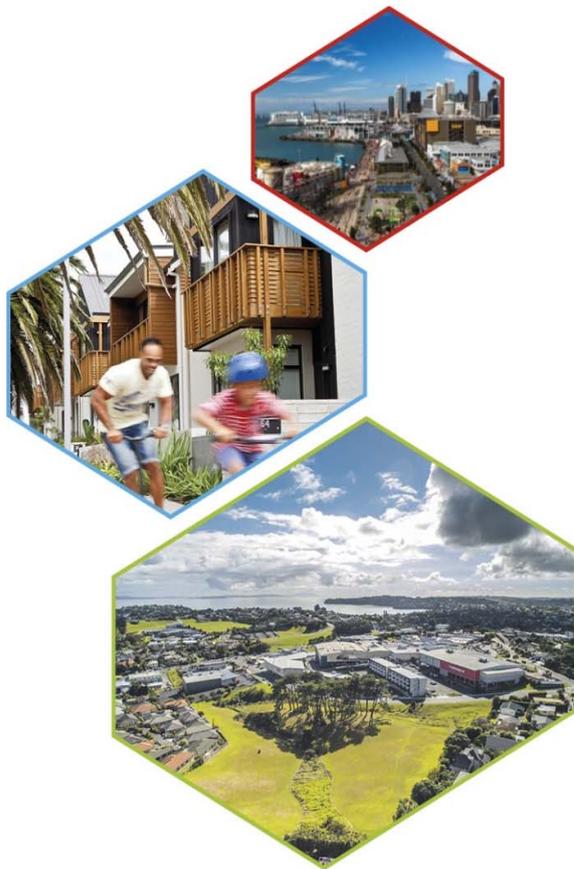


DRAFT - STATEMENT OF INTENT

PANUKU DEVELOPMENT AUCKLAND

For the period 1 July 2018 to 30 June 2021



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 teamwork to propel.

Chairman and Chief Executive Foreword

Panuku makes a significant contribution to achieving the Homes and Places outcomes in the Auckland Plan. This includes facilitating quality compact urban form to accommodate growth, delivery of public spaces for urban living and facilitation of housing projects and developments that contribute to the housing supply.

Panuku developed a full work programme to give effect to its regeneration mandate that was included in the LTP process. The LTP process involves balancing the Council group priorities within fiscal constraints.

The approved LTP budget for Panuku will not enable the company to implement its full work programme. The budget is similar to that of the two legacy organisations in the 2015-25 LTP (ACPL and Waterfront Auckland).

Funding

To achieve credible progress, Panuku is pursuing the approval of reinvestment of proceeds from asset sales and the use of development target rates as additional sources of funding for its work programme. Panuku will seek a broader ability to reinvest proceeds from development locations across the 'Unlock' and 'Transform' programme. The extent and timing of the final work programme will be subject to funds available for reinvestment from asset sales after deduction of Councils annual asset sales target and the timing of target rates implementation.

Panuku will continue to execute its commercial strategy to achieve revenue targets, regeneration and development outcomes and to attract investment into locations and increase the supply of housing and housing choices. Inevitably Panuku's final SOI submitted to Council in June 2018 will reflect its final work programme and funding approved through the LTP process.

America's Cup

The America's cup is one of the significant projects in Panuku's work programme that will provide enduring benefits to Auckland. Panuku as part of the Council family will make sure it plays its part in the successful delivery of this event within the scheduled timeline.

New Government

The new government has signaled that increase in housing supply, including affordable housing as a priority. Panuku will ensure it provides the right level of support to Council on these issues, and will work closely with the Crown on housing outcomes and the wider urban regeneration outcomes.

Programme governance

Urban regeneration and place making require the delivery of a mixture of outcomes for priority locations such as improved housing, transport, community facilities, water supply and

other. To successfully deliver these outcomes, Panuku will take the lead through effective integrated governance of programmes and projects in priority locations. Doing this will improve efficiency and effectiveness of joined-up delivery across the council family.

The organisation will continue its initiatives in building a high performance culture. This is through corporate and staff performance frameworks, high performing, skilled and competent staff and effective and efficient systems and processes.

Panuku will also participate in Council's value for money review programme and support/ implement agreed recommendations resulting from these reviews.

Panuku will continue its commitment to work closely with Auckland Council and other CCOs to increase our collective response to dealing with the demands of our rapidly growing city and contributing to achieving the outcomes sought in the Auckland Plan.

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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 2018.

2. ABOUT PANUKU

Panuku is the sole entity within the Auckland Council group responsible for leading urban redevelopment and/or regeneration leveraging off Council owned property.

Working in an agreed list of Priority Development Locations, with an emphasis in and around town centers, Panuku's role includes integration of its redevelopment plus 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 regeneration. Some level of "reinvestment" of receipts from property sales in 'Unlock' area is also being investigated.

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 plan is currently under review and will be finalised in June 2018 after consultation. Any changes to the draft Auckland Plan will be incorporated in the final SOI. This is a thirty year plan that is underpinned by a strategic framework – outcomes, key directions, focus areas or objectives and a development strategy.

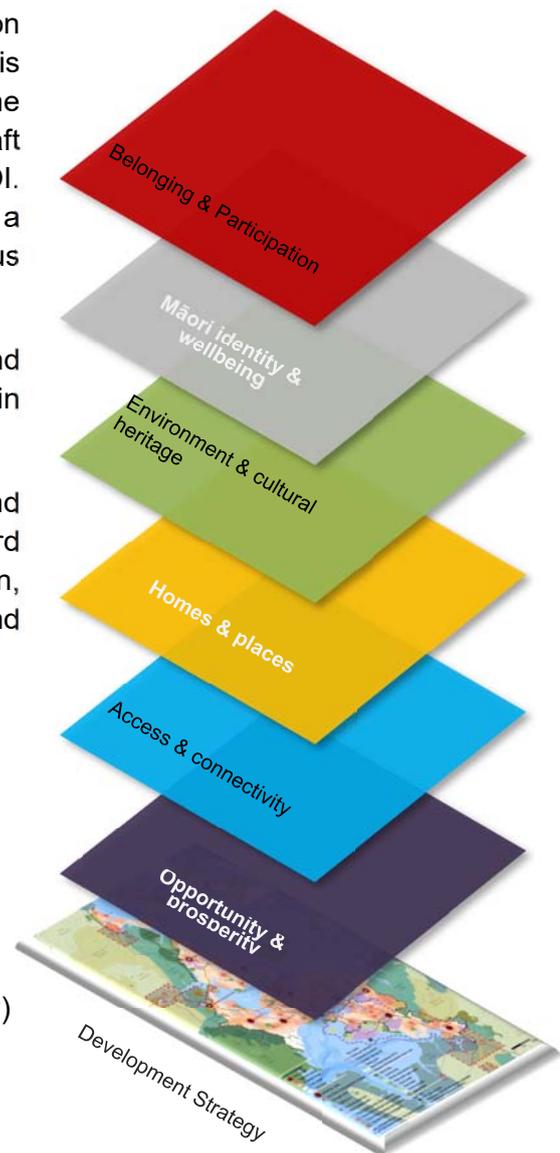
Panuku plays a critical part in delivering the Auckland Plan. In particular Panuku will play a significant role in the **Homes and Places Outcome**.

Panuku is leading urban regeneration and redevelopment in Manukau, Onehunga, Wynyard Quarter, Northcote, Avondale, Takapuna, Henderson, Papatoetoe, Ormiston, Panmure, City Centre and redevelopment of the Haumaru Portfolio.

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

How Panuku contributes

Panuku will contribute to all of the outcomes of the Auckland Plan, sometimes as a primary contributor (P) and sometimes as a secondary contributor (S), depending on the urban redevelopment project.



Panuku approach to regeneration and redevelopment



Commercial development strategy

- Selling surplus or underutilised sites to market
- Reliant on market demand and private sector interest
- Provides revenue and capital
- Controlling development outcomes
- Housing and other outcomes
- Positive impacts on town centre vitality
- Core mandate



Public good investment

- Infrastructure and amenity upgrades funded by LTP, e.g. parks, playgrounds, cycling paths, streets, connections, greening
- Expenditure discretionary and prioritised
- Optimises commercial strategy adding value to sites;
- Unlocks development opportunities
- Increases market confidence and community support
- Maximises regeneration impact
- Reliant on LTP approved budget

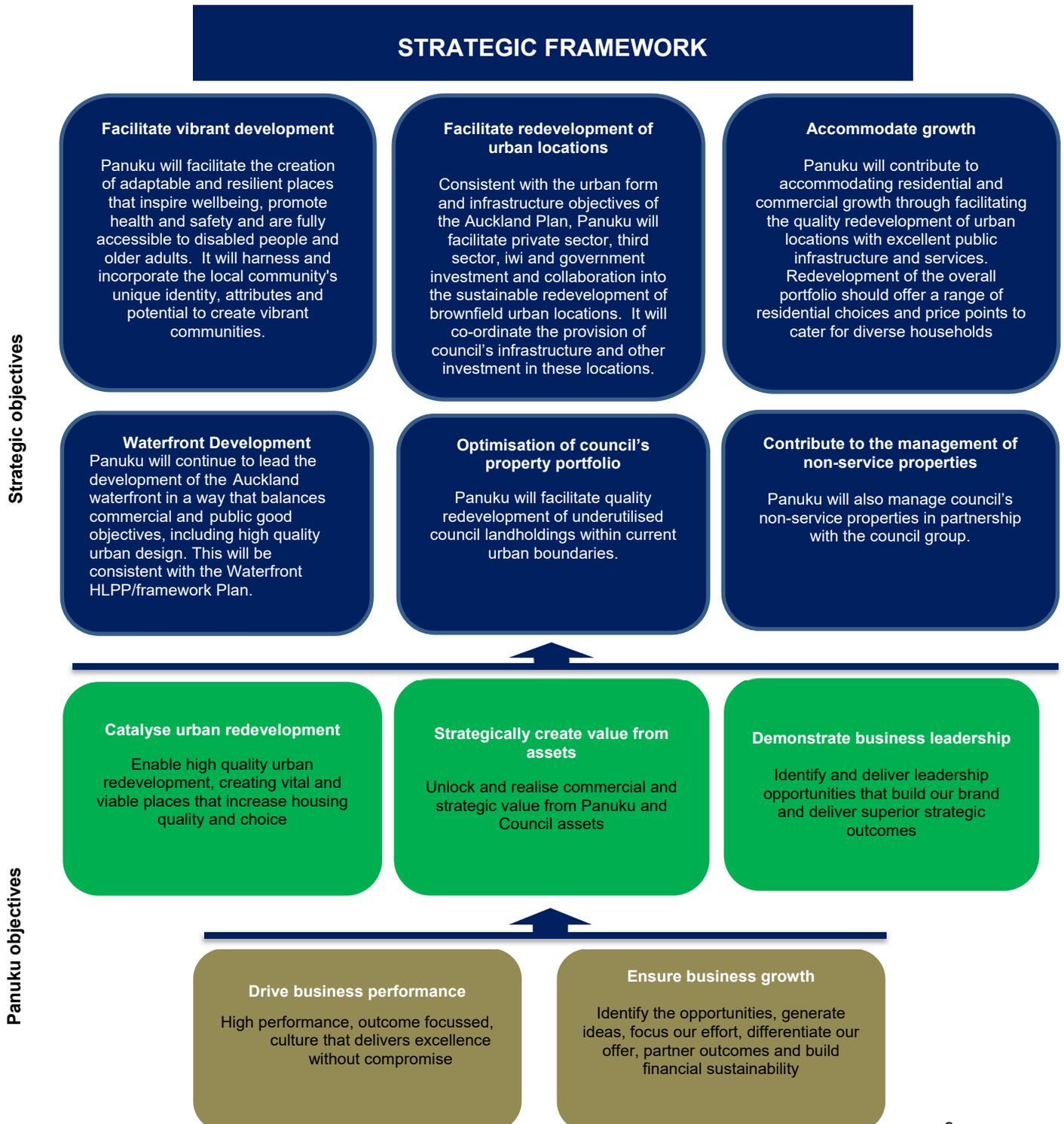


Placemaking

- Temporary events and activations in typically unloved areas, working with local community
- Expenditure discretionary and prioritised
- Builds community engagement, involvement, support and pride
- Increases market interest and confidence
- Maximises regeneration impact delivering wider benefits including safety
- Reliant on LTP approved budget

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; ten unlock areas and support areas. Panuku will recommend to Council for approval of any changes to the transform and unlock areas.

Panuku needs flexibility within its programme of work and will bring forward new strategic opportunities as they arise, for example, as a result of market changes, site availability or partnership opportunities. A key focus on moving forward will be on delivery of smaller projects that can be delivered quickly on the ground.

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. Panuku will test its major investment decisions with relevant CCOs and Council before finalising business cases. Council will be provided with an assessment in business cases of the total "value" of projects, capturing both the financial and the strategic perspectives. 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. Where required, some collective reporting on major projects will be carried out for the new Committees of Council.

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. Property disposal proceeds contribute to meeting Council's LTP asset sales target.

Panuku will work together with Council, Auckland Transport and Watercare and other parties to deliver on Council growth and development strategies. In particular, Panuku will lead an integrated governance approach to regeneration of priority locations.

Panuku will work together with Auckland Transport to optimise the above and below ground development potential of Council and Auckland Transport assets; both for development and to capture value for funding transport projects. This will happen at the early stages of transport projects to ensure development opportunities are maximised as the projects are implemented. Panuku will also work with Auckland Transport to identify and release for disposal or development sites which are no longer required by Auckland Transport for Transport purposes.

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	Contribution to strategic role
Catalyse urban development				
1	Governance of urban regeneration (Align Strategy, Policy, Planning and Delivery)	<p>Panuku understands that the key to developing and delivering successful regeneration projects requires an integrated governance approach. This will involve an alignment of Council group priorities with Panuku's urban regeneration priorities identified in the HLPP and framework plans. The successful implementation of these priorities will require close collaboration across all business units, CCO's and Local Boards early in the planning process.</p> <p>Panuku will continue with its established engagement protocol with Auckland Transport and Auckland Council business units (AC group). Panuku will gain more understanding and traction around the already agreed ways the Council group is working together, to ensure that urban regeneration and infrastructure and other planning and budgets are better aligned, and to ensure the pipeline for disposals continues to be a priority for the Council group, especially Auckland Transport.</p> <p>Panuku will ensure its activities align with the long-term capital planning of central government in the Transform and Unlock areas where possible and there is value.</p> <p>Panuku will work with HNZ/HLC on the delivery of the Auckland Housing Programme in the Transform and Unlock locations using the Councils existing Memorandum of Understanding (MOU) which sets out the proposed governance structure and operating principles for how both Council and Crown will be working together.</p>	Catalyse Urban Development	Radically improve quality of urban living for all
2	Funding sources	<p>To enable Panuku to progress its urban regeneration/redevelopment objectives and to support the councils growth strategy, a number of funding sources to facilitate development will need to be progressed. These include:</p> <ol style="list-style-type: none"> A revised policy approach to the reinvestment of property disposal proceeds in unlock and transform areas. Progressing the brownfields targeted rates Alignment of council budgets and prioritisation of regeneration projects Alignment of services , shared procurement, shared expertise and delivery channels 	Catalyse Urban Development	Radically improve quality of urban living for all
3	Haumarū Housing - Council's housing for older people network	<p>Deliver a multi-year re-development programme for Haumarū Housing. Initial projects include Henderson and Northcote.</p> <p>Work with Haumarū Housing to investigate alternative funding sources through partnerships for the re-development programme.</p> <p>Significant matters relating to the redevelopment programme will be included in our discussions with and our reporting to the Governing Board and Local Boards.</p> <p>Panuku will be responsible for:</p> <ul style="list-style-type: none"> - administration and oversight of the Lease Agreement (including the management contract) between Council (landlord and asset owner) and Haumarū Housing Partnership (tenant); and 	Catalyse Urban Development	Radically improve quality of urban living for all

Key project and initiatives		Description	Panuku Strategic goal	Contribution to strategic role
		<ul style="list-style-type: none"> - delivering a multi-year redevelopment programme of the Haumaru Housing portfolio in accordance with the delegations from Council. <p>The Council's CCO Governance and external Partnerships team will oversee the council's interest in the Haumaru Housing Partnership, including two yearly reporting on performance against its KPIs.</p>		
Strategically create value from assets				
4	Ongoing programme of identifying and assessing opportunities	The proactive review of Councils property assets will identify opportunities for future development, optimisation and asset disposal. This includes taking a strategic perspective when assessing income generating assets as well as underutilised land.	Strategically create value from assets	Strategically create value from assets
5	Optimisation: Realise optimisation opportunities in the Council group service portfolio.	<p>Realise optimisation opportunities across the Council service portfolio through integration, intensification, redevelopment and direct reinvestment of Council owned service properties.</p> <p>Implement an optimisation project from the Councils service asset portfolio</p> <p>Extend the approach to include Auckland Transport in order to realise redevelopment and optimisation opportunities of transport service properties.</p> <p>Establish an agreed process, business rules, procurement model and governance structure and engagement plan to successfully implement an opportunity</p> <p>Progress at least one transport related optimisation project with AT through to a decision point</p> <p>Get more understanding and traction around the already agreed optimisation policy, and ensuring more traction with the council organisation to start implementing projects.</p>	Strategically create value from assets	Strategically create value from assets
Demonstrate business leadership				
6	Major events (Americas Cup and APEC)	<p>Panuku will work proactively with Council, other CCOs, Team New Zealand and other parties to successfully stage the Americas Cup.</p> <p>Panuku as part of the Council family will work closely with Central Government on the Asia Pacific Economic Conference that will be held in Auckland.</p> <p>These major events will provide enduring benefits to Aucklanders and Panuku will integrated this work with the plans for the city centre and waterfront, and promote excellent economic, environmental and cultural outcomes.</p>	Provide business leadership	High Performing Council
7	Interaction with Central Government	Panuku will support Council on interactions with Central Government on the issue of accelerating increase housing supply and usage of a UDA to facilitate this. Regeneration is an integral component of housing supply interventions.	Provide business leadership	High Performing Council
8	Climate change	Panuku will consider climate change as a priority when it carries out planning or as part of its operational processes. This involves identifying approaches to minimise the effects of climate change.	Provide business leadership	High Performing Council

Key project and initiatives		Description	Panuku Strategic goal	Contribution to strategic role
9	Local Boards engagement and planning	<p>A particular area of focus for Panuku is how it works with local boards and local communities. Panuku is working closely with Local Board Services and CCO Monitoring to determine a best practice process for local board and governing body input and decision-making into our transform and unlock locations. Through this collaborative approach we will ensure that the Auckland Council governance role is embedded into Panuku's processes from the outset of a project,</p> <p>Panuku is investigating the opportunity for local boards to directly benefit financially from asset disposals within their areas.</p>	Provide business leadership	High Performing Council
10	Form Relationships and Partnerships	<p>Panuku will collaboratively work with Māori, CHPs and HNZZ/HLC, private sector and other parts of the Council family to deliver Auckland outcomes.</p> <p>Panuku will continue to develop a shared outcomes approach with Māori, which will inform how Panuku and Māori will partner to deliver these outcomes.</p>	Provide business leadership	High Performing Council
11	Investment opportunities	Work with institutional partners on our largest and most complex investment opportunities for development and regeneration.	Provide business leadership	Radically improve quality of urban living for all
12	Redevelopment projects meets expectations of stakeholders	<p>Panuku's engagement and communications activity has successfully established strong profile and relationships focused within the priority development locations.</p> <p>The focus will be to manage expectations amongst stakeholders that regeneration in priority locations will be focused around the facilitation of commercial strategies and the impacts of this approach on the development of public amenity and other public outcomes.</p>	Provide business leadership	Radically improve quality of urban living for all
13	Benefit realisation reviews	On completion of the project or each key stage of the project, a review will be carried out to measure progress against original project financial and non-financial outturn in the business cases. These will then be reported to the Board and included in reporting to the shareholder.	Provide business leadership	Radically improve quality of urban living for all

Specific projects delivering on Māori outcomes

Key project and initiatives		Description	Contribution to Māori outcomes
1	Achieving better outcomes for and with Māori	<p>Collaborate with Māori to identify priority outcomes, agree shared strategic objectives, and develop a way forward.</p> <p>Continue to work with the council whānau to optimise the governance fora for engaging with mana whenua across the council group.</p> <p>Support and develop initiatives which strengthen relationships with Māori, including engagement opportunities through governance forums and with kaitiaki. Include KPIs and appropriate measures to identify progress across the organisation in delivering positive outcomes for Māori.</p> <p>Reaffirm our commitment to Te Toa Takitini, the council's programme of Māori transformational activities.</p>	<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	<p>Understand and develop the spectrum of Māori commercial development opportunities available across the organisation.</p> <p>Collaborate with Māori to enable investment in commercial and housing opportunities.</p>	<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	<p>Facilitate Māori identity innovations through priority location and public realm projects.</p> <p>Assist the council to develop a plan for implementing Te Reo Policy in 2018-19 and foster Māori identity through initiatives such as naming new streets, laneways, buildings, signage, communications, art and landscaping. Placemaking will work from a kaupapa Māori foundation to deliver positive outcomes for Māori across the region.</p>	<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 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 2016/17	Annual Plan 2017/18	SOI Targets		
				2018/ 2019	2019/ 2020	2020/ 2021
Catalyse urban development and demonstrate business leadership						
Develop and activate town centres	1 Transform and Unlock location initiatives completed	Not available	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 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	New	New	Set baseline	Improve baseline	Improve baseline

Service Level Statement	Measure		Actual 2016/17	Annual Plan 2017/18	SOI Targets		
					2018/ 2019	2019/ 2020	2020/ 2021
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)	93%	75%	80% ¹	80%	80%
	4	Percentage of Aucklanders surveyed who have visited the city or town centres in the past year (LTP)	73%	73%	73%	73%	80%
	5	Percentage of customers surveyed satisfied overall with marina facilities and services (LTP)	93%	74%	88% ²	88%	88%
Facilitate effective engagement with Māori	6	Number of significant Māori initiatives implemented or active per annum (LTP)	48	47	50	52	54

Service Level Statement	Measure		Actual 2016/17	Annual Plan 2017/18	SOI Targets		
					2018/ 2019	2019/ 2020	2020/ 2021
	7	% Mana whenua groups satisfied with quality of engagement	25% of mana whenua survey respondents were satisfied with the quality of engagement, 42% of respondents were neither satisfied nor dissatisfied and 33% were dissatisfied. The small sample size makes it difficult to make a statistical finding. Satisfied respondents represents only 15% of the total survey sample (3 out of 19).	Maintain or Improve	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 regeneration combined)	341 opportunities have been identified and assessed.	At least 100 opportunities identified and assessed			

Service Level Statement	Measure		Actual 2016/17	Annual Plan 2017/18	SOI Targets		
					2018/ 2019	2019/ 2020	2020/ 2021
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 2017 is \$1.1 million ahead of budget (actual surplus of \$32.3 million against budget of \$31.2 million).	Net Surplus achieves budget for 2017/18	Net Surplus achieves budget for 2018/19	Net Surplus achieves budget for 2019/20	Net Surplus achieves budget for 2020/21
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 97.8% against the target of 95%.	The average of monthly % occupancy for the year is 95% or more.	The average of monthly % occupancy for the year is 95% ³ 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 3.1% against the 2.2% target.	Greater than or equal to 2.2%	Greater than or equal to 2.25%	Greater than or equal to 1.75%	Greater than or equal to 1.75%

Service Level Statement	Measure		Actual 2016/17	Annual Plan 2017/18	SOI Targets		
					2018/ 2019	2019/ 2020	2020/ 2021
Optimise return from assets	12	Return on Equity on commercial assets and services (LTP) at Waterfront.	12.7%	8.4%	4 8.25%	8.25%	8.25%
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>	A total of \$76.9 million worth of properties was recommended to council seeking approval to dispose for the 2016-17 financial period. The target of \$75 million has been exceeded.	A list of recommended properties with a total value agreed by the Board the prior year totalling \$60 million gross value will be submitted to Council seeking approval to dispose for 2017/18 financial period. A recommended for disposal target for 2018/19 will be agreed by the Board in the 2017/18 financial period.	<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 2020/21 will be agreed by the Board in the 2019/20 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 2020/21 financial period.</p> <p>A recommended for disposal target for 2021/22 will be agreed by the Board in the 2020/21 financial period.</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</i></p>	Achieved actual net sales of \$76.8 million for the financial year. The target of \$50 million has been exceeded.	<p>Meet or exceed financial forecast Property disposal target of \$100 million (net value of unconditional sales).</p> <p>Property disposal target (net value</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 \$24 million or achieve the 3 year LTP cumulative sales target of \$72m.</p>

Service Level Statement	Measure		Actual 2016/17	Annual Plan 2017/18	SOI Targets		
					2018/ 2019	2019/ 2020	2020/ 2021
		years)		of unconditional sales) for 2018/19 financial period will be agreed by the Board in 2017/18.			
Acquire properties	15	Acquisitions are delivered within the timeline agreed with Auckland Council.	96.5% of acquisitions are delivered within agreed timeline	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 city centre and town centres visitor satisfaction is set at 80% taking into account the potential adverse impact on visitors from disruption caused by projects such as road construction and building activities occurring.
- 2 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.
- 3 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.
- 4 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.
- 5 Key performance targets align with the 2018/28 LTP budgets.

7. SUMMARY OF FINANCIALS

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)

Operating budgets (\$million) ¹	Budget	Annual Plan	Projection	Projection
	2017/18	2018/19	2019/20	2020/21
Revenue	38.7	39.9	40.5	40.6
Direct expenditure	48.4	49.4	50.5	51.3
Net direct expenditure (income)	9.7	9.6	10	10.7

Capital expenditure

Expenditure (\$million)	Budget	Annual Plan	Projection	Projection
	2017/18	2018/19	2019/20	2020/21
Total capital expenditure	61.0	42.1	32	7
Sources of capital funding	61.0	42.1	32	7

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 and loans from Council.

Note: 1. These budgets are provisional numbers. They will be confirmed when the final LTP is approved by Council.

SOI Financial Overview

Commercial Portfolio (Managed on Behalf of Council)

Operating budgets (\$million)	Budget	Annual Plan	Projection	Projection
	2017/18	2018/19	2019/20	2020/21
Revenue	41.9	25.0	25.5	26.4
Direct expenditure	26.6	13.6	12.8	13.0
Net direct expenditure (income)	(15.3)	(11.4)	(12.7)	(13.4)

The above numbers do not include properties managed on behalf of Auckland Transport

Net direct expenditure by area

Expenditure (\$million)	Budget	Annual Plan	Projection	Projection
	2017/18	2018/19	2019/20	2020/21
Net direct expenditure (income)	(15.3)	(11.4)	(12.7)	(13.4)
Commercial portfolio	(15.3)	(11.4)	(12.7)	(13.4)

Capital expenditure

Expenditure (\$million)	Budget	Annual Plan	Projection	Projection
	2017/18	2018/19	2019/20	2020/21
Total capital expenditure	90.6	55.5	26.5	24.8
Sources of capital funding	90.6	55.5	26.5	24.8
Subsidies and grants	-	-	-	-
Auckland Council	28.7	31.5	2.5	0.8
Asset sales	61.9	24	24	24

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.

Detail Budgets

The following detail budgets will be included in the Final Panuku SOI once the LTP 2018-28 budgets are completed. These include:

- Development Budget
- Strategic Development Fund
- Other development budget
- Specific expenditure towards Māori outcomes and
- Cost of service

Other financial information

Current value of assets	The projected value of Panuku total assets as at: 30 June 2017: \$730 million	
Shareholder equity ratio	The projected shareholder equity ratio for Panuku as at: 30 June 2017: 93%	
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.	
Asset sales (\$ million)	2016/17 Actual	\$50m
	2017/18 Annual Plan	\$100.0m
	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.

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 given Council feedback on the draft CCO Accountability Policy. Panuku will adopt this policy once it is approved by Council.

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 (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 2018	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 2018	

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.