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# Ōtākaro Limited

## Statement of Performance Expectations

### *For Financial Year 2021*

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#### 1. INTRODUCTION

This Statement of Performance Expectations is submitted by the Board of Directors of Ōtākaro Limited (Ōtākaro), pursuant to the Crown Entities Act 2004. It sets out the performance expected of Ōtākaro for the period 1 July 2020 to 30 June 2021.

#### Statement of responsibility

Ōtākaro is responsible for the statements contained in this document, including the appropriateness of the assumptions underlying them. Ōtākaro is responsible for internal control systems that provide reasonable assurance as to the integrity of its financial reporting.



**CORINNE HAINES**  
Chairperson

7 September 2020



**PETER TOWNSEND**  
Board Member

## 2. OBJECTIVES, SCOPE & OUTPUT FOR FINANCIAL YEAR 2021

### 2.1 STRATEGIC OBJECTIVES

The purpose of the Company is to add value to Anchor Projects and Crown land in a manner that balances a desire to achieve good commercial outcomes against the Crown's regeneration objectives and supports the Crown's exit over time on favourable terms. The Company will assist the Crown's transition to local leadership as part of the earthquakes recovery. Through good financial performance and effective capital management the Company will contribute to the recovery of the Christchurch CBD following the earthquakes.

### 2.2 BUSINESS SCOPE

Ōtākaro is a Crown Company which became operational on 16 April 2016 under Schedule 4A of the Public Finance Act to deliver defined Anchor Projects and a land divestment programme that is consistent with the Christchurch Central Recovery Plan.

The overarching responsibilities of Ōtākaro include:

- Delivery of defined Anchor Projects by providing procurement, design management and construction management services on behalf of the Crown.
- Providing programme governance, including risk, cost and schedule management.
- Divestment of Crown-owned land in central Christchurch in a manner which balances a desire to achieve good commercial outcomes against the Crown's regeneration objectives.
- Managing the operational and ownership responsibilities of completed assets before sale or transfer.
- Acting in a manner consistent with recovery plans and any regeneration plans.



Overlooking Te Pae towards the east

### 3. REPORTABLE OUTPUTS AND PERFORMANCE TARGETS

Anchor Project delivery and land divestment activities have been significantly impacted by the COVID-19 pandemic and associated Alert Level constraints. The delivery of the Anchor Projects will be impacted in the future by continuing border restrictions and land divestment activities will be negatively impacted by uncertain market conditions. The forecasts presented here take into account reasonable estimates of the impacts of COVID-19 as they are currently understood. However, it is important to note that the impacts of COVID-19 still carry a significant amount of uncertainty related to increased project expenditure and delivery time, and the potential sale prices and timeframes for divestment of Crown land. Ōtākaro will continue to ascertain the impacts of the pandemic from both project and land divestment perspectives such that the forecasts presented may materially change.

#### 3.1 REPORTABLE OUTPUTS

Ōtākaro produces outputs, impacts and outcomes from its activities which are defined as reportable outputs under the Crown Entities Act 2004. Ōtākaro has two reportable outputs as follows:

1. Delivery of defined Anchor Projects.
2. Divestment of Crown land while balancing good commercial outcomes against regeneration objectives.

These reportable outputs are intended to achieve the Ōtākaro dual objectives to add value to Anchor Projects and Crown land in a way that balances a desire to achieve good commercial outcomes with the Crown's regeneration objectives.

The expected revenue and expense for each reportable output for the financial year 2021 is as follows:

Reportable Output	Revenue (NZ \$000)	Expense (NZ \$000)
Delivery of defined Anchor Projects (capital and operational)	\$212,997	\$222,369
Divestment of Crown land while balancing good commercial outcomes with the Crown's regeneration objectives	\$18,394	\$16,821

*Expenses are greater than revenue due to income carried forward from the prior year of \$9,372*

The performance of the two outputs will be measured through the performance targets noted in this section.

### 3. REPORTABLE OUTPUTS AND PERFORMANCE TARGETS

#### 3.2 PERFORMANCE TARGETS

Performance targets for the Company's activities are measured as milestones and KPIs which have been set as follows:

##### 2021 Financial Year

##### ***Outcome: Delivery of defined Anchor Projects***

Add value to Crown Anchor Projects by delivering the projects safely, on budget, to schedule and to the desired quality.

What will achievement of this outcome look like?

All defined Crown Anchor Projects:

1. Cumulative working days' variance, when comparing forecast practical completion to the baseline practical completion at the start of this financial year, is less than 10 days delayed.
2. Current estimated costs at completion are below or equal to the current approved budget.
3. Forecast cost accuracy is plus or minus 10%.
4. Work undertaken on defined Anchor Projects is to the desired quality, as established during the project planning phase.

Defined Anchor Projects include:

- Te Pae Christchurch Convention Centre Precinct.
- Metro Sports Facility.
- Te Papa Ōtākaro/Avon River Precinct – North Frame Pedestrian Bridge.
- East Frame Residential Precinct.
- South Frame Public Realm.

##### ***Outcome: Divestment of Crown land while balancing good commercial outcomes***

One of the key Strategic Objectives for Ōtākaro is to divest Crown-owned land in central Christchurch in a manner which balances a desire to achieve good commercial outcomes against the Crown's recovery and any regeneration objectives.

What are good commercial outcomes?

Ōtākaro delivering a balance between optimal returns to the Crown and regeneration activities for the Central City.

What will achievement of this outcome look like?

1. Sales meet forecasted targets for the financial year, as per the Board-approved Budget (31 parcels of land remain to divest; 10 of these are forecast to be settled in the 2021 financial year).
2. Land Divestment Strategy reviewed six-monthly to reflect changes in market conditions.

### 3. REPORTABLE OUTPUTS AND PERFORMANCE TARGETS

3. Land Divestment Strategy revised and approved annually to include updated market valuations.

#### ***Outcome: Health, wellbeing and development of all Ōtākaro employees***

Ōtākaro is committed to retaining a highly engaged workforce.

What will achievement of this outcome look like?

1. All employees to actively participate in health, safety and wellbeing initiatives.
2. All Ōtākaro employees have active learning and development plans in place by 30 June 2021.
3. Maintain an engagement score greater than 4.

#### ***Outcome: Delivery of defined Anchor Projects to a high standard of health and safety***

Our approach to ensuring a high standard of health and safety management on all our projects needs to respond to changes in our projects and work types over time. With the project portfolio narrowing to mainly vertical construction, new targets have been established to focus on ensuring findings of critical risk audits on individual projects are adequately addressed and findings are shared across projects. The Total Recordable Injury Frequency Rate (TRIFR) measure has also been aligned to the common industry reporting standard of incidents per 200,000 hours worked.

What will achievement of this outcome look like?

Health and Safety:

1. For projects with active critical risks, monthly critical risk task observations will be undertaken with 90% of findings adequately addressed within the agreed timeframes.
2. TRIFR of less than 2.7 per 200,000 hours worked across the project portfolio<sup>1</sup>. Where the TRIFR rate for a project or operational site is above 4.0 for two months in a row, Ōtākaro will undertake an audit of that contractor's health and safety management system within a month.
3. Zero notifiable incidents investigated by WorkSafe NZ during the financial year on Ōtākaro sites.
4. 90% of full Incident Cause Analysis Method investigations' actions adequately addressed within timeframes agreed.

<sup>1</sup> Note that the performance target for the year ended 30 June 2019 was set on the rate per million hours worked

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### 3. REPORTABLE OUTPUTS AND PERFORMANCE TARGETS

#### ***Outcome: Credibility, trust and confidence***

Ōtākaro is committed to open communication with internal and external stakeholders and with our communities.

What will achievement of this outcome look like?

1. Improved results from six-monthly public research surveys compared to April 2019 as the benchmark.
2. A heightened social media profile (target: an additional 1,000 'likes', 2 posts per week) and consistent engagement (target: 10% engagement with posts).
3. Regular communication outputs, including videos (target: 35) and other updates, news media releases (target: 15) and events, and e-newsletters (target: 8).



#### 4. FORECAST FINANCIAL STATEMENTS

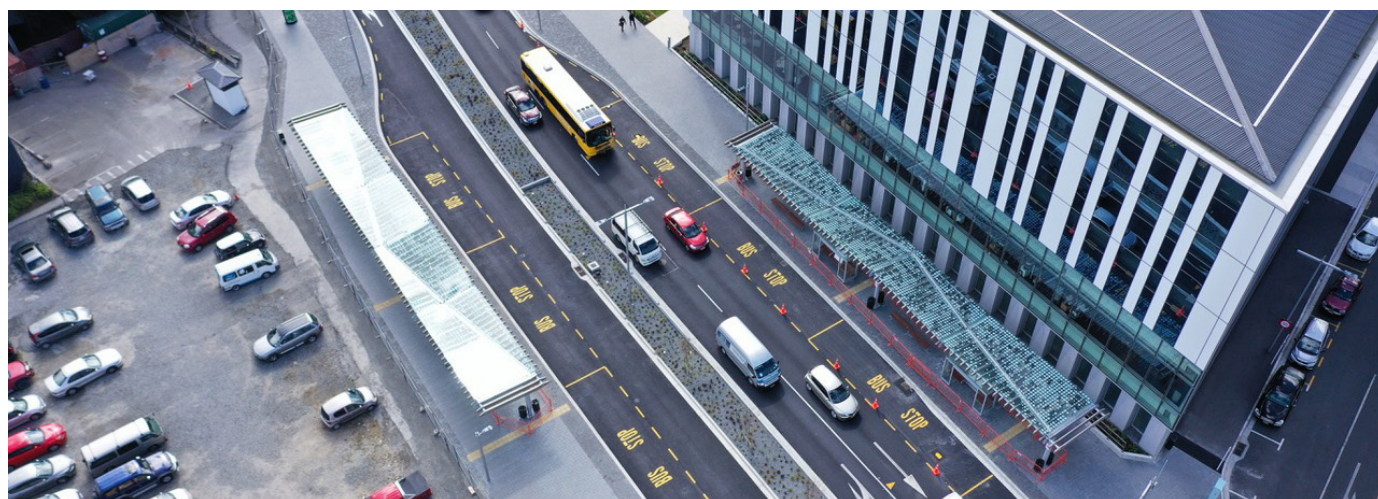
The forecast financial statements below include a forecast Statement of Comprehensive Revenue and Expense, Statement of Financial Position, Statement of Changes in Equity and Statement of Forecast Cash Flows for the 2021 financial year.

Ōtākaro conducts a number of different activities under specific funding agreements with the Crown as outlined in section 2.2. The accounting treatment of revenue varies for each activity, depending on the specific terms in each agreement. Funding streams are a mixture of operating grants and share capital. All operating grants received are recorded as revenue in the Statement of Comprehensive Revenue and Expense, except where operating grants are received in advance of the relevant period. In that instance the funding agreement with the Crown requires any unspent amount to be returned; this is recorded as revenue received in advance on the balance sheet.

Ōtākaro incurs expenditure as part of its various activities. Operating expenditure and project expenditure that is operating in nature is recorded in the Statement of Comprehensive Revenue and Expense. This expenditure is funded by Crown operating grants and from Christchurch City Council contributions. Project expenditure that is capital in nature is recorded on the balance sheet as capital work in progress. Capital expenditure is funded by the issue of shares to the Crown.

The forecasts presented here take into account reasonable estimates of the impacts of COVID-19 as they are currently understood. However, it is important to note that the impacts of COVID-19 still carry a significant amount of uncertainty related to increased project expenditure and delivery time, and the potential sale prices and timeframes for divestment of Crown land. Ōtākaro will continue to ascertain the impacts of the pandemic from both project and land divestment perspectives such that the forecasts presented may materially change.

Land was initially introduced to the Company through a combination of Crown loans and share capital. Proceeds from the sale of land are retained by the Company after first repaying Crown loans.



*The recently completed final section of the An Accessible City project – Tuam Street roading and bus super stops at Hospital Corner*

#### 4. FORECAST FINANCIAL STATEMENTS

#### Statement of Forecast Comprehensive Revenue and Expenses For the year ended 30 June 2021

NZ \$000	2021 FINAL BUDGET
<b>Income</b>	
Crown Revenue – Operating	14,156
Crown Revenue – Project Operating	18,110
Crown Revenue – CCP AM/FM & Operator	976
CCC Revenue	98,863
Interest Received	742
Te Pae Sales Revenue	2,975
<b>Total Income</b>	<b>135,822</b>
<b>Net (Loss)/Gain on Land Sales</b>	<b>1,573</b>
<b>Operating Expenses</b>	
Salaries & Staff Costs	(13,293)
Facilities Costs	(1,168)
IT Costs	(848)
Depreciation	(126)
Other Expenses	1,279
Project Operating Expenses	(4,002)
Land Remediation	(14,108)
CCP AM/FM & Owner Costs*	(731)
Te Pae Operating Costs	(2,849)
<b>Total Operating Expenses</b>	<b>(35,846)</b>
<b>Operating Surplus /(Deficit)</b>	<b>101,549</b>
Provision for Asset Transfer	(176,217)
Interest Expense	(780)
<b>NET SURPLUS /(DEFICIT)</b>	<b>(75,448)</b>

\*CCP AM/FM & Operator refers to the income and expenditure for the Te Pae Christchurch Convention Centre Business Establishment and activities relating to Asset Management and Facilities Maintenance.

The forecast takes into account reasonable estimates of the impacts of COVID-19, although it is important to note that the impacts of COVID-19 still carry a significant amount of uncertainty related to increases in project expenditure and land divestment sale price potential. Ōtākaro will continue to ascertain the impacts of the lockdown from both projects and land divestment perspectives. Due to its fluid nature, the forecast presented may materially change.



#### 4. FORECAST FINANCIAL STATEMENTS

#### Statement of Forecast Financial Position As at 30 June 2021

NZ \$000	2021 FINAL BUDGET
<b>EQUITY</b>	
Share Capital Opening	453,649
Share Capital - Project Costs	109,156
<b>Share Capital Closing</b>	<b>562,805</b>
Retained Earnings Opening	(95,306)
Surplus (After Tax)	(75,448)
<b>Retained Earnings Closing</b>	<b>(170,754)</b>
<b>TOTAL EQUITY</b>	<b>392,051</b>
<b>Represented By:</b>	
<b>ASSETS</b>	
Operating Cash	43,675
Short Term Deposits	12,000
Sundry and Other Debtors	4,949
Interest Receivable	7,146
<b>Total Current Assets</b>	<b>67,770</b>
Office Fit Out & Equipment	232
Land	55,055
Inventory	54,883
Work In Progress	249,430
Buildings	308,706
	<b>668,306</b>
<b>TOTAL ASSETS</b>	<b>736,076</b>
Less:	
<b>LIABILITIES</b>	
Current Creditors	5,946
Provision for Asset Transfer	278,328
Crown Vendor Finance	59,751
<b>TOTAL LIABILITIES</b>	<b>344,025</b>
<b>NET ASSETS</b>	<b>\$392,051</b>

*The forecast takes into account reasonable estimates of the impacts of COVID-19, although it is important to note that the impacts of COVID-19 still carry a significant amount of uncertainty related to increases in project expenditure and land divestment sale price potential. Ōtākaro will continue to ascertain the impacts of the lockdown from both projects and land divestment perspectives. Due to its fluid nature, the forecast presented may materially change.*

#### 4. FORECAST FINANCIAL STATEMENTS

#### Statement of Forecast Changes in Equity As at 30 June 2021

NZ \$000	Capital	Retained	TOTAL
<b>OPENING BALANCE</b>	<b>453,649</b>	<b>(95,306)</b>	<b>358,344</b>
<b>Comprehensive Revenue and Expense</b>			
Net Deficit for the Year	-	(75,448)	(75,448)
<b>Total Comprehensive Revenue and Expense</b>	<b>-</b>	<b>(75,448)</b>	<b>(75,448)</b>
<b>Owners transactions</b>			
Contributed Capital	109,156	-	109,156
<b>Total Owner's Transactions</b>	<b>109,156</b>	<b>-</b>	<b>109,156</b>
<b>CLOSING BALANCE 30 JUNE 2021</b>	<b>562,805</b>	<b>(170,754)</b>	<b>392,051</b>

#### 4. FORECAST FINANCIAL STATEMENTS

#### Statement of Forecast Cash Flows For the year ended 30 June 2021

NZ \$000	2021 FINAL BUDGET
<b>Cash Flows From Project Activities</b>	
Crown, CCC, Convention Centre and Rental Income	131,430
Interest Received	742
Net Capital Injection From Crown	109,156
Project Costs Paid	(258,674)
General Expenses Paid	(14,030)
	<b>(31,375)</b>
<b>Cash Flows From Land Sale Activities</b>	
Proceeds from Sale of Land	21,917
Payments to Crown – Loan Repayment	(17,259)
	<b>4,658</b>
<b>Cash Flows From Asset Transfers</b>	
Office Equipment Purchased	(50)
<b>Cash Flows From Asset Transfers</b>	<b>(50)</b>
<b>Cash Flows From Investing</b>	
Transfer From/(to) Short Term Deposits	25,000
<b>Cash Flows From Investing</b>	<b>25,000</b>
<b>NET CASH MOVEMENT</b>	<b>(1,767)</b>
<b>OPENING CASH BALANCE</b>	<b>45,443</b>
<b>CLOSING OPERATING CASH BALANCE</b>	<b>43,675</b>

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## NOTES TO THE FORECAST FINANCIAL STATEMENTS

### REPORTING ENTITY

Ōtākaro is a limited liability company incorporated in New Zealand under the Companies Act 1993 and is a Schedule 4A entity of the Public Finance Act 1989. Ōtākaro has been established with limited life expectancy.

The purpose of Ōtākaro is to add value to Anchor Projects and Crown land in a manner that balances a desire to achieve good commercial outcomes against the Crown's regeneration objectives, and support the Crown's exit over time on favourable terms.

Ōtākaro was incorporated on 17 February 2016 with two Shareholding Ministers and a Board of Directors.

Ōtākaro has designated itself as a Public Benefit Entity (PBE) for the purposes of financial reporting under Public Sector PBE Standards. Ōtākaro is a public authority and is exempt from the payment of income tax. Accordingly, no provision has been made for income tax in the financial statements.

### BASIS OF PREPARATION

These prospective financial statements have been prepared:

- In accordance with the relevant requirements of the Public Finance Act 1989 and the Crown Entities Act 2004, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).
- In accordance with PBE FRS 42 and NZ GAAP as it relates to prospective financial statements.
- On a GST-exclusive basis, except for receivables and payables which are presented on a GST-inclusive basis.
- On an historical cost basis modified by the revaluation of certain assets and liabilities.
- In New Zealand dollars rounded to the nearest thousand, unless separately identified.

The actual financial results achieved for the period covered are likely to vary from the information presented and the variations may be material for the reasons already noted (due to COVID-19).

### SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies significantly affect the measurement of financial performance and position.

## Revenue

### *Project Funding*

The three types of projects that Ōtākaro is being funded by the Crown to deliver are:

- Projects that are operating in nature – these projects do not create an asset for Ōtākaro, and funding is recognised as revenue in the period it is received.
- Projects that are capital in nature – these projects create an asset for Ōtākaro and are funded by a share issue to the Crown. This funding is not recognised as revenue in the forecast financial statements.
- Projects managed, but not owned, by Ōtākaro – funding received for these projects is not recognised as revenue in the Ōtākaro forecast financial statements. Unspent funding is recorded as a liability of Ōtākaro to the Crown.

### *Operational Funding*

An agreement between Ōtākaro and the Crown is in place for the Crown to fund the Company's operational expenditure. The agreement applies conditions to unspent funding received. Unspent funding is recorded as a liability in the forecast financial statements.

Ōtākaro considers all funding received from the Crown to be non-exchange transactions.

### *Project Assets*

When operating and capital projects were transferred to Ōtākaro, land and building assets were transferred with them. The classification of these assets is based on the expected future use.

Land and buildings associated with the projects have been classified as follows:

- Land and buildings held as inventory – this is land and buildings that are being held for sale in the normal course of business and includes land related to the East Frame Residential project.
- Land as part of property and equipment – this land is either public realm that is being held for strategic purposes, or the future use of the land is not certain at the time of preparing the forecast financial statements.

### *Fair Value and Revaluation of Land and Buildings*

Land and building revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the balance date. Land and building revaluation movements are accounted for on a class-of-asset basis.



### ***Depreciation***

Depreciation is calculated using the straight line basis at rates that will write off the costs (or valuations) of the assets to their estimated residual values over their useful lives. The residual value and useful life of an asset are reviewed, and adjusted if applicable, at the end of each financial year.

### **Borrowings**

All borrowings are held with the Crown and are attached to operating and capital project land and buildings transferred to Ōtākaro. All loans are repayable upon the sale of the underlying asset. A portion of the interest due is not repayable upon the sale of the underlying asset.

### **Share Capital and Equity**

All shares issued are fully paid and have a face value of \$1 each. The Crown holds all issued capital of Ōtākaro. The Crown investment in Ōtākaro is expected to be made up of 562,805,357 shares as at 30 June 2021.

## **CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

In preparing these prospective financial statements, Ōtākaro has made estimates and assumptions concerning the future including the impacts of COVID-19. These estimates and assumptions may differ from subsequent actual results.

Estimates and assumptions are continually evaluated and are based on expectations of future events that are believed to be reasonable. The estimates and assumptions that have significant risk of causing material adjustment to the carrying amount of the assets and liabilities within the forecast financial statements are:

- Land sales and divestments forecast uncertainty with regard to timing and amount of future sales and divestments.
- Cost of land remediation activities and the current level of uncertainty in estimating land remediation costs.
- Progress of Anchor Projects and the impact this has on overall project costs and funding required.
- Provision for asset transfers is estimated based on land classified as public realm and all work-in-progress on relevant assets for transfer capitalised during the financial year. The estimated amount is affected by the uncertainty with regard to timing of divestments and Anchor Project progress.

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**Ōtākaro** Limited  
Building places for people