

Statement of Intent

Panuku Development Auckland

For the period 1 July 2019 to 30 June 2022



He Mihi

Tēnā koutou ngā mana whenua me ngā iwi e noho nei ki raro i ngā maunga whakahii o Tāmaki Makaurau, tēnā koutou kātoa. Me mahi tahi nei tātou kia tūtuki ērā wawata mō te oranga o ngā iwi kātoa o te wāhi nei.

“To the people of the land and those residing under the sacred volcanic mountains of Auckland, greetings to you all. Let us all work together to fulfil our dreams so that we may all prosper in this beautiful city”.

Panuku means to ‘move on’ or ‘move forward’ and the name conveys the concept of dynamism of building towards excellence. It has been likened to the motion of a Waka that requires skill to navigate, and team work to propel.

Chair and Chief Executive Foreword

Panuku is Auckland Council's specialist urban development agency, delivering places for Aucklanders to love.

This SOI underlines an acceleration in our delivery programme and a renewed focus on collaboration, driven by two important catalysts: confirmation last year of long-term plan funding for our priority locations and the Crown's recent significant boost for urban regeneration via the newly formed Ministry of Housing and Urban Development and the proposed Housing and Urban Development Authority (bringing together of Housing New Zealand, HLC and KiwiBuild).

These new entities place a focus on the need to not only create more affordable homes for New Zealanders but on urban development and regeneration to support the creation of communities in which New Zealanders can thrive.

This marks a significant shift in the context for urban regeneration in New Zealand and this reinvigorated focus on our area of work presents opportunities for Panuku, as Auckland Council's agency to increase the speed and scale of its redevelopment programme through collaboration with the Crown, its new urban-focused entities and others.

Since the establishment of Panuku via the merger of Waterfront Auckland and Auckland Council Property Limited, our focus has been to catalyse urban redevelopment in prioritised locations, pursuing balanced community and financial outcomes to optimise value for the people of Auckland.

Working in partnership

Acknowledging that partnerships and collaboration will outperform silo-thinking, working together with others will be a focus for Panuku in this SOI.

As well as partnerships with the Crown, we will work closely with the wider Council whanau to ensure alignment of vision and delivery of the Auckland Plan.

Panuku will give effect to this through community and stakeholder engagement changes contained in this SOI.

Panuku continues to work with Maori in Auckland and, this SOI commits to strengthening relationships further. Achieving better outcomes for and with Māori is a priority, part of the way we will do this is to champion an integrated approach to applying the Council's policies across the wider council whanau. We also control many levers that will help enable commercial opportunities for Mana Whenua, Mataawaka and contribute to the material uplift of Maori economic well-being, an Auckland Plan priority. Through our work, we can also celebrate and amplify Maori culture and identity primarily through our regional public realm programme.

As the eyes of the world turn towards Auckland for the America's Cup and APEC in 2020, Panuku is working to ensure that our waterfront is not just ready to hold the world's best-known yacht race, but that it is also 'Instagram ready' for Auckland's beautiful waterfront to

be shared worldwide. Panuku works to ensure that these major events provide enduring benefits to Aucklanders.

Business challenges

Monitoring and management of external pressures such as house and property market fluctuations, labour and materials costs and the need for entities like Panuku to deliver public good outcomes is an everyday reality of our business that is reflected in this SOI.

With the increased focus on urban regeneration nationally the ability to source excellent talent will become more competitive. Attracting and retaining the right team to maintain momentum is critical to our success. We continue to build our internal capacity and capability in development, project and programme management and building a high-performance culture.

With our focus on building and developing partnerships. We recognise it is people who make the difference in our work and, it is people who we are focusing on delivering for in this SOI.

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1. PURPOSE OF STATEMENT OF INTENT

In accordance with the Local Government Act 2002, this annual Statement of Intent (SOI) publicly states the activities and intentions of **Panuku Development Auckland (Panuku)** for the next three years, and the objectives that those activities will contribute to. This SOI also includes performance measures and targets as the basis of organisational accountability.

This SOI was adopted by the Panuku Board in June 2019.

2. ABOUT PANUKU

Panuku is the sole entity within the Auckland Council group responsible for leading urban redevelopment leveraging off council owned property.

Working in an agreed list of Priority Development Locations, with an emphasis in and around town centres, Panuku's role includes integration of its redevelopment with other inputs of the council group. This is incorporated into its planning process for the various redevelopment locations. It strives to support intensification through partnerships with other investment partners, creating strategic value and where appropriate, seeking council investment in priority locations. Panuku was formed in September 2015, from the merger of Waterfront Auckland and Auckland Council Property Limited.

In a constrained funding environment, Panuku will carry out its facilitation role with greater reliance on the alignment of funding priorities with the council family. In addition, Panuku is investigating new funding arrangements such as targeted rates in areas where there may be significant benefit to residents from the urban redevelopment.

Activities

The activities of Panuku cover four broad areas:

1. Redevelopment of urban locations leveraged off council owned land, mostly within the existing suburbs.
2. Redevelopment of council non-service property and where appropriate, review of council service property.
3. Management of council assets/property including commercial, residential, and marina infrastructure, or redevelopment incorporating a service delivery function.
4. Other property related services such as strategic property advice, acquisitions and disposals.

Panuku is charged with balancing financial and non-financial outcomes in order to create and manage sustainable and resilient places where people want to live, work, invest, learn and visit.

Vision

The vision of Panuku is "Shaping spaces for Aucklanders to love".

Mission

The mission of Panuku is to rejuvenate urban Auckland, from small projects that refresh a site or building, to major transformations of town centres or neighbourhoods. Panuku improves the uses of land and buildings that Auckland Council owns, attract private investment and together we unlock their potential to create spaces Aucklanders love.

3. CONTRIBUTION TO THE IMPLEMENTATION OF THE AUCKLAND PLAN

The Auckland Plan is the roadmap to deliver on Auckland's vision to be a **world class city**. The Auckland Plan is a thirty-year plan that is underpinned by a strategic framework – outcomes, key directions, focus areas or objectives and a development strategy.

Panuku plays a valuable part in responding to key challenges outlined in the Auckland Plan 2050. In particular, Panuku will play a significant role in achieving the **Homes and Places and Belonging and Participation outcomes**.

Panuku will contribute through facilitating housing development and creating public spaces for the future, which are fundamental elements of comprehensive redevelopment.

The Panuku Priority Location Programme is aligned to the Auckland Plan Development Strategy and has been set, agreed and funded through the LTP 2018-28 process.

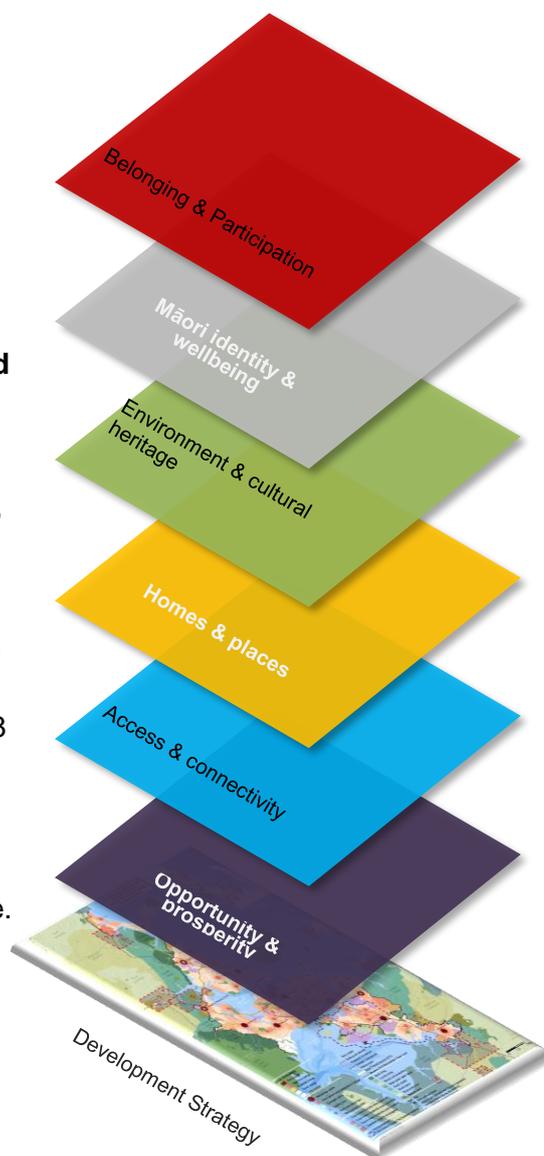
Panuku will support the planned activities in the first decade of the Auckland Plan Development Strategy through the delivery of its Priority Location Programme.

The only changes anticipated to the Panuku Programme relates to opportunities with the Crown, which will be agreed with Council.

Panuku will report annually on activities that have contributed to delivering the Auckland Plan 2050.

How Panuku contributes

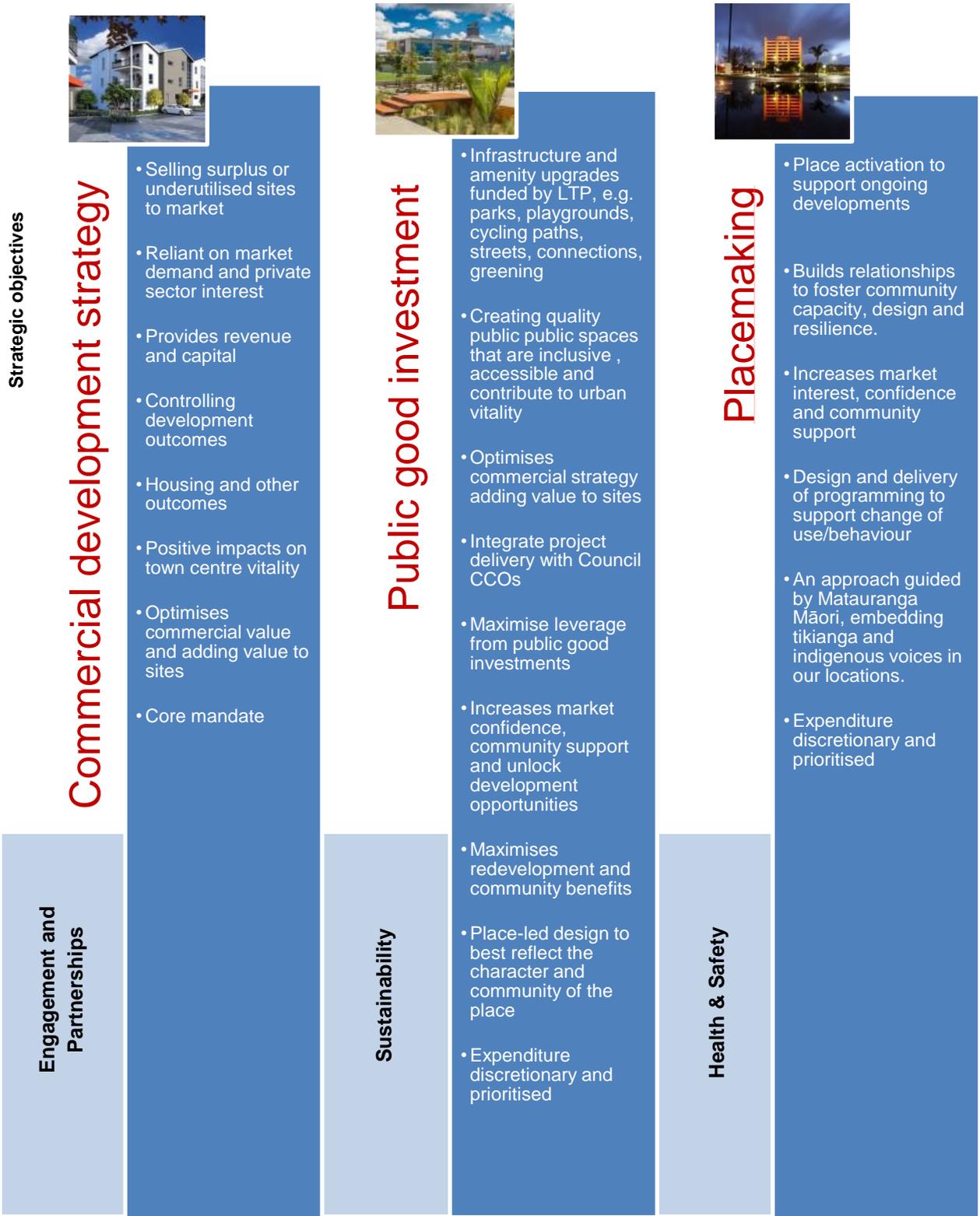
Panuku will contribute to all of the outcomes of the Auckland Plan as a primary contributor (P) or as a secondary contributor (S).



AUCKLAND PLAN OUTCOMES	DEGREE OF CONTRIBUTION	HOW PANUKU CONTRIBUTES
 <p>Belonging and participation</p>	Primary	<ul style="list-style-type: none"> Facilitating place making and activation in the priority locations, working closely with the diverse communities Improving the amenity of town centres that are accessible, attractive to all Partnering with Community Facilities to deliver accessible community facilities Engaging communities in local projects
 <p>Māori identity and wellbeing</p>	Secondary	<ul style="list-style-type: none"> Providing commercial development and capacity building opportunities Reflecting mana whenua mātauranga and Māori design principles in public realm projects to showcase Māori identity Providing place-making opportunities to celebrate and showcase vibrant Māori culture including working with rangatahi and supporting te reo Māori to flourish Enabling Māori to express kaitiaki role through environmental monitoring and place-making
 <p>Homes and places</p>	Primary	<ul style="list-style-type: none"> Leading urban transformation and redevelopment in Manukau, Onehunga, Wynyard Quarter, Northcote, Avondale, Takapuna, Henderson, Papatoetoe, Ormiston, Panmure, City Centre, Pukekohe and redevelopment of the Haumaru Portfolio Facilitating and accelerating quality housing at scale and housing choices to meet changing needs and preferences, working closely with the Crown and private partners Creating quality public spaces for the future that are inclusive, accessible and contribute to urban living and civic life
 <p>Transport and access</p>	Secondary	<ul style="list-style-type: none"> Bringing housing and people closer to transport networks, to leverage the existing investment and provide increased transport choices Partnering with Auckland Transport and NZTA to facilitate transport infrastructure and service improvements in priority locations and improved connectivity as part of integrated planning, to

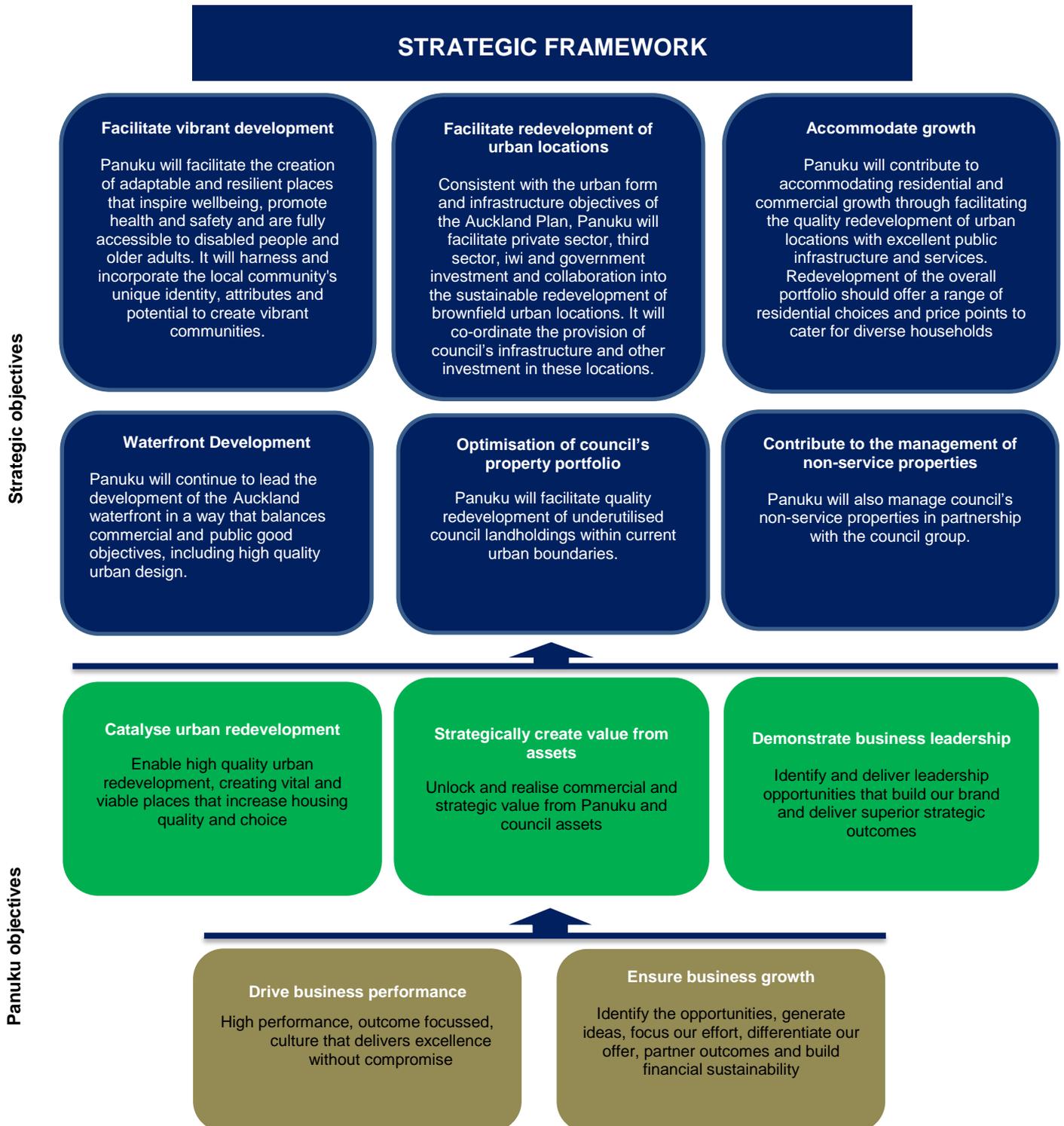
		<p>make walking, cycling and public transport preferred choices for more Aucklanders</p> <ul style="list-style-type: none"> • Leading property disposal and redevelopment opportunities arising from completed and proposed transport projects (e.g. light rail)
 <p>Environment and cultural heritage</p>	Secondary	<ul style="list-style-type: none"> • Facilitating more intensive development in town centres to support a quality compact urban form • Using green infrastructure where appropriate to build resilience and enhance environmental outcomes • Facilitating energy and water efficient homes • Partnering with others to restore environments as Auckland grows, to facilitate stream and open space enhancements and more sustainable transport modes • Representing Auckland Council in the Low Carbon Districts Forum and advancing specific initiatives to address the challenges of climate change • Place-led design to ensure that new development best reflects the character and indigenous stories of an area or place
 <p>Opportunity and prosperity</p>	Secondary	<ul style="list-style-type: none"> • Partnering with ATEED to integrate economic outcomes in priority locations • Facilitating new investment and business opportunities • Creating commercial and strategic value from surplus sites and the council portfolio of assets • Using social procurement to provide local training and employment, lifting communities' skills and opportunities • Establishing working relationships with Business Improvement Districts programme (BIDS) to help communities prosper

Panuku approach to redevelopment



4. PANUKU STRATEGIC OBJECTIVES

Panuku has the following set of strategic objectives, derived from the purpose and role set out in the Accountability Framework. These are supported by three core strategic activities of Panuku which are catalyse urban redevelopment, strategically create value from assets and demonstrate business leadership. Internally Panuku supports these through activities driving business performance and business growth.



Panuku has a clear programme of work in its Transform and Unlock locations. The list of priority development locations includes three transform areas; eleven unlock areas; and support areas. Panuku is not anticipating any changes to the priority location programme apart from potential opportunities with the crown.

Panuku development projects will deliver both financial and strategic outcomes from its activities. This means that in certain context such as the Transform locations, financial value is traded off to achieve social, environmental, economic development or cultural outcomes. Panuku is committed to being transparent in our communication with council when it does this.

This supports Panuku Development Auckland's purpose of contributing to outcomes contained in the Auckland Plan. Panuku's approach to achieving strategic outcomes is informed by the Corporate Responsibility Framework (CRF). This document sets out how Panuku balances commercial outcomes with strategic public good outcomes.

This is further supported by the Total Value Analysis methodology which will quantify in monetary terms the value of strategic outcomes achieved by the projects. Some of the non-financial outcomes that Panuku will deliver include sustainable design and accessibility, housing affordability, placemaking and economic development, which are leadership opportunities that are beyond what the market can deliver.

Panuku creates value for the council group through management of residential and commercial portfolio of properties, vacant sites, marinas, public space and other business interests. Panuku also disposes and acquires properties on behalf of council. General property disposal proceeds contribute to meeting council's Long-term Plan (LTP) asset sales target.

5. THREE YEAR WORKPLAN TO DELIVER ON STRATEGIC DIRECTION

The following are the key initiatives/projects to deliver on Panuku strategic objectives:

Key project and initiatives	Description	Panuku Strategic goal	Primary contribution to Auckland Plan Outcomes	
Catalyse urban development				
1	Deliver Panuku's Transform and Unlock Programme	Panuku will deliver its Transform and Unlock programme by: <ul style="list-style-type: none"> • Giving effect to the Council approved High Level Project Plans (HLPPs) for priority locations • Focus on delivery and implementation of the 10-year LTP programme with a focus on the first three years • Taking Transform and Unlock sites to the market to negotiate and agree agreements to secure development outcomes. • Application of the reinvestment principle for funding public realm projects • Facilitating private sector, third sector and other investment • Ensuring design processes are in place and leadership opportunities are identified • Trial the use of the Greenstar community tool as a framework for improving community and design outcomes (this is underway in Takapuna) • Working with Council and Central Government to explore targeted rate funding of redevelopment 	Catalyse Urban Development	Home and Places Belonging and Participation
2	Improve the delivery of capital expenditure programme	Panuku will enhance the delivery of its Capital programme through: <ul style="list-style-type: none"> • Enhancing our ability to identify and manage dependencies and risks, including proactive communication to the shareholder and stakeholders, including the potential impact on the delivery programme • Securing project management and project delivery capability • Enhancing quality of project planning and budgeting • Coordinating work of other CCOs and other Council departments in priority locations 	Catalyse Urban Development	Home and Places Belonging and Participation

Key project and initiatives	Description	Panuku Strategic goal	Primary contribution to Auckland Plan Outcomes	
Strategically create value from assets				
3	Work closely with Council on Marina Strategy	Panuku will support the Council-led work programme to develop a strategy for marinas, including the implementation of the marina strategy upon completion.	Strategically create value from assets	Home and Places Belonging and Participation
Demonstrate business leadership				
4	Prepare for the timely delivery of America's Cup and APEC.	<p>Panuku will continue to contribute to the completion of America's Cup infrastructure in Wynyard Quarter and prepare for the event. Panuku will work proactively with council, other CCOs, Government Agencies and Team New Zealand to successfully stage the America's Cup.</p> <p>Panuku as part of the council family will also work closely with Central Government to support the Asia Pacific Economic Conference that will be held in Auckland.</p> <p>These major events will provide enduring benefits to Aucklanders. Panuku will integrated it's work with the plans for the city centre and waterfront and promote excellent economic, environmental and cultural outcomes.</p> <p>Some of the America's Cup key activities include:</p> <ul style="list-style-type: none"> • Relocation of Wynyard Quarter tenants to allow AC 36 programme of works • Implementation of resource consent obligations • Implementing obligations required under the Host Venue Agreement for the Event • Working with stakeholders in Wynyard Quarter to ensure the Quarter can continue to operate during the lead up to the event • Working with key agencies to ensure a safely run event 	Provide business leadership	Home and Places Belonging and Participation
5	Community Engagement and Communication	<p>Community engagement and communication</p> <p>As Panuku begins to create change through the implementation of long-held plans for priority locations, it also begins a new style of stakeholder and community engagement. This new approach will ensure that engagement will assist shareholder and</p>	Provide business leadership	Home and Places Belonging and Participation

Key project and initiatives	Description	Panuku Strategic goal	Primary contribution to Auckland Plan Outcomes
	<p>Panuku decision-making and that the momentum of the programme can be maintained because key stakeholders understand the vision and future benefits of the change to occur in their neighbourhoods.</p> <p>Key commitments to achieve this include:</p> <p>Celebrating neighbourhoods through innovative neighbourhood channels</p> <ul style="list-style-type: none"> • A new approach to community-focused communications will demonstrate our understanding of local neighbourhoods as opposed to a one-size-fits-all approach. • Panuku will trial new and innovative engagement and communications channels such as Social Pinpoint, local information kiosks, and a new community-focused web site that enable community-led storytelling, 'on-the-ground' information sharing and community feedback opportunities. <p>Working across the Council family to ensure consistency and clarity of activities</p> <ul style="list-style-type: none"> • Panuku will continue to be a member of the well-established cross-council media team, the Brand Navigator Group and Local Board Services political working group to ensure that our activities are aligned across the whanau. • Early, open and frequent engagement so no surprises • Where local boards are amenable, Panuku is seeking a Terms of Reference for engagement with boards within Panuku project locations. This is currently held in Manukau and progressing in Onehunga and Panmure • Panuku has developed strong relationships with local councillors in our Transform and Unlock areas. All communications and engagement plans include when and how local councillors will be updated on significant activities. • Regular councillor updates is undertaken via quarterly reporting, IMSB/Governing Body joint meetings and Panuku Board and Councillors annual workshops. 		

Key project and initiatives	Description	Panuku Strategic goal	Primary contribution to Auckland Plan Outcomes
	<p>Data driven decision-making</p> <ul style="list-style-type: none"> • Decisions made based on evidence-based analysis will be communicated appropriately to the communities and stakeholders taking into account confidentiality of certain information. • Our community-focused communications will incorporate detailed plans for providing timely information about what we were told and how that information contributed to the decision. • Panuku will continue an annual review with key stakeholders and elected members to measure our progress and identify whether we are showing leadership in project locations through good engagement. <p>Whole of community approach</p> <p>Two new strategies will help to guide our community-focused information and feedback campaigns specifically with Pasifika and Youth communities which are both currently under represented in current engagement activities. Leveraging the knowledge of the Council whanau, Panuku will focus on these two specific community groups in 2019/20.</p>		
6 Climate Change	<p>By working closely with development partners and leading the planning and design of low carbon neighbourhoods, Panuku can have a worthwhile impact on Auckland's future climate-readiness.</p> <p>Working with the Council Group, Panuku is making a contribution to reducing greenhouse gas emissions (GHG) in our project areas, while ensuring new developments are designed to be adaptive to climate risk.</p> <p>To do this we use international sustainability frameworks and develop local standards where necessary to guide best practice. In our own operations Panuku has a commitment to measure and reduce emissions and influence suppliers to improve their GHG impact. This will be a focus in the coming year.</p> <p>Some of the key initiatives include:</p> <ul style="list-style-type: none"> • Working with developers and industry to ensure planning addresses climate adaptation and resilience in response to specific local risk • Continue to roll out and evolve energy 	Provide business leadership	Home and Places Belonging and Participation

Key project and initiatives	Description	Panuku Strategic goal	Primary contribution to Auckland Plan Outcomes
	<p>efficient, low carbon standards for homes and commercial buildings</p> <ul style="list-style-type: none"> • Working with suppliers to encourage reduced industry emissions and climate resilient, low carbon design in the public realm • Partner with government, local government, CCOs and other agencies to share learnings and grow capability in climate response • Establishing organisational carbon footprint and set emission reduction targets • Proactively identify and lead opportunities to innovate where appropriate, to help de-risk low carbon solutions. 		

Specific projects delivering on Māori outcomes

	Key project and initiatives	Description	Contribution to Māori Identity and Well Being
1	Achieving better outcomes for and with Māori	<ul style="list-style-type: none"> Collaborate with Mana Whenua to develop an implementation plan for the Panuku Outcomes Framework. Work with Mana Whenua and Mataawaaka to ensure our Outcomes Framework is inclusive for all Maori living in Tamaki Makarau. Work with the council whānau to streamline engagement through Te Hoanga. Reaffirm our commitment to Te Toa Takitini, and to work proactively with other CCO's to deliver on the identified strategic priorities. We will also ensure that our performance in delivering against Maori responsiveness and the identified priorities is reported on via the quarterly report. We will participate and contribute to the Council group Tiriti O Waitangi Audit response. 	<p>Significantly lift Māori social and economic wellbeing</p> <p>Foster positive and productive relationships between Council and Māori</p>
2	Enabling Māori commercial development opportunities	<ul style="list-style-type: none"> Collaborate with Mana Whenua to identify specific property development and broader commercial opportunities within the Panuku three-year programme. Look to enable opportunities for Mana Whenua rather than just offering them as part of a business as usual approach. The aim is to ensure that Mana Whenua can effectively participate in our processes and that the Panuku team understand how Their day to day mahi can contribute to uplifting Maori economic well-being. Explore how we can enhance our processes to ensure Mataawaaka organisations can also benefit from the opportunities we offer. 	<p>Significantly lift Māori social and economic wellbeing</p> <p>Foster positive and productive relationships between Council and Māori</p>
3	Celebrating the Māori cultural footprint in design, the natural and urban environment, and broader social outcomes	<ul style="list-style-type: none"> Continue to facilitate Mana Whenua identity innovations and opportunities through projects in our priority development locations and public realm projects. With Local Board support, promote Mana Whenua identity through initiatives such as naming new streets, laneways, buildings, signage, communications, art and landscaping. Explore how we can embed a Te Ao Maori perspective into our design approach at both the programme and project level. Continue our placemaking, a kaupapa Māori foundation to deliver positive outcomes for Māori across the region. 	<p>Promote Māori identity as Auckland's point of difference.</p> <p>Foster positive and productive relationships between council and Māori.</p>

6. PERFORMANCE OUTLOOK

Panuku has an agreed set of performance measures and targets which form the basis for accountability to delivering on council's strategic direction, priorities and targets. These are reported to the shareholder on a quarterly basis, in accordance with the CCO Governance Manual. The Strategic Framework for Panuku including the LTP activities, SOI goals and performance measures agreed as part of the Long-term Plan 2018-2028, are illustrated on the next page.

Auckland Plan	Vision – To be a world class city				Strategic Framework	
	Key Transformational Shift: Radically improve the quality of urban living					
LTP Activities	Catalyse urban redevelopment and demonstrate business leadership			Strategically create value from assets		
	Facilitate metro and town centre redevelopment	Lead redevelopment		Manage non-service properties & other assets of council family	Optimise returns from development and disposals	Lead strategic property advice and acquisitions
SOI Goals	Develop and activate public spaces on metro and town centre development areas			Optimise returns from the managed property portfolio	Optimise return from assets	Acquire properties
	Facilitate private development of metro and town centre selected sites				Dispose agreed surplus properties	Identify and propose opportunities across AC Group portfolios
	Facilitate effective engagement with Māori	Facilitate housing development to increase housing supply				
Performance Measures	1. Priority location initiatives completed			9. Property portfolio net surplus achieves the annual budget		
	2. % visitors satisfied with experience of public spaces (LTP)	3. % Aucklanders who visited the location in the past year (LTP)		10. Rolling average % occupancy at month end (LTP)	11. ROI on like for like properties (LTP)	
	4. % of attendees satisfied with transform and unlock place programmes & activities			12. Return on Equity on commercial assets and services (LTP)	13. Stakeholder input obtained / List of properties recommended for disposal submitted to council	
	5. % customers satisfied overall with marina facilities and services (LTP)	6. Significant Māori initiatives implemented or active per annum (LTP)		14. Achieves total forecast net sales for the financial year		
	7. % Mana whenua groups satisfied with quality of engagement.	8. Written evidence of opportunities		15. Satisfaction with Acquisitions service delivery		

Performance Measures

Service Level Statement	Measure	Actual 2017/18	Annual Plan 2018/19	SOI Targets		
				2019/ 2020	2020/ 2021	2021/ 2022
Catalyse urban development and demonstrate business leadership						
Develop and activate town centres	1 Transform and Unlock location initiatives completed	New performance measure	90% or more of planned Transform and Unlock initiatives completed/ achieved. A list of location initiatives for the 2019/20 year will be agreed by the Board in the 2018/19 ¹ financial period.	90% or more of planned Transform and Unlock initiatives completed/ achieved. A list of location initiatives for the 2019/20 year will be agreed by the Board in the 2018/19 financial period.	90% or more of planned Transform and Unlock initiatives completed/ achieved. A list of location initiatives for the 2020/21 year will be agreed by the Board in the 2019/20 financial period.	90% or more of planned Transform and Unlock initiatives completed/ achieved. A list of location initiatives for the 2021/22 year will be agreed by the Board in the 2020/21 financial period.
	2 Percentage of attendees surveyed satisfied with key Transform and Unlock place programmes and activities	89% (At the Waterfront)	Set baseline	Improve baseline	Improve baseline	Improve baseline

Service Level Statement	Measure		Actual 2017/18	Annual Plan 2018/19	SOI Targets		
					2019/ 2020	2020/ 2021	2021/ 2022
Develop and activate public spaces on metro and town centre development areas	3	Percentage of visitors surveyed satisfied with their experience of the public spaces on the city or town centres (LTP)	90% (At the Waterfront)	80% ²	80%	80%	80%
	4	Percentage of Aucklanders surveyed who have visited the city or town centres in the past year (LTP)	72% (At the Waterfront)	73%	73%	73%	73%
	5	Percentage of customers surveyed satisfied overall with marina facilities and services (LTP)	92%	88% ³	88%	88%	88%
Facilitate effective engagement with Māori	6	Number of significant Māori initiatives implemented or active per annum (LTP)	49	50	52	54	56

Service Level Statement	Measure		Actual 2017/18	Annual Plan 2018/19	SOI Targets		
					2019/ 2020	2020/ 2021	2021/ 2022
	7	% Mana whenua groups satisfied with quality of engagement	New Panuku Survey	Set Baseline ⁴	Maintain or Improve	Maintain or Improve	Maintain or Improve
Strategically create value from assets							
Identify and propose opportunities across Auckland Council Group owned properties.	8	Written evidence that opportunities have been identified and assessed, to be progressed or not. (Housing and urban redevelopment combined)	203 opportunities have been identified and assessed.	At least 100 opportunities identified and assessed			
Optimise returns from the managed property portfolio	9	The net surplus on the property portfolio achieves the annual budget agreed with council.	Actual net surplus on the property portfolio for the 12 months ended 30 June 2018 is \$3.9 million ahead of budget (actual surplus of \$31 million against budget of \$27.1 million).	Net Surplus achieves budget for 2018/19	Net Surplus achieves budget for 2019/20	Net Surplus achieves budget for 2020/21	Net Surplus achieves budget for 2021/22

Service Level Statement	Measure		Actual 2017/18	Annual Plan 2018/19	SOI Targets		
					2019/ 2020	2020/ 2021	2021/ 2022
Optimise returns from the managed property portfolio	10	For those properties available for rent: The rolling average over a 12-month period, of % occupancy at each month end (LTP).	The average of monthly % occupancy for the year is 97.5% against the target of 95%.	The average of monthly % occupancy for the year is 95% ⁵ or more.	The average of monthly % occupancy for the year is 95% or more.	The average of monthly % occupancy for the year is 95% or more.	The average of monthly % occupancy for the year is 95% or more.
	11	Maintain or improve the baseline established at the end of the 2012/13 financial year. ROI on properties on a like for like basis (LTP) Panuku is committed to continuously review and improve the ROI target over the term of the SOI.	The ROI calculated on this year's property valuation on a like for like basis is 3.06% against the 2.2% target.	Greater than or equal to 2.25%	Greater than or equal to 1.75%	Greater than or equal to 1.75%	Greater than or equal to 1.75%
Optimise return from assets	12	Return on Equity on commercial assets and services (LTP) at Waterfront.	11.2%	8.25% ⁶	8.25%	8.25%	8.25%

Service Level Statement	Measure		Actual 2017/18	Annual Plan 2018/19	SOI Targets		
					2019/ 2020	2020/ 2021	2021/ 2022
Dispose agreed surplus properties	13	<p>List of properties recommended for disposal submitted to council</p> <p>The disposal target for the next financial period will be agreed with council in the current financial period.</p>	<p>\$88 million of recommended properties have been presented to council for approval to dispose.</p> <p>A recommended for disposal target for 2018-19 was agreed by the Board in June 2018.</p>	<p>A list of recommended properties with a total value agreed by the Board the prior year totalling \$30 million gross value will be submitted to council seeking approval to dispose for 2018/19 financial period.</p> <p>A recommended for disposal target for 2019/20 will be agreed by the Board in the 2018/19 financial period.</p>	<p>A list of recommended properties with a total value agreed by the Board the prior year will be submitted to council seeking approval to dispose for 2019/20 financial period.</p> <p>A recommended for disposal target for 2019/20 will be agreed by the Board in the 2018/19 financial year.</p>	<p>A list of recommended properties with a total value agreed by the Board the prior year will be submitted to council seeking approval to dispose for 2020/21 financial period.</p> <p>A recommended for disposal target for 2020/21 will be agreed by the Board in the 2019/20 year.</p>	<p>A list of recommended properties with a total value agreed by the Board the prior year will be submitted to council seeking approval to dispose for 2021/22 financial period.</p> <p>A recommended for disposal target for 2021/22 will be agreed by the Board in the 2020/21 year.</p>
	14	<p>Achieve total forecast net sales for the financial year through unconditional agreements.</p> <p><i>(**Annual actual asset sales may fluctuate between years) (LTP)</i></p>	<p>Achieved actual net sales of \$231 million for the financial year. The target of \$100 million has been exceeded.</p>	<p>Meet or exceed forecast Property disposal annual target of \$24 million or progress the achievement of the 3-year cumulative LTP sales target of \$72m.</p>	<p>Meet or exceed forecast Property disposal annual target of \$24 million or progress the achievement of the 3-year cumulative LTP sales target of \$72m.</p>	<p>Meet or exceed financial forecast Property disposal annual target of \$24 million or progress the achievement of the 3-year LTP cumulative sales target of \$72m.</p>	<p>Meet or exceed financial forecast Property disposal annual target of \$20 million or achieve the 3-year LTP cumulative sales target of \$60m.</p>

Service Level Statement	Measure		Actual 2017/18	Annual Plan 2018/19	SOI Targets		
					2019/ 2020	2020/ 2021	2021/ 2022
Acquire properties	15	Acquisitions are delivered within the timeline agreed with Auckland Council.	100% of the acquisitions were delivered within the timeline agreed with Auckland Council. 20 acquisitions for council were completed this year.	80% satisfaction against agreed service performance measure	80% satisfaction against agreed service performance measure	80% satisfaction against agreed service performance measure	80% satisfaction against agreed service performance measure.

Performance Assessment Criteria					
	Achieved	Where the performance result for the year is either equal to or above the target, then the performance measure target was met (or achieved).		Not achieved but progress made	Where the performance result for the year is below the target (with a margin of more than 2%) but the result is better than the previous year.
	Substantially achieved	Where the performance result for the year is below the target but has not been achieved by a slim margin (of around 2%).		Not achieved	Where the performance result for the year is below the target (with a margin higher than 2%) and the result is lower than the result achieved in the previous year.

Footnotes:

- 1 The Transform and Unlock location initiatives will come from the programme business cases (PBC) set in the previous financial period.
- 2 The city centre and town centres visitor satisfaction are set at 80% taking into account the potential adverse impact on visitors from disruption caused by projects such as road construction and America's Cup building activities occurring.
- 3 The marina facilities customer satisfaction is set at 88% taking into account the potential adverse impact on customers from disruption caused by building activities that affect the Westhaven such as America's Cup, Promenade stage 2, Skypath, Marine centre and the Pile Mooring stage 2 projects.
- 4 This will be a new survey commissioned by Panuku.
- 5 The average occupancy rate of 95% takes into account the conditions of properties and the fact that a significant portion of the portfolio are mainly held for projects affecting the length of tenure.
- 6 The return on equity is expected to reduce over time due to assets being transferred out of Panuku's ownership as they are leased to property developers on long term finance leases.
- 7 Key performance targets align with the 2018/28 LTP budgets.

7. SUMMARY OF FINANCIALS

The draft budgets in the SOI will be subject to change. The final budgets that will be approved by the Panuku Board and Council and will be included in the final SOI.

Table one of the financial information outlines the budgets for Panuku in the council Annual Plan and LTP for funding its activities in the next three years. This excludes the commercial portfolio activities Panuku manages on behalf of council, which is outlined separately.

Table 1

SOI Financial Overview

Panuku Development Auckland

(Excluding Commercial Portfolio)

\$000	Annual Plan 2018/19	LTP 2019/20	LTP 2020/21	LTP 2021/22
Direct operating revenue				
Fees and user charges	2,295			
Grants and subsidies				
Other revenue	32,479	37,449	36,986	38,148
Direct operating revenue	34,774	37,449	36,986	38,148
Direct operating expenditure				
Staff costs	23,684	30,145	30,738	31,560
Grants, contributions and sponsorship	15	0	0	0
Outsourced works and services	1,301	0	0	0
Consultancy and professional services	5,089	5,079	5,082	5,232
Repairs and maintenance	5,187	5,493	5,525	5,675
Other expenditure	11,357	12,648	12,389	13,006
Net direct operating expenditure	46,633	53,365	53,734	55,473
Net direct expenditure (income)	11,859	15,916	16,748	17,325
Non-operating and other revenue				
Finance income				
Vested assets				
Other non-operating income				
Non-operating and other expenditure				
Finance expense	(618)	(494)	(373)	(253)
Depreciation and amortisation	8,534	10,346	12,166	13,029
Other losses				
Income Tax				
Non-operating expenditure	7,916	9,852	11,793	12,776

Net Operating Funding from Auckland Council	(17,962)	(19,488)	(19,783)	(20,245)
Net Operating expenditure	1,813	6,280	8,758	9,856
Capital expenditure				
- to meet additional demand	21,687	30,649	21,822	5,715
- to improve the level of service	30,337	42,326	30,136	7,893
- to replace existing assets	5,173	1,973	1,755	1,710
Total capital expenditure	57,197	74,948	53,713	15,318
Capital revenue				
Capital grant and subsidy revenue				
Asset sales				
Other capital revenue				
Total capital revenue				
Net Capital Expenditure	57,197	74,948	53,713	15,318

PANUKU 2019/2020 BY BUSINESS ACTIVITY

\$000	Total Panuku	Waterfront Marinas	Wynyard Quarter Commercial Property	Wynyard Quarter Public Space	Corporate Support
Operating revenue	37,449	14,533	11,409	843	10,664
Operating expenditure	53,365	8,905	4,209	5,279	34,972
Net operating expenditure (income)	15,916	(5,628)	(7,200)	4,436	24,308
Capital expenditure	74,948	11,711	4,079	59,158	
Capital revenue					
Net capital expenditure	74,948	11,711	4,079	59,158	

Capital funding for public space activities are funded by grants from Auckland Council. Commercial property and marina operational activities are funded through commercial income with any shortfall covered by debt funding. Cash surpluses generated from commercial operational activities, not used to reduce debt or fund capital works for commercial activities, over a threshold to be agreed annually, may be returned to the shareholder. Overheads will be allocated across each of the public, commercial, marina areas of activities. Capital expenditure is mainly made up of capital funding from council.

Table 2

SOI Financial Overview

Commercial Portfolio

(Managed on Behalf of Auckland Council)

\$000	Annual Plan 2018/19	LTP 2019/20	LTP 2020/21	LTP 2021/22
Direct operating revenue				
Fees and user charges	1,318			
Grants and subsidies				
Other revenue	26,357	24,047	21,804	22,010
Direct operating revenue	27,675	24,047	21,804	22,010
Direct operating expenditure				
Staff costs		20		20
Grants, contributions and sponsorship				
Outsourced works and services	5			
Consultancy and professional services	2,912	4,109	3,813	3,142
Repairs and maintenance	4,206	3,442	2,862	2,715
Other expenditure	6,715	8,893	8,014	7,142
Net direct operating expenditure	13,838	16,464	14,689	13,019
Net direct expenditure (income)	(13,837)	(7,583)	(7,115)	(8,991)
Non-operating and other revenue				
Finance income				
Vested assets				
Other non-operating income	(96)			
Non-operating and other expenditure				
Finance expense				
Depreciation and amortisation	1,531			
Other losses				
Income Tax				
Non-operating expenditure	1,435			
Net Operating Funding from Auckland Council				
Net Operating expenditure	(12,402)	(7,583)	(7,115)	(8,991)
Capital expenditure				
- to meet additional demand	24,991	22,166	20,872	17,621
- to improve the level of service	96,158	63,089	82,175	50,154
- to replace existing assets	7,909	10,810	7,490	6,790

Total capital expenditure	129,058	96,065	110,537	74,565
Capital revenue				
Capital grant and subsidy revenue				
Asset sales	152,143	129,600	102,500	60,800
Other capital revenue				
Total capital revenue	152,143	129,600	102,500	60,800
Net Capital Expenditure	(23,085)	(33,535)	8,037	13,765

COMMERCIAL PROPERTY PORTFOLIO 2019/2020 BY BUSINESS ACTIVITY

\$000	Total Commercial Property Portfolio	Commercial Property Portfolio	Business Interest	Development Area
Operating revenue	24,047	23,112	335	600
Operating expenditure	16,464	6,827	522	9,115
Net operating expenditure (income)	(7,583)	(16,285)	187	8,515
Capital expenditure	96,065	10,810		85,255
Capital revenue				
Net capital expenditure	96,065	10,810		85,255

Table 2 of the financial information outlines the budgets of the Commercial Portfolio managed by Panuku on behalf of the Auckland Council Group. The Commercial Portfolio includes the property portfolio and business interests such as quarries and forests.

Revenue includes portfolio rental income and is offset by operating cost recoveries and direct operating expenses such as repairs and maintenance but excludes depreciation from the property portfolio assets under management and control of Panuku.

Capital expenditure is funded from council, capital expenditure subsidies, grants and operating surplus. Asset sales include Strategic Development Fund Asset Sales.

Other financial information

Current value of assets	The projected value of Panuku total assets as at: 30 June 2019: \$817 million	
Shareholder equity ratio	The projected shareholder equity ratio for Panuku as at: 30 June 2019: 89%	
Accounting Policies	Panuku Development Auckland's accounting policies are consistent with those of the Auckland Council group policies.	
Financial Reporting	Panuku Development Auckland's financial reporting will be in accordance with requirements of the CCO Governance Manual.	
LTP General Asset sales (\$ million)	2016/17 Actual	\$50m
	2017/18 Annual Plan	\$100m
	2018/19 LTP	\$24m
	2019/20 LTP	The property disposal target (net value of unconditional sales) is \$24m

Panuku intends to distribute to Auckland Council funds from commercial activities that are surplus to requirement. We envisage paying a dividend of \$1.5 million a year during the period of this SOI.

8. IMPORTANT SHAREHOLDER ISSUES

Panuku has addressed issues below that are contained in Mayor's Letter of Expectation:

Branding and Communications

Panuku is an active member of the Brand Navigation Group and is committed to the group's objectives to improve public understanding of the use of rate payer funds through the use of the Panuku Council group logo.

Panuku is also committed to making tangible progress in implementing council's brand guidelines.

Financial accountability

Panuku is cognisant of the need to be prudent with council resources and will always explore the best way to achieve outcomes at lowest cost. This means undertaking efficient processes, developing and assessing realistic options, balancing strategic and commercial outcomes, smart procurement processes, managing costs, and undertaking a regular review of priorities. There will be times when Panuku needs to be open to innovation to test different ways to achieve outcomes which may carry greater risk.

Panuku will align its investment programme with council's LTP budget and establish governance structures for the priority locations to optimise alignment with council business units and priorities.

The Panuku Board will demonstrate value for money across all expenditure in delivering its programmes. This includes greater transparency on operating expenditure and a strong focus on managing sensitive expenditure lines. Panuku will inform Council on any significant challenges that arise and will work closely with Council on these issues.

Panuku will enhance its public accountability by publishing new information on our website such as sensitive expenditure and responses to LGOIMA requests where appropriate.

Shared services

Panuku is committed to optimising efficiency and value, remove unnecessary duplication and different approaches to core systems and business processes, to pursue shared back-office delivery where appropriate and to better align our respective investment in information and communications technology.

Value for money reviews, group policies and guidance

Panuku recognises the shareholder's wish to ensure full value for money from its CCOs, a requirement in section 17A of the Local Government Act 2002. Panuku will support the active implementation of existing VFM review findings and will also participate in the ongoing programme of reviews.

Panuku applies a value for money approach across its business and will continue to review its business operations, processes, practices and systems for efficiencies, effectiveness and economy. Panuku will also continue the use of shared services provided by Auckland Council, where appropriate.

For significant projects, Panuku will identify appropriate skills and resources from within the council family to lead delivery of certain aspects of projects and will facilitate this via negotiation with council business units.

Panuku will also give effect to existing AC Group policies and participate in the development of further policies and guidance.

New Accountability Policy for CCOs

Panuku has adopted the new CCO Accountability Policy.

9. APPROACH TO GOVERNANCE

Governance

Auckland Council works in partnership with its CCOs and the agreed approach to governance is outlined within the CCO Governance Manual. The Governance Manual sits alongside this SOI and Panuku will act in accordance with the Governance Manual.

Panuku reports to council on Issues, Opportunities and Risks through the quarterly reporting process. Panuku also reports to the Finance and Performance Committee and Planning Committee.

Public and media

As a Council-Controlled Organisation, it is recognised that a good deal of the work conducted by Panuku Development Auckland is carried out in public. As such, the principles

of transparency and accountability are always applied to our relationships with both the public and the media.

Board meetings

Panuku will hold as many of its monthly board meetings in open as possible. A public-excluded session will be held at each meeting to discuss confidential matters.

Agendas for each meeting will continue to be posted on the Panuku website (panuku.co.nz) prior to the meeting. Board papers (with confidential information redacted) will also be posted online.

Members of the public will be invited (via the Panuku website) to present to the Board on issues relevant to Panuku.

Auckland Council CCOs are required to hold two public meetings a year under the Local Government, Auckland Council Act 2009. The schedule of Panuku Development Auckland for year 1 of this SOI is as follows:

Purpose	Date	Form of Public Notification
Consider shareholder comments on draft SOI	June 2019	Advertisement in NZ Herald at least two weeks prior to meeting and on Panuku website five working days prior.
Consider performance against SOI targets	October 2019	

Media

Our media protocols are designed to ensure our interactions with the media are as proactive and transparent as possible. All media enquiries are responded to in a timely fashion and all information is shared with the media unless it is of a confidential nature.

Online channels

Panuku's major projects are outlined on our website www.panuku.co.nz and all key documents (such as our Annual Report and the project plans for our development locations) are available online.