

21 December 2022

Paul Majurey
Chair
Eke Panuku Development Auckland

By email

Tēnā koe Paul

Letter of Expectation for Statement of Intent for 2023 - 2026

This letter of expectation sets out the council's priorities and expectations to inform the development of the draft Statement of Intent (SOI) 2023-2026 of Eke Panuku.

It sets out common expectations across all council-controlled organisations (CCOs), and expectations specific to Eke Panuku.

These expectations build on the workshop of the Governing Body held on 30 November 2022 and discussions with you as Eke Panuku Chair and with Chief Executive David Rankin.

The content of this letter was approved by the Governing Body on 15 December 2022, with delegation to myself and the Deputy Mayor to finalise and issue this letter of expectation.

The Governing Body also approved extensions of the statutory deadlines for the SOI process, as is allowed in the Local Government Act 2002, Schedule 8, section 4. This means the due dates for the process are:

- date of submission of the draft SOIs is on or before 1 April 2023
- date when the boards must have considered shareholder feedback is on or before 1 June 2023
- date for final submission of SOIs is on or before 31 July 2023.

Please liaise with CCO Governance staff about ensuring these dates can be met. Council will likely consider its shareholder feedback on draft SOIs at the CCO Direction and Oversight Committee meeting of 13 April 2023 or 11 May 2023.

Part 1. Expectations of all CCOs

Mayor's proposal for the 2023/24 annual budget

Auckland Council is currently facing a financial challenge related to a budget shortfall for the 2023/2024 financial year. The annual budget for the current financial year (2022/2023) included forward projections of \$90 million to \$150 million of operating cost pressures, however with the latest assessment of operating pressures we now estimate a shortfall of \$295 million.

As Mayor I have proposed items for consultation as part of the annual budget 2023/24 which at a high level include:

- a base budget package proposal based on the third year of the 10-year Budget 2021-2031, taking into account current economic conditions
- a package of further actions in addition to the base budget proposal to reduce operating cost pressures:
 - Auckland Council - \$60m in operational savings on top of an existing savings target of \$90m per year
 - Auckland Transport - \$25m of operational cost savings without making further cuts to public transport services
 - Tātaki Auckland Unlimited - \$25m of operational cost savings with a further \$2.5m by reducing some economic development and destination activity.
 - Eke Panuku - \$5m of operational cost savings from delaying capital investment, reducing the direct costs of undertaking urban regeneration and a look to deliver urban regeneration activity in a way that provides for local project governance.

Under the Mayor's proposal, the Expenditure Control and Procurement Committee will be asked to identify a further \$7.5 million from Auckland Transport, and \$5 million from Auckland Council and other CCOs, in operational cost savings.

I expect that the Eke Panuku draft SOI will be consistent with the relevant aspects of this Mayoral proposal for the 2023/24 annual budget.

General expectations

i) Concise SOIs with meaningful performance measures

Your 2023-2026 SOIs must enable proper accountability and direction of Eke Panuku.

I expect the Eke Panuku SOI to be concise and informative. This will enable the council and public to clearly understand your proposed activities, any proposed changes, and the proposed benefit and financial impact of your activities. Please avoid superfluous information and marketing.

I expect you to work with council to ensure your SOI includes clear, meaningful performance measures. I seek fewer measures in most cases, but they should provide useful information, measure what matters and be objectively quantifiable wherever possible.

ii) Be more transparent and accountable

I expect all entities in the Auckland Council group to be transparent in their approach to working with each other, the council and the community.

We require CCOs to abide by the expectations of the group as set out in the Statement of Expectations of substantive council-controlled organisations (July 2021), which includes:

- the relationship with the council as shareholder
- making operational decisions that are aligned with the council's expectations and strategic directions
- working within the Auckland Council's shared governance model and the decision making role of local boards
- delivering services effectively in a way that displays prudent use of resources and assets and provides value for money for Aucklanders.

The Mayor, Councillors and the council's Chief Executive are to receive timely, meaningful and candid information about the activities of the CCO, especially any matters that are potentially contentious or of high public interest. This includes frankly identifying options and risks and reporting more granular financial information for specific items as requested.

CCOs are expected to provide financial and other information that is broken down into significant activities, cost centres or assets according to the nature of the operation. For example, specific activities, events, facilities, or projects.

CCOs are expected to operate openly, including meeting in public wherever possible. This means only undertaking items in a confidential meeting where the requirements of the Local Government Official Information and Meetings Act 1987 are met.

Council staff, working with you and Councillor Chris Darby, Eke Panuku Lead Councillor will monitor and report on compliance with the above requirements on a quarterly basis.

Implement shared services

The use of shared services should be accelerated to eliminate duplication and deliver more efficiencies within the council group. By 2023/2034 arrangements should be implemented for ICT, insurance, fleet, corporate accommodation costs, HR, procurement, call centres and other "back office" functions that should be shared across the council group.

CCOs that procure relevant services outside the shared services model will be required to report to the Expenditure Control and Procurement Committee with reasons.

Part 2: Specific expectations of Eke Panuku

The council's key expectations of Eke Panuku are detailed below. In summary they are:

- deliver priority urban regeneration projects to ensure tangible public benefits and local ownership of the projects
- assist council with plans for port land
- management of non-service properties - improve commercial return, support council to develop principles governing its property ownership and assess the case for consolidating management of non-service properties/group property functions
- reduce corporate costs – become a smaller more focused agency

i) Deliver priority urban regeneration projects to ensure tangible public benefits and local ownership of the projects

Eke Panuku are to continue to deliver the priority urban regeneration projects agreed to by council.

As outlined above, the Mayoral budget proposal includes a \$5 million reduction in operating costs for Eke Panuku in 2023/2024. Eke Panuku's SOI should identify any changes required to its capex programme, including to the scale and speed of programmes agreed to. I expect Eke Panuku to evaluate which urban regeneration projects are the highest priority to progress. Projects that get implemented should have the greatest tangible benefits for ratepayers, provide value for money and have their deliverables clearly reported.

Eke Panuku and council need to continue to work together to define options for the future medium-long term urban regeneration programme, including how this is funded. This work will form part of decision-making in the next 10-year Budget process.

Objective performance measures are needed that capture public good and commercial development returns for these projects. Development results should be defined for each major

project in concrete terms. For example, a town centre project might aim a development result of net gain commercial GFA 4000m² and public realm (town square) 2000m². The results sought should be outlined in the Eke Panuku SOI Part 2 (Statement of Performance Expectation), along with capital milestones for each project.

Eke Panuku is to avoid activities that compete with private developers.

I request that Eke Panuku develop and report on a model for internal local project oversight groups for projects in priority locations. The aim is to enable better project oversight within Eke Panuku, as well as greater community involvement and more engagement with local experts in future urban regeneration programmes. Eke Panuku should consider the local project oversight groups having responsibility for the spend and performance of projects in the relevant priority location with reporting to local boards to continue.

Haumaru Housing is a joint venture between Auckland Council and the Selwyn Foundation that provides social rental housing to older people. Eke Panuku has delegated authority from Council to develop and grow the portfolio in line with direction provided by council. Eke Panuku should continue to work with council to consider future financing and development options and agree the next steps for the portfolio.

ii) Plans for port land

Eke Panuku are expected to work as part of a council-led team on conceptual plans for staging development of future use of POAL land as it is released from port purposes as part of a staged withdrawal of port related activity over 2024-2039. I want us to deliver to Auckland by 2039 the most beautiful and loved publicly owned waterfront of any harbour city in the world, and this is a first step.

iii) Management of non-service properties – improve commercial return, support council to develop principles governing its property ownership and assess the case for consolidating management of non-service properties / group property functions

Eke Panuku should include in its SOI 2023-2026 an intention to deliver an improved commercial return to Council from management of its non-service property portfolio.

As I outlined in my Mayoral proposal, council will be developing a set of strategic principles to underpin its asset ownership decisions. This will set out principles for buying, managing and selling property and identifying the objectives for the different classes of assets. Eke Panuku are requested to provide input into the principles, in particular as they relate to the non-service property portfolio that they currently manage.

I also expect Eke Panuku to work with Council to assess the case for bringing together council group property services, including Westhaven Marina. This would be to improve efficiency and effectiveness of the property services. Decision-making will go to council and any implementation would commence in 2024.

A comprehensive schedule of the Council's non-service property portfolio, as managed by Eke Panuku, needs to be provided by the end of 2023. Where Eke Panuku manages non-service property for other CCOs (such as AT and Watercare), this property should also be listed in the schedule and the management arrangements should be clearly indicated.

iv) Reducing corporate costs - become a smaller, more focused agency

Eke Panuku is required to achieve the savings set out in the Mayoral proposal. Given budget and programme reductions, it is anticipated that Eke Panuku will become a smaller, more focused agency. A reduction in organisational size and corporate spend will be expected by 1 July 2024.

Council looks forward to receiving a draft of the Eke Panuku Statement of Intent no later than 1 April 2023.

Staff are available to expand aspects of this letter if required. Please contact Alastair Cameron, Manager CCO Governance to discuss.

Ngā mihi



Wayne Brown
MAYOR OF AUCKLAND

Copy to:

Desley Simpson	Deputy Mayor
Councillor Wayne Walker	Chair CCO Direction and Oversight Committee
Councillor Shane Henderson	Deputy Chair CCO Direction and Oversight Committee
Councillor Chris Darby	Eke Panuku Development Auckland Lead Councillor
David Rankin	Chief Executive, Eke Panuku Development Auckland
Alastair Cameron	Manager CCO Governance and Oversight