licence marina operators and retain ability to define and enforce commercial controls.</td>
<td>Let existing instruments lapse or accept surrender and rely on “Occupation Permits” issued under the RMA. No opportunity to enforce or retain the commercial protections for Council, community and berth holders.</td>
</tr>
<tr>
<td>Retain land in Council/Public ownership and retain strict control over choices and incentives for integrated land and marina development and operation as a “boat harbour”, a focus for access to the water, and strategic transport hub (ferries).</td>
<td>Allow sale of marina land and lose control of future ownership, choices and incentives. There is potential for separate entities to have control of land and marina basin. Result would be little ability to control alignment between objectives for land and marine components.</td>
</tr>
<tr>
<td>Maintain control of commercial terms including cost plus fee approach to recovery of costs and retain ability to achieve lowest cost of entry to marine recreational activity.</td>
<td>Leave commercial terms for berth licences to private operator. Private operator is incentivised to maximise profit to highest possible margin.</td>
</tr>
<tr>
<td>Retain the ability for Council to enforce performance requirements for marina operation and maintenance.</td>
<td>What happens if private owner of marina land or private marina operator becomes insolvent? How are these community assets and interests protected?</td>
</tr>
</tbody>
</table>

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**Diagram:**

- Limit of Nava Safety Zone
- Marina Zone
- Mixed Use Zone
- Private Title
- Ferry Terminal
- Open Space
Item 16

Attachment G
Duration of Consents and Threat to Existing Instruments

**Duration** - was a matter of discretion and could have been aligned to the expiry date of existing licences pending completion of the strategy.

**No response from Council to request for the following assurances:**

a. That Auckland Council will refrain from any action or accept surrender of the existing Seabed Licence and associated instruments for Hobsonville marina or refrain from taking any associated action that has the apparent effect of nullifying the existing Seabed Licence.

b. Consistent with the resolution of the Planning Committee, Auckland Council (or associated entities) will refrain from adopting any process or course of action that attempts to repeal the Empowering Act or other empowering acts associated with other marinas in the region.

Conflict with the Unitary Plan - Hobsonville

- **Resolution stated**

  c) agree that Auckland Council is a creature of statute, which adheres to the intent of empowering acts even where those acts are inconsistent with any precinct plans at individual marinas.

- “Staff advise that they are satisfied that the Unitary Plan provisions for Hobsonville Marina Precinct are not ultra vires and they are not planning to ask a Court for a ruling, nor will they be investigating a plan change at this time.”
15 March 2019 Resolution – Passed 17 : 3 and Progress by Council

a) endorse the development of a region wide marina strategy prioritising the Council owned marinas including Gulf Harbour, Hobsonville (Westpark), Half Moon Bay and Westhaven.

  None - No budget, No Resources, No work – one meeting (stakeholder initiated)

b) commence the strategy process with stakeholder and mana whenua and mataawaka engagement that identifies relevant information, needs and how urgent issues can be prioritised.

  Prepared scope and budget – without stakeholder engagement
  Issued resource consents to year 2054 that subvert the strategy

c) agree that Auckland Council is a creature of statute, which adheres to the intent of empowering acts even where those acts are inconsistent with any precinct plans at individual marinas.

  Refused to amend the AUP (Precinct Plans)
  No response to request for assurances regarding seabed licences and empowering acts

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Strategy Delivery Plan

- Budget - Purchaser (Council) nominated price model

- External consultancy – to achieve independence and domain expertise

- Steering Committee including strong stakeholder involvement in supplier selection and ongoing decision making – to address issue of public distrust and provide transparency
Annual Plan 2020/21 – Your Decision

- Are Councillors prepared to accept further delay and further subversion of the Planning Committee Resolution of 5 March 2019

OR

- Will Councillors ensure adherence to the resolution of 5 March 2019 and:
  - budget for the marina strategy
  - Insist on an external supplier (consultancy) and a steering committee with stakeholder participation
  - Insist on essential changes to the Auckland Unitary Plan to align with Empowering Acts
6 March 2020

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Auckland Council Draft Annual Plan 2020/21

1. Recommendations

1.1 Property Council New Zealand recommends the following:

Coordinated approach

(a) Better co-ordination and alignment for the provision, development and delivery of key infrastructure (transport, water and electricity) across Auckland.

Transport

(b) Collaborate with Auckland Transport to propose significant changes to its network. These changes should provide more frequent and reliable public transport options within and outside of the CBD.

(c) Align major transport projects with Unitary Plan land zoning that best unlocks transport and supports intensification and housing.

(d) Establish future transport options to better connect Wynyard Quarter with the rest of the CBD.

Adjusting fees and charges

(e) Compare Auckland Council charges with other local authorities around New Zealand and report on its findings.

(f) Investigate a tiered consenting approach in which applicants can request to pay a higher fee for senior resources and quicker turnaround.

(g) Adopt a policy on certain time and cost expectations for consent applications, to increase certainty for applicants.

(h) Additional improvements to efficiency such as; increasing council resources and upskilling.

Rates differentials

(i) Faster reduction of the rates differential;

(j) Transparency as to how Auckland Council decided the rates differential level; and
(k) Remove the rates differential and replace with alternative funding mechanisms such as user charges, targeted rates, public-private partnerships and special purpose vehicles.

**Funding the City Centre Masterplan Refresh**

(l) Extend the city centre targeted rate to support the delivery of key project/s in the City Centre Masterplan refresh that are of greatest benefit to those residing and working in the CBD.

2. **Introduction**

2.1 Property Council’s purpose is; “Together, shaping cities where communities thrive”. We believe in the creation and retention of well-designed, functional and sustainable built environments which contribute to New Zealand’s overall prosperity. We support policies that provides a framework to enhance economic growth, development, liveability and growing communities.

2.2 Property Council’s Auckland Branch has 360 businesses as members. The property industry contributed $22.8 billion in 2016 to the Auckland economy, with a direct impact of $10.5 billion (13 per cent of the GDP) and indirect flow-on effects of $12.3 billion. It employs 33,050 directly which equates to eight per cent of the total employment in Auckland. For every $1.00 spent by the Property Industry it has a flow-on effect of $1.70 to the Greater Auckland region.

2.3 This submission responds to Auckland Council’s Annual Budget 2020/21 Consultation and Auckland Council’s Annual Budget 2020/21 Supporting Information documents. In particular, a coordinated planning approach, transport, consent fees and charges, rates differentials, and how the Annual Plan sits alongside the CCMP. In preparing our submission we sought and received feedback from a selection of our Auckland-based members.

3. **Coordinated approach**

3.1 Auckland Council’s recent declaration of a climate emergency, and decision to focus on climate change issues in the 2021 Long-term Plan is important. With the imminent increase of electric vehicles come potential issues around electricity network capacity. Ultimately, the success of our city depends on better planning for infrastructure development across power, three waters, and transport to support both commercial and residential development in a collaborative way.

3.2 We recommend better co-ordination and alignment generally between the Council Controlled Organisations (i.e. Auckland Transport and Watercare) for the provision, development and delivery of key infrastructure (transport, water and electricity) across Auckland.

4. **Transport**

4.1 Traffic congestion in Auckland costs nearly $2 billion per year in lost productivity (between 1.5% and 2% of Auckland’s GDP). The 2019 TomTom Traffic Index report showed that in

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2019, 163 extra hours (6 days and 19 hours) was spent driving in rush hours over the year. This is up 2% from 2018. 

4.2 Coupled with rapid population growth, new and additional transport infrastructure is required. Auckland urgently requires the delivery of regional transport projects. We recommend Auckland Council work with Auckland Transport to propose significant changes to its network to provide more public transport options within and outside of the CBD. We support multiple public transport modes including trains, buses and ferries. In particular, we support regional public transport such as dedicated public transport routes and additional infrastructure to support ferries. More coordinated regional transport and supporting infrastructure help make the city more available to urban fringe communities and in turn encourages development in these areas.

Regional transport, support infrastructure, and housing

4.3 Auckland Council’s goal of reducing emissions from private vehicle use and having more people use public transport will only be possible if public transport is available, reliable, efficient and cost effective.

4.4 The Annual Plan aims to progress key public transport initiatives such as the City Rail Link, Puhinui Bus-Train Interchange and the first phase of the Eastern Busway project. We continue to support the City Rail Link and other multi-modal approaches to transport in Auckland such as the Bus-Train Interchange and Eastern Busway projects within the Annual Plan.

4.5 With all three of these projects, there is a need to align land use zoning for commercial, retail and housing density with public transport interchanges. Auckland Council needs to enable zoning for a range of housing typologies and commercial buildings near key emerging transport nodes. Intensifying around key transport nodes will not only increase housing supply which is critical in Auckland, but also ensure that planning is well-thought out as to not add to current road traffic congestion.

4.6 We recommend aligning major transport projects in Auckland with the right land zoning in the Auckland Unitary Plan to unlock transport, intensify employment, housing and urban renewal projects.

CBD connectivity

4.7 Public transport that connects key areas of the CBD is of paramount importance to all who choose to live, work, play and shop. Transport options need to be reliable and frequent, for users to switch from their private vehicles to public transport. Public transport access across Auckland needs to better connect individuals from their home to their work or desired destination. This would see a more integrated planning approach between Auckland Council, Auckland Transport and key stakeholders.

4.8 For example, the missing transport link in the city centre is connecting Wynyard Quarter with the rest of the CBD. Wynyard Quarter is an expanding commercial and residential area of

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paramount importance to the CBD. It has limited car parking and public transport options, becoming isolated and hard to reach. We recommend greater connections between Britomart, Aotea Centre and Wynyard Quarter. This would not only help assist commuters but also allow Wynyard Quarter to flourish and reach its potential of being a vibrant and safe waterfront location for all.

5. Adjusting fees and charges

5.1 Our submission to Auckland Council on the 2019/20 Annual Plan raised concerns as to the fee increases for various resource and building consents. In particular, the increases were proposed with very little detail as to the justification. However, we are encouraged that Auckland Council undertook a six-month study into fees and charges and as a result are simplifying the fee structure and reducing fees for small projects that relate to building consent applications. We recommend Council continues its investigatory work by comparing its charges with other local authorities around New Zealand and report on its findings.

5.2 The proposed new fee structure would see some fees being moved to fixed charges or to a base fee with additional charges for hours of work. The time Council consents take to be approved add significant cost to residential, commercial and industrial developments in Auckland. Many of our members would be happy to pay for senior resources where appropriate to speed up the current consenting process. We recommend Council investigate a tiered consenting approach in which applicants can request to pay a higher fee for senior resources and a quicker turnaround, provided all applicant paperwork obligations are accurately completed.

5.3 Council consent applications significantly vary in the time they take to get approval. We recommend Council adopt a consenting policy outlining certain time and cost expectations that can be used during the application stage. This would provide more certainty to both Council employees and applicants in terms of the average time an application should take. We further recommend council undertake additional improvements to efficiency of consent approvals such as, increasing council resources and upskilling council consent staff.

6. Rates differential

6.1 The rates differential is the difference between the rates residential property owners are charged and the higher rates businesses are charged. Auckland Council proposes to reduce the portion of general rates paid by businesses from 31.68 per cent in 2020/21, to 25.8 per cent by 2037/38. This would see the rates differential decrease by 5.88 per cent over an 18-year period. This is a significant amount of time for businesses to be paying an ‘inappropriate differential’ according to Auckland Council.

6.2 The Productivity Commission New Zealand report into local government funding and financing, November 2017 reviewed Auckland Council’s Long-Term Plan 2018-28. The report states: ‘the Council reports a decision to adjust the rates differential over a 20-year period to reduce the proportion of general rates taken from business properties; but it does not provide
details of the basis for this decision. The Annual Plan 2020/21 is consistent with this, stating: “...council has decided that the appropriate differential for business is to raise 25.8 per cent of the general rates take.” This highlights the lack of transparency as to how the Council decided what was an ‘appropriate level’ of business funding and aligns with our transparency concerns below.

6.3 We do not support rates differentials as a rating tool due to lack of transparency as to what the differential funds. Rates differentials are collected as general rates and are added to the overall pool of money, making it near impossible for businesses who pay the rating differential to track the total charges and where it is spent. This results in a lack of transparency for commercial ratepayers as it is unclear what their additional rates are funding and whether it is beneficial to their business needs. Often the level of commercial rates paid is disproportionate to the level of services received.

6.4 Funding mechanisms such as targeted rates and user pay rating systems support the principles of transparency and objectivity in legislation (Local Government Act 2002 and Local Governing (Rating) Act 2002). Both these rating systems are beneficiary pay models, meaning those who benefit or use the service contribute towards it. For example, money collected via targeted rates are ringfenced to a project or geographic area that will benefit from the funding. We support beneficiary pay funding mechanisms, as they are transparent and provide a better understanding and opportunity to engage on where rates are spent.

6.5 Our position on transparency is consistent with the 2019 New Zealand Productivity Commission report on local government funding and financing which found that “councils’ rating practices are too often not transparent.” The report recommends councils should make better and more transparent use of their rating and other funding tools."

6.6 Our position of abolishing rates differentials is consistent with Central Government’s 2007 Local Government Rates Enquiry (known as the Shand report) which recommended that in the interest of transparency, rates differentials should be abolished and replaced with targeted rates.

6.7 Although in principle we support reducing the rates differential (albeit a lot quicker than currently proposed), we wish to see it removed entirely and replaced with alternative funding mechanisms such as; targeted rates, user charges (i.e. congestion charges), public-private partnerships and special purpose vehicles.

7. Funding the City Centre Masterplan Refresh

7.1 In our submission to Auckland Council on the City Centre Masterplan refresh 2019 ("CCMP"), we noted that project delivery will depend on funding, which in most cases is not yet

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5 Productivity Commission New Zealand, Local government funding and financing, November 2019, pg. 196.
6 Auckland Council Annual Budget 2020/21, Supporting Information, pg. 90.
7 Productivity Commission New Zealand, Local government funding and financing, November 2019.
8 ibid, pg. 307.
confirmed. Our submission noted that there are significant amount of priorities across Auckland that need funding and financing from general rates, and it is likely that projects within the CCMP may not receive funding due to other demands in Auckland. We recommended that a targeted rate occur to support project/s in the CCMP that are of greatest benefit to those residing and working in the CBD. Under our recommendation, targeted rates should replace rates differentials.

7.2 The Annual Plan 2020/21 is unclear whether the city centre targeted rate for projects (in the City Centre redevelopment programme) includes projects in the CCMP. After further investigation, we understand that targeted rates fund the city centre business case development programme and Master Plan targets. We recommend the targeted rate is extended to also include the delivery of key projects within the CCMP that are of greatest benefit to those residing and working in the CBD.

8. Conclusion

8.1 We generally support the draft Annual Plan 2020/21. At a high level we recommend the following:

- better coordination for the development and delivery of key infrastructure
- aligning major transport projects with Unitary Plan land zoning to support intensification
- additional improvements to efficiency of consent applications
- a faster reduction of the rating differential
- extend the city centre targeted rate to support the delivery of key project/s in the CCMP.

8.2 Property Council members invest, own and develop property across Auckland. We wish to thank Auckland Council for the opportunity to submit on the Annual Plan 2020/21 as this gives our members a chance to have their say in how Auckland is shaped, today and into the future.

8.3 Any further queries do not hesitate to contact Katherine Wilson, Senior Advocacy Advisor, via email: katherine@propertyznz.co.nz Any further queries do not hesitate to contact Katherine Wilson, Senior Advocacy Advisor, via email: katherine@propertyznz.co.nz or cell: 027 8708 150.

Yours sincerely,

Andrew Hay
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