

21 December 2022

Jannah Wootten  
Acting Chair  
Tātaki Auckland Unlimited

***By email***

Tēnā koe Jannah

**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 Tātaki Auckland Unlimited (Tātaki).

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

These expectations build on the workshop of the Governing Body held on 30 November 2022 and discussions with you as Tātaki Acting Chair and with Chief Executive Nick Hill. 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 Tātaki 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 Tātaki.

I expect the Tātaki 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 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 Henderson, Tātaki Lead Councillor will monitor and report on compliance with the above requirements on a quarterly basis.

### **iii) 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. Key expectations of Tātaki**

In summary, the Council's key expectations of Tātaki are:

- deliver a plan for a single operator for Auckland's four main stadiums by 1 July 2023
- make progress on integrating Auckland's cultural institutions
- focus on key events and facilities that are highly valued by Aucklanders, rather than branding and economic development
- reduce Tātaki Auckland Unlimited's reliance on council rates-based funding

### **i) Deliver a plan for a single operator for Auckland's four main stadiums by 1 July 2023**

Tātaki has already progressed a business case for the development of a single stadium operator model for Auckland's four stadiums - Council-owned Mt Smart Stadium, North Harbour Stadium and Western Springs Stadium plus independent Eden Park.

The Council now regards adoption of a single stadium management model as imperative: Auckland faces substantial refurbishment costs for Mt Smart and Western Springs. Eden Park Trust has a \$54m loan facility with council and through the 2022/23 Annual Budget submission process requested a total of \$62.8m grant funding over ten years.

By 1 July 2023 Tātaki should deliver a plan to Council for progressing to a single stadium operator for the city's four stadiums (including Eden Park) and identify what decisions are required from others for it to be implemented.

Council specifically notes that the single operator for the city's four stadiums must be separate from the owner of the stadiums but does not necessarily need to be a CCO or a subsidiary of Tātaki.

The plan should allow for the benefits of integrating and coordinating with other comparable venues in the region to be considered in the future, but this should not detract from delivering a plan focussing on the four main stadiums by 1 July 2023.

**ii) Make progress on integrating Auckland's cultural institutions**

In its SOI 2023-2026, Tātaki must identify a timeline for developing the plan to integrate Auckland's cultural institutions (including those managed by Tātaki, plus the independent Auckland War Memorial Museum, MOTAT and the Stardome Observatory) so that they may work together in a collaborative manner utilising their funding from the Council.

This was a recommendation from the CCO Review and progress needs to continue. Council will work with Tātaki to achieve this.

**iii) Focus on key events and facilities that are highly valued by Aucklanders rather than branding and economic development**

Tātaki general rates funding, as well as its strategic, investment and operational decision-making, should be focused on providing events and facilities that are highly valued by Aucklanders.

Tātaki should continue to support Lantern, Pasifika and Diwali Festivals. Tātaki activities designed to promote Auckland's brand and economic development are less important and should not be prioritised for general rates funding. These are better conducted by the private sector or central government, or otherwise funded by their main beneficiaries. I support Tātaki continuing work to identify a mechanism for the tourism industry to fund these activities.

If Tātaki intends to continue implementing the Auckland's Major Events Strategy 2018-2025, it must provide an explanation of its measurement framework - for example what level of event patronage, or growth on previous years' figures is considered a success and have successfully explored alternative funding options to general rates.

Tātaki owns and /or operates many of Auckland's treasured cultural and sporting facilities. In its 2023-2026 SOI Tātaki must identify clear metrics for measuring the performance of its events and facilities. This includes ensuring these are accessible, and relevant to, a broad range of Aucklanders. Measures should be specific enough to enable council to understand individual activities. For example, for each facility Tātaki must set out:

- the purpose of each facility, including its public good and commercial functions
- how it evaluates the performance of that facility
- the budgeted costs of providing the facility
- set out the target performance of each facility and report on this annually on a per facility basis. Tātaki should adopt quantitative and qualitative measures including for example engagement with exhibitions and reach of patrons, where patrons come from in the region, New Zealand and/or internationally.

**iv) Significantly reduce Tātaki's reliance on Council rates-based funding**

The mayoral annual budget proposal for the 2023/24 financial year provides that Tātaki deliver operating cost savings of \$25m, with a further \$2.5m by reducing some economic development and destination activity.

Given these budgetary constraints, Tātaki needs to reduce its reliance on Council rates revenue funding going forward. In its next SOI 2023-2026, Tātaki must provide a clear plan on how it intends to achieve this. The plan may include increasing external commercial revenue, securing additional funding from central government, or cutting expenditure. It must include specific targets, so that success can be objectively evaluated, and clear timeframes for meeting these targets.

Council looks forward to receiving a draft of the Tātaki 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 of 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	Tātaki Auckland Unlimited Lead Councillor
Nick Hill	Chief Executive, Tātaki Auckland Unlimited
Alastair Cameron	Manager CCO Governance and Oversight