

Panuku Development Auckland

Quarterly Report

Quarter ended 31 March 2017

CCO Governance and Monitoring Committee

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1. Executive summary

This report summarises the performance of Panuku Development Auckland in the third quarter of 2016/17.

Panuku has a clear programme of work in its major Transform and Unlock locations. A key focus moving forward will be on delivery of projects that can be delivered quickly on the ground. These are onsite, within our Transform and Unlock areas but also in the Support category.

Support projects have contributed over \$20 million to the asset disposal target this year.

This quarter saw an important development agreement signed for a significant site in Hobsonville. This project will deliver over 500 residential units for Auckland.

Panuku is making good progress to achieving its key performance indicators, as outlined in Section 8 of this report.

Financially, Panuku's net surplus is in line with budget and capital expenditure is forecast to be below budget. More explanation of the financial performance is provided in Section 7 of this report.

2. Strategic issues and focus areas

Good progress is being made in Panuku's Transform and Unlock locations, with a number of plans being approved by the Council. These form a basis for project implementation.

Funding for projects will become a priority issue for Panuku. In Transform locations, proceeds from sales will be reinvested to fund regeneration. There is a need to invest in public amenity in selected Unlock locations as well to help create more appealing residential precincts. Panuku will present further reinvestment and funding proposals as part of the LTP process.

Coordination of activity across Council agencies is another strategic challenge. Panuku is dependent on other Council agencies to fund and deliver projects that support its regeneration goals. Integrating plans, coordinating work, and ensuring on-time delivery of infrastructure works across the Council family is an ongoing challenge for Panuku.

3. Recent highlights

- Following Sir John Wells resignation from the Panuku Board in November 2016, Dr Susan Macken has stepped up to be the Deputy Chair.
- Panuku has improved the transparency of its decisions to the public. Members of the public can now attend and present to the monthly Board meetings. Wherever possible, Board papers are publicly available. The commercial nature of Panuku's work means that a lot of information needs to be confidential, and Panuku is ensuring it is clear about the section of the Local Government Official Information and Meetings Act that it is using to withhold confidential information.
- Significant progress has been made planning in Transform and Unlock locations around Auckland:
 - Transform Manukau: the Framework Plan, which builds on the High Level Project Plan to provide a more comprehensive plan for regeneration (to site level) has been completed and the business case for development is being prepared. In mid-late 2017, sites for development will begin to be released to the market, and public infrastructure projects will commence.
 - Transform Wynyard Quarter: a refresh of the Waterfront Plan is being done in conjunction with the City Centre masterplan update. This will set down the development pathway moving forward, including residential and commercial development, public space development, and public transport integration. In March, the Pakenham Street section of the Madden and Pakenham Streets upgrade was completed.
 - Transform Onehunga: The Onehunga High Level Project Plan was presented to Council's Planning Committee in March. The strategic acquisition of a property in the town centre was completed to enable the redevelopment of adjoining sites.
 - Transform Tamaki: Auckland Transport will transfer surplus sites for Panuku / Tamaki Regeneration Company to develop after undertaking a town centre plan.
 - Unlock Henderson: the High Level Project Plan was approved by the Planning Committee in May, outlining a regeneration plan that will make Henderson an *eco-precinct*.
 - Unlock Northcote: a Framework Plan for Northcote has been developed, which outlines significant regeneration of the town centre and supports the redevelopment of Housing New Zealand properties alongside Council-owned properties.
 - Unlock Old Papatoetoe: Supporting the redevelopment of the Papatoetoe Mall, a High Level Project Plan has been developed that will regenerate the town centre to provide mixed use development and a more vibrant retail environment.
 - Unlock Takapuna: Panuku has been working closely with Auckland Transport (AT) and the Devonport Takapuna Local Board on community engagement regarding plans for the centre and particularly AT's plans to upgrade Hurstmere Road. An iterative stakeholder engagement process was

started late 2016 to seek balanced views to help shape initial planning and design thinking.

- Support projects have contributed over \$20 million to the asset disposal target in the year to date. A number of sites in Support areas have been targeted for acquisition using the Strategic Development Fund with particular success in Avondale which has recently been nominated an Unlock location. The following are some of the key projects within Support areas:
 - The recent sale of 28 residential units at 150 Mt Wellington Highway, Mount Wellington that the purchaser intends to refurbish either to sell or lease.
 - Earlier this year a 5000 sqm vacant site at 96 St Georges Road, Avondale was sold to Housing New Zealand which they combined with their own properties to enable the development of 103 residential dwellings. Construction will start before the end of this year.
 - 24-26 Racecourse Parade, Avondale is a site sold to Ockham Development last year and they are well into the construction of three apartment blocks delivering 72 units with a targeted completion at the end of this year.
 - The New Zealand Housing Corporation is well into the construction of 33 dwellings at a site at 1 Trent Street, Avondale.
 - Lot 1, 187 Flat Bush School Road, Flat Bush is a 2 hectare site that was sold in December to Neil Construction to deliver a 30 lot residential sub-division and associated housing.
- A development agreement has been signed with Avanda Group to develop a 9.9ha site at the Hobsonville Airfields, which will see 500 homes of mixed typology constructed.
- The joint venture business between Council and the Selwyn Foundation to manage the Housing for Older People (HfOP) portfolio has been established and named Haumarū Housing. Haumarū Housing was successful in becoming a Class 1 Registered Landlord with the Community Housing Regulatory Authority. Panuku has submitted a resource consent application to begin the first development of the HfOP portfolio at Wilsher Village in Henderson.
- Marketing and pre-sales of apartments for the CAB residential building by Tawera Group is going well, following the signing of the development agreement with Panuku in December 2016.
- The Muriwai Campground was reopened in February following a complete redevelopment of the office, communal kitchen, shower and toilet blocks and laundry.
- The waterfront summer programme was a hit, with over 115,000 people attending Auckland Anniversary events organised by the Council family.
- A nine year lease for Panuku's new offices at 82 Wyndham Street was signed, and Panuku will move into the offices later this year. The decision to move was assessed


against Panuku remaining in its current offices. Moving is cost effective, allows for more fit-for-purpose accommodation, and will be more centrally located.






4. Future outlook





- The resource consent for the development of Wisher Village in Henderson (as part of the Housing for Older People portfolio) is expected in June. This means that the development can be put to market from July 2017. There will be 40 HfOP units with significantly more housing enabled on the balance of the site.
- Stage one of the refurbishment of Old Papatoetoe Mall is due for completion in September 2017.
- From 1 July 2017, the management of Shed 10 and The Cloud on Queens Wharf will transfer to Regional Facilities Auckland. Panuku is working closely with RFA to ensure a seamless transfer.
- Queens Wharf hosted the fanzones for the Masters Games in April with great success. It will also host the Lions Tour in July.

5. Key deliverables

The key projects currently being delivered are:

| Deliverable | \$'000 YTD CAPEX/ OPEX Actual | Completed/ carry over to next quarter/ deferred | Status | Comments |
|----------------------------|---|---|---|--|
| TRANSFORM | | | | |
| <i>Transform Manukau –</i> | \$1,059k (OPEX) | carry over to next quarter |  | <ul style="list-style-type: none"> • The Manukau Framework Plan was endorsed by Councillors in March 2017 and has been released to the public via Panuku’s website. |
| Barrowcliffe Place | \$229k (CAPEX) | | | <ul style="list-style-type: none"> • Panuku is undertaking market testing of the Barrowcliffe Place site in order to optimise a residential project with affordable housing can be delivered. |

| | | | | |
|---|-----------------|----------------------------|---|---|
| Transform Onehunga | \$451k (OPEX) | carry over to next quarter |  | <ul style="list-style-type: none"> The Onehunga High Level Project Plan was endorsed by Council's Planning Committee in March 2017. The acquisition of a strategic site in the town centre was completed in Feb 17 to enable the redevelopment of adjoining sites. |
| Transform Wynyard Quarter – (Public Project) Madden & Pakenham St Upgrade | \$6,204 (CAPEX) | carry over to next quarter |  | <ul style="list-style-type: none"> Pakenham Street has been completed and was opened 3 April 2017. An opening event was held for the project team and adjacent tenants and residents. The final stretch of Madden Street works commenced in April. |
| Westhaven Marine Centre | \$ 6k (CAPEX) | carry over to next quarter |  | <ul style="list-style-type: none"> Concept leasing designs have been completed and leasing discussions have commenced. Marinas and property management are leading the leasing with input from development. |
| Hobson Wharf remediation | \$ 802k (CAPEX) | carry over to next quarter |  | <ul style="list-style-type: none"> Stage 1 repairs to the concrete beams and piles of the Hobson Wharf completed. The work has recommenced in April 2017 including the Te Wero Wharf variation. |
| UNLOCK | | | | |
| Takapuna – Gasometer Site, Northcroft St. and 40 Anzac St. | \$408k (OPEX) | carry over to next quarter |  | <ul style="list-style-type: none"> The Panuku Board on 29 March 2017 received a presentation from petitioners objecting to the sale of this site. Panuku is committed to extensive community and stakeholder engagement to ensure that the Anzac car park site can be optimised to reflect the centre's intended metropolitan centre status. Discussions with Auckland Transport are proceeding well in terms of planning future parking provision for the centre and unlocking land for |

| | | | | |
|---|-------------------|----------------------------|---|---|
| | | | | other uses. |
| The Airfields, Hobsonville Point | \$11,239k (CAPEX) | carry over to next quarter |  | <ul style="list-style-type: none"> A conditional development agreement for the Airfields Residential Mega Lots 2, 3, 4 has been signed with the Avanda Group and will settle later this year on receiving the title. The construction of the first stage of the roading network for residential Mega Lot 1 continues. The project team are currently in the process of vesting new roading networks to enable subdivision. |
| Northcote Town Centre | \$746k (OPEX) | carry over to next quarter |  | <ul style="list-style-type: none"> Negotiations for the acquisition of strategic leasehold properties in the town centre is underway. |
| Ormiston Town Centre <i>(Partner: Todd Property)</i> | \$93k (CAPEX) | carry over to next quarter |  | <p>Ormiston Town Centre</p> <ul style="list-style-type: none"> Construction of residential Blocks A & B are continuing. Stormwater ponds completed Feb 17. <p>66 Flat Bush School Rd</p> <ul style="list-style-type: none"> The masterplan has been approved. Resource consent for stage one lodged. |
| Papatoetoe Town Centre | \$591k (CAPEX) | carry over to next quarter |  | <ul style="list-style-type: none"> The Old Papatoetoe High Level Project Plan was approved by the Panuku Board in March 2017. <p>Shopping Mall</p> <ul style="list-style-type: none"> Construction is continuing on the Old Papatoetoe mall refurbishment with demolition of selected buildings completed and foundations for the extended retail shops being poured. The work will be undertaken in two stages for a total duration of 12 months. <p>Supermarket</p> <ul style="list-style-type: none"> The sale of the supermarket site was completed in April 2017. The car park works are targeted to start in June 2017 on a staged basis so as not to inconvenience patrons of this public car park. |

| | | | | |
|--|--|--|--|--|
| | | | | <p>Tavern Lane</p> <ul style="list-style-type: none"> The site was marketed through a tender process. No acceptable Tenders have been received to date. Discussions with interested parties are continuing. |
|--|--|--|--|--|

5.1 Key deliverables for next quarter

| Deliverable | Comments |
|---|---|
| TRANSFORM | |
| <i>Transform Manukau</i> | <ul style="list-style-type: none"> Four Manukau commercial sites are targeted for release to the market in mid to late 2017. The Hayman Park Playground project in conjunction with Parks is planned to begin construction in late 2017. |
| <i>Transform Onehunga</i> | <ul style="list-style-type: none"> Terms have been amended in the draft Memorandum of Understanding (MOU) with NZTA. Now awaiting a revised version. Securing stage 1 of the potential Onehunga Wharf acquisition is targeted for early 2018 Continuing progress on the framework plan and the implementation plan. |
| <i>Transform Wynyard Quarter - Madden & Pakenham Street Upgrade</i> | <ul style="list-style-type: none"> Madden Street targeted for completion Sept 17. |
| Westhaven Marine Centre | <ul style="list-style-type: none"> Continue with the marketing programme to secure tenants and report back at the conclusion of marketing. |
| Hobson Wharf remediation | <ul style="list-style-type: none"> Completion date is estimated to be July 2018. The work will stop again for summer 2017 in December to reduce disruption to surrounding areas. |
| UNLOCK | |
| <i>Takapuna – Gasometer, Northcroft St. and 40 Anzac St</i> | <ul style="list-style-type: none"> Panuku is working closely with AT to construct a standalone car park on part of the Gasometer site. The balance of the Gasometer site is planned to be taken to the market in Oct 17. The sale proceeds will assist in funding the car park construction. Planning and consultation for the future form of development on the Anzac St site, including the enhanced linkages to Hurstmere Road, will continue |

| | |
|---|---|
| | <p>through 2017/18.</p> <ul style="list-style-type: none"> Initial development of the Hurstmere Road properties is planned to commence in 2018/19. Any development on the Anzac car park site can take place once the car parking is relocated. |
| The Airfields, Hobsonville Point | <ul style="list-style-type: none"> Continue construction of key roading infrastructure networks to enable further subdivision and marketing of the next stage. |
| Ormiston Town Centre <i>(Partner: Todd Property)</i> | <ul style="list-style-type: none"> Blocks FJ Retail and infrastructure estimated to commence Aug 17. 66 Flatbush Road – awaiting issue of resource consent for stage one |
| Papatoetoe Town Centre | <ul style="list-style-type: none"> Shopping mall – continue Papatoetoe Mall refurbishment , with Stage 1 to be completed September 2017; and Stage 2 March 2018. Supermarket – commence car park works next quarter. Tavern Lane – continue marketing for a purchaser / developer. |

6. Development budget and Strategic Development Fund

6.1 Development budget

In 2014/15 Council approved a \$5m annual budget (before deferrals) sourced from property sale proceeds to cover investigatory activities and value-adding capital works on properties prior to development or sale. The 2016/17 budget has been split between \$5.6m for operational expenditure (includes inflation) and \$3.6m for capital expenditure.

| \$000 | Full year Budget | Forecast | *Committed to projects | Actual Expenditure | |
|-----------------------------------|------------------|----------|------------------------|--------------------|-------|
| Development Expenditure | | | | | RAG * |
| Development capital expenditure | 3,644 | 3,134 | 3,154 | 1,845 | |
| Development operating expenditure | 5,616 | 5,400 | 6,174 | 3,326 | |

The committed capital expenditure relates to value add activities for 23 projects. These include site decontamination, building demolition, subdivision, preliminary design, vendor due diligence and infrastructure such as water reticulation.

Committed operating expenditure to date relates to 26 projects and includes High Level Project Plans and Framework plans work which is not capitalisable.

6.2 Strategic Development Fund

| \$000 | Full year Budget | Actual YTD | Comments | |
|-----------------------------------|------------------|------------|---|-------|
| Strategic Development Fund | | | | RAG * |
| Development capital expenditure | 24,358 | 13,040 | The Panuku Board approved the acquisition of a strategic site in Avondale that will contribute to the activation of the area and support regeneration of the town centre. | |

The Strategic Development Fund is available for land acquisition and capital improvements for sites which will benefit from short to medium term investment and return both financial and non-financial outcomes.

7. Financial performance

The following tables and section provides an overall financial summary covering all Panuku Development Auckland's activities.

7.1 Operational

For the quarter ended 31 March 2017

| \$'m | Budget YTD | Actuals YTD | Variance YTD | Full year budget | Full year forecast | Variance |
|------------------------------------|------------|-------------|--------------|------------------|--------------------|----------|
| Operational | | | | | | RAG* |
| Revenue/External funding | 28.4 | 43.1 | 14.7 | 37.8 | 52.2 | 14.4 |
| AC funding | 27.7 | 19.7 | (8.0) | 37.0 | 29.8 | (7.2) |
| Expenditure excluding depreciation | 38.7 | 32.9 | 5.8 | 51.9 | 48.4 | 3.5 |
| Fair value decrease | | | | | | |

| | | | | | | |
|--|-----|------|------|------|------|------|
| / (increase) on investment property | | | | | | |
| Depreciation | 8.4 | 6.5 | 1.9 | 11.2 | 11.0 | 0.2 |
| Tax | | | | | | |
| Net Surplus/(Deficit) After Tax | 9.0 | 23.4 | 14.4 | 11.7 | 22.6 | 10.9 |

*RAG Status:

- Green** - Performance on target or better
- Amber** - Target may not be met, corrective action taken
- Red** - Target may not be met, action required

The Net Surplus After Tax is \$14.4m higher than budget at the end of the third quarter.

Revenue and External funding is \$14.7m ahead of budget due to the following;

- a. \$12.5m increase in value of investment properties
- b. \$0.5m in additional interest revenue, received from Fu Wah as interest on the hotel lease prepayment, which is scheduled for payment after practical completion of the construction project. Interest will continue to be charged and the forecast reflects \$0.7m of additional income in year.
- c. \$0.9m in additional car parking revenue
- d. \$0.3m in utility and rates recharges
- e. \$0.4m additional revenue from Wynyard Wharf fees
- f. \$0.3m additional event income from Queens Wharf
- g. \$0.1m received from EECA for sustainability projects, and
- h. \$0.8m in additional berthage revenue, through greater occupancy at Westhaven, Viaduct and Silo Marinas.
- i. Offset by \$1.1m less recharges for property acquisitions as we have acquired less properties than budgeted.

AC funding is (\$8.0m) unfavourable compared to budget. This is due to a number of capital projects being behind budget resulting in a slower than anticipated draw down of funding from Council.

Expenditure excluding depreciation is \$5.8m favourable compared to phased budget due to the following;

- a. \$0.4m permanent saving in rates expense as a number of sites within the Wynyard Quarter have been turned over to our development partners and they are now responsible for rates.
- b. \$1.6m permanent saving in interest expense as there was less debt drawn in the FY15/16 year, and thus ongoing interest costs are less than budgeted.
- c. \$0.9m permanent saving in consultants cost in relation to the acquisition and disposal of properties on behalf of Auckland Council.

- d. \$0.6m saving in people costs, we are currently recruiting for a number of vacant positions.
- e. \$0.9m timing difference in repairs and maintenance costs.
- f. The \$1.4m remaining is a timing difference over a number of expense categories and should be corrected by year end.

Depreciation is \$1.9m favourable compared to budget, this is due to slower than anticipated capitalisation of assets from both the prior and current years. This is a timing difference and should mostly correct by year end.

7.2 Capital

For the quarter ended 31 March 2017

| \$'m | Budget YTD | Actuals YTD | Variance YTD | Full year budget | Full year forecast | Variance |
|-------------------------|------------|-------------|--------------|------------------|--------------------|----------|
| Capital | | | | | | |
| Expenditure | 31.9 | 13.1 | 18.8 | 49.3 | 30.5 | 18.8 |
| AC funding | 15.7 | 7.8 | 7.9 | 21.1 | 13.9 | 7.2 |
| External funding | 16.2 | 5.3 | 10.9 | 28.2 | 16.6 | 11.6 |




Year to date capital spend is \$18.8m behind phased budget due to the following:



- a. AC Funded spend is \$7.9m behind phased budget, the major AC Funded (Public) project underway is the Madden and Pakenham street upgrade. This project started in August 2015 and it is expected to be completed in September 2017, there has been a \$2.8m permanent difference in timing of project cost this year. Including \$2.0m timing difference in Public Space Renewals, there are also a number of projects that are starting in quarter 4 and \$1.0m of this budget is expected to be utilised this year. There are a number of other projects that have been delayed in starting and due to timing, a potential savings in year of \$7.2m has been forecast.
- b. External funded/commercial projects \$10.9m saving to phased budget. \$4.2m in decontamination of the Wynyard central sites (Willis Bond and Precinct), these payments are made when requested by the developer and depend on the construction progress on their sites, we expect the total payments in year to be \$1.0m less than budget by the end of the year. There are a number of other capital projects that have timing differences to phased budget, \$0.4m for the Marina Pile Redevelopment as there has been delays in obtaining resource consent, construction in this project is not expected to start until FY17/18 and a \$5.2m saving in year is forecast. \$0.6m Westhaven Marine Village, this project is still in the design stage with construction expected to start FY17/18 and a

forecast \$4.6m saving in year. \$2.9m Superyacht/Site 18, this is a timing difference and is expected to correct by year end.

8. Key performance measures

The table below shows the result of Panuku's SOI performance measures for the quarter.

| Measure | Year-end target | Achieved? (RAG Status) | Last Actual |
|--|--|--|---|
| <p>1. Property Portfolio Net Surplus</p> <p>The net surplus on the property portfolio achieves the annual budget agreed with Council.</p> | Net Surplus achieves budget for 2016/17 |  | Net surplus on the property portfolio is \$23 million, \$1.1 million above YTD budget as at 31 March 2017. |
| <p>2. Occupancy percentage</p> <p>For those properties available for rent:</p> <p>The rolling average over a 12 month period, of % occupancy at each month end (LTP).</p> | The average of monthly % occupancy for the year is 95% or more. |  | The average monthly occupancy percentage for the quarter is 97.6%. |
| <p>3. Recommended Property Disposals</p> <p>Stakeholder input is obtained prior to Council Committee approval for disposal being sought.</p> <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>A list of recommended properties totalling \$75 million gross value will be submitted to Council seeking approval to dispose for 2016/17 financial period.</p> <p>A recommended target for 2017/18 will be agreed with Council in the 2016/17 financial period.</p> |  | Properties to the value of \$51.4 million have been recommended to the governing body to date against this year's target. |

| Measure | Year-end target | Achieved? (RAG Status) | Last Actual |
|---|---|--|--|
| <p>4. Net Property Sales</p> <p>Achieve total forecast net sales for the financial year.</p> | <p>Meet or exceed financial forecasts</p> <p>Property disposal target of \$50 million (net value of unconditional sales).</p> <p>Property disposal target (net value of unconditional sales) for 2017/18 financial period will be agreed with Council in 2016/17.</p> |  | <p>Net property sales of \$70 million have been achieved to date against the target.</p> |
| <p>5. Development Opportunities</p> <p>Written evidence that opportunities have been identified and assessed, to be progressed or not. (Housing and urban regeneration combined)</p> | <p>At least 50 opportunities identified and assessed</p> |  | <p>121 opportunities have been assessed to date.</p> |

9. Annual performance measures

The table below details Panuku's other SOI performance measures that are reported annually at the end of the financial period.

| Measure | Year-end target | Last Actual |
|--|--|---------------|
| Rolling HLPP programme – approved by Board | The quarterly rolling HLPP programme is approved by the Board. | Annual Target |
| Implementation process Transform/Unlock projects are completed as planned. (Master Programme to the Board) | Number of significant Master programme deliverables completed | Annual Target |

| Measure | Year-end target | Last Actual |
|--|--|---------------|
| | within the Board approved timeline. [Reported through the Master programme] | |
| Percentage of visitors surveyed satisfied with their experience of the public spaces on the city centre waterfront (LTP) | 75% | Annual Target |
| Percentage of Aucklanders surveyed who have visited the city centre waterfront in the past year (LTP) | 73% | Annual Target |
| Percentage of attendees surveyed satisfied with key Waterfront place programmes and activities | 84% | Annual Target |
| Number of significant Māori initiatives implemented per annum (LTP) | 47 | Annual Target |
| Percentage of customers surveyed satisfied overall with marina facilities and services (LTP) | 74% | Annual Target |
| Percentage % of mana whenua and mataawaka satisfied with quality of engagement | Maintain or improve baseline established in 2016 | Annual Target |
| Improvement in gross rental income on those properties that are available for rent and have been held in the portfolio for at least two years prior to the end of the reporting period. | The annualised % movement in gross rental income of properties with rent reviews during the financial period is equal to or greater than the CPI movement. | Annual Target |
| ROI on properties on a like for like basis (LTP) Maintain or improve the baseline established at the end of the 2012/13 financial year Panuku is committed to continuously review and improve the ROI target over the term of the SOI. | Greater than or equal to 2.2% | Annual Target |
| Return on Equity on commercial assets and services (LTP) | 8.4% | Annual Target |

| Measure | Year-end target | Last Actual |
|--|---|---------------|
| Acquisitions are delivered within the timeline agreed with AC and AT. | 75% satisfaction against agreed service performance measure | Annual Target |
| Development Agreements | Three year target Twenty six development agreements with third parties including community housing organisations to be entered into. (for the period 2016 - 2018) | Annual Target |
| Development Agreements | Three year target Fifteen development agreements with third parties including community housing organisations to be entered into. (for the period 2017- 2019) | Annual Target |
| On completion, the project achieves the financial and non-financial outturn in the business cases. | All projects completed this year achieve business case financial and non-financial outturn. | Annual Target |

10. Contribution to Māori outcomes

The table below shows Panuku's progress on SOI projects and initiatives contributing to Māori outcomes.

| Key project and initiatives | Description | Progress |
|--|--|--|
| Achieving better outcomes for and with Māori | Implement the Panuku Māori Responsiveness Plan (MRP) that focuses on achieving better outcomes for and with Māori. Panuku will be responsive to both | The Māori Responsiveness Plan puts structure to work-stream ownership, priority actions and reporting for activities underway across the business. Critical to this is a continued |

| Key project and initiatives | Description | Progress |
|---|---|--|
| | <p>mana whenua and other Māori in giving effect to the MRP.</p> <p>Continued input to Te Toa Takitini (led by Te Waka Angamua) where Panuku can contribute to delivery of priority projects.</p> | <p>focus on ensuring a comprehensive approach that is embedded business-wide.</p> <p>Current implementation priorities under the Māori Responsiveness Plan are the Transform, Unlock and Support projects, commercial opportunities and placemaking.</p> |
| <p>Mana whenua Engagement Forum establishment</p> | <p>Manage a robust inclusive monthly mana whenua Forum to enable relationship with Panuku and facilitate input to Panuku projects.</p> <p>Identify mana whenua interested in Panuku projects and facilitate input.</p> <p>Coordinate efficient engagement with Council family to streamline engagement with mana whenua and other Māori.</p> <p>Continue to share information with the Independent Māori Statutory Board (IMSB). Panuku will contribute information required for Te Tiriti Audit and will take account of IMSB's Schedule of Issues of Significance, The Māori Plan and the suite of statutory provisions relevant to our activities.</p> | <p>Panuku continues to engage with Mana Whenua at a governance level every two months through the Panuku Mana Whenua Governance Forum, and every 6 months through the rangatira ki rangatira hui with the Panuku board members. At an operational level, kaitiaki representatives continue to provide direction and influence the development of HLPP and Framework Plans through the project working groups.</p> <p>The February forum endorsed the content for the Henderson HLPP and the adoption of the Waterfront Goals. Other items discussed were commercial opportunities, project naming and the upcoming rangatira ki rangatira hui.</p> |
| <p>Māori Development Opportunities</p> | <p>Engagement with mana whenua and other Māori organisations on commercial and housing developments, partnering opportunities in urban redevelopment projects and opportunities to purchase properties surplus to council requirements.</p> <p>Explore any means to improve the coordination and efficient</p> | <p>Discussions are continuing on the Barrowcliffe development regarding their interest and expectations of their role in the proposal through a consortium approach. Mana Whenua have signalled interest in other development opportunities and there is scope for these to progress further. Mana Whenua have recently raised an alternative approach to development opportunities which will be worked</p> |

| Key project and initiatives | Description | Progress |
|--|--|--|
| | <p>engagement with mana whenua and other Māori organisations around potential disposal properties and properties that may become available for development.</p> | <p>through.</p> <p>Panuku is progressing work on understanding the full scope of potential commercial opportunities available across the business with a focus on development, leasing, procurement and disposal.</p> |
| <p>Recognition and celebration of Māori cultural values and heritage</p> | <p>Panuku will facilitate cultural expression opportunities through Te Aranga Design application in early planning in Transform and selected Unlock locations. This work flows down to implementation of cultural expression opportunities in public realm projects.</p> <p>Māori identity will be recognised through promotion of te reo Māori such as naming new streets, laneways, buildings, signage, other communications, art and landscaping.</p> <p>Placemaking will support Māori-focussed events at the waterfront and other selected locations.</p> | <p>Implementation of Project Charters for High Level Project Plan and Framework Plan mana whenua engagement is providing anchoring material to contribute to our delivery of recognition of Maori cultural value and associations in Panuku projects and place-activation programmes.</p> <p>This process is streamlining mana whenua conversations, providing structure to gaining content more effectively and efficiently, with strong and clear buy-in at the outset.</p> <p>Recommended content for the Henderson HLPP was confirmed in February.</p> <p>Implementation level work continues in Wynyard Central. Mana whenua artist design work is bringing strong contemporary Maori design into the Innovation Precinct. Concepts support a theme also expressed through anchoring naming in the central lane 'Tiramarama Way'.</p> |

| Initiative | How it contributes to Maori outcomes | Spend to date \$000 | Forecast total spend \$000 |
|-----------------------------------|--|---------------------|----------------------------|
| Maori engagement | Improves public space and activities through input from Iwi | \$93 | \$ 92 |
| Maori technical/specialist advice | Ensures that public spaces and developments respect and reflect Maori culture and history. | \$182 | \$ 327 |
| Development Projects | Maori related expenditure spent on Panuku's development projects | \$150 | |
| Maori koha | | \$ 2 | \$ 5 |

11. Key Local Board issues

Local Board Plans

The Engagement Team has been working with the Local Boards in our Priority Location areas since January to make sure that we are proactively involved in the Local Board Plan process. Our involvement means we have been able to identify shared outcomes through discussions on Panuku activity and the priorities Local Boards want to see reflected in their plans. Early and informed involvement in the development of the plans means that LTP requests from Panuku to Council take into account the projects that are already about to be funded by local boards and therefore don't need to be funded by Panuku. Proactive involvement has also meant we can influence the content in the only strategic planning exercise boards are required to carry out that in turn, informs their decision making for the next three years. The output from this work is significant. The results vary from support locations identifying that Panuku, AT and the local board will work together to design holistic outcomes for transport, development and community facilities to realise town centre aspirations through to some plans that identify our key moves as a key move in their draft plans.

Terms of Reference

Our commitment to work in a no surprises, collaborative way with Local Boards continues. To this end we have looked to develop individual Terms of Reference agreements with local boards in a number of our priority location areas. Work towards this outcome has occurred over the past nine months in collaboration between Local Board staff, elected members, and Panuku staff. Each party has realised, through the previous local boards, and then again by new local board members, what best practice engagement between Panuku and the Local Boards will be like through the life of the project. This is not a document to replace any mandated roles or responsibilities prescribed by the governing body, they are rather, self-governing guidelines for working in a transparent, respectful and collaborative way.

Terms of Reference have been workshoped with two Transform location local boards so far and subsequently gained approval at local board meetings with one local board noting that the agreement was the 'kick off' of their local board planning process and that they are

pleased to set the precedence for other boards. Terms of Reference are in development for two more project locations. Panuku project teams now look to confirm these approved Terms of Reference and to bring them to life by way of regular and ongoing communications and joint planning. This approach will lead to positive community outcomes as Panuku, and the local boards, plan for community in a holistic way and with a joined up approach.

Transform/Unlock Development Locations

The Framework Plan for Transform Manukau has been released and was well received. Panuku and the Local Board jointly hosted Councillors and the Mayor in the project area to launch the plan. This was followed by similar sessions with key stakeholders and across council family.

The Onehunga HLPP was approved by Planning Committee last month. The Local Board Chair was present at the session to lend her support to the plan. The high standard of Panuku engagement with the local board, council and community was noted several times during the meeting. The East West Link remains a hot topic in Onehunga. Panuku has been facilitating mitigation discussions with local boards, community representatives and council to enable best outcomes.

The Takapuna Unlock team has recently concluded initial stages of our comprehensive community engagement plan with key decision-makers and community stakeholders in Takapuna. We met with diverse representatives from across the community, and with our council cousins also interviewed over 250 visitors and users of Takapuna centre. Our aim was to not only create a better understanding of the proposed development plans and social outcomes among stakeholder groups, but ensure the local board heard from a broad range of members from their community to counter the noise of highly motivated action groups. Much of the feedback received was supportive of the development plans for Takapuna, and a desire for improved public realm, safety and connections across the centre were expressed. Despite their involvement and contribution into the process, the project continues to face scrutiny from Local Board members. Feedback has since been analysed and considered in the design thinking for Takapuna's Framework Plan to be signed off by the Panuku board mid-year. We continue to commit to a collaborative process with the local board and other key council projects in the area.

The Panuku Board signed off Northcote's Framework plan in November 2016 with support from the local board, thrusting the project into implementation phase and in March 2017 the board approved the programme business case. Unlock Northcote continues to work closely with project partners (HLC, HNZ, and Auckland Council departments) to deliver the best possible outcomes for Northcote. Having recently completed a series of 'systems thinking' community workshops, wider engagement is now underway for the Blue-Greenway, a key feature of the overall redevelopment story for Northcote. The potential for this project continues to be strengthened by the ongoing support of the Kaipātiki Local Board and local community leaders.

12. Risk management

Panuku has a comprehensive risk management framework based on AS/NZS ISO 31000: 2009 Risk Management Standard. This provides a structured approach to identifying and managing uncertainties relating to achievement of its objectives. Some of the key risk activities and processes include:

- The Board and Senior Leadership Team reviewing key organisation risks on a monthly basis
- Board subcommittees and groups that provides direction on risk management or key risk areas such as the Audit and Risk Committee and Health and Safety Advisory Group
- Policies that provide guidance and direction to the management of organisation risks such as the H&S Policy and Conflict of Interest Policy and Protocol
- A thorough internal decision-making process that involves risk assessments, for example business case proposals supported by cost benefits analysis
- Special reviews such as due diligence on financial viability of development partners
- Real time reviews, internal audit programme and other activities providing assurance on the effectiveness of controls for managing risks
- An annual independent audit completed by Audit New Zealand.

Current significant risks to the company are:

- Pipeline of sites for future development
- Funding for significant Transform and Unlock projects
- Health and Safety of public and workers across our areas of control
- Integrated planning across Council group
- Impact on property maintenance service due to Council's change to new maintenance service providers and supporting systems.

To achieve shareholder outcomes, Panuku will continue to take and manage risks in a calculated and responsible way.