
Ōtākaro Limited

Statement of Performance Expectations

For Financial Year 2020

1. INTRODUCTION

This Statement of Performance Expectations (SPE) 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 2019 to 30 June 2020.

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

24 June 2019



PETER TOWNSEND
Board Member

2. OBJECTIVES, SCOPE & OUTPUT FOR FINANCIAL YEAR 2020

2.1 STRATEGIC OBJECTIVES

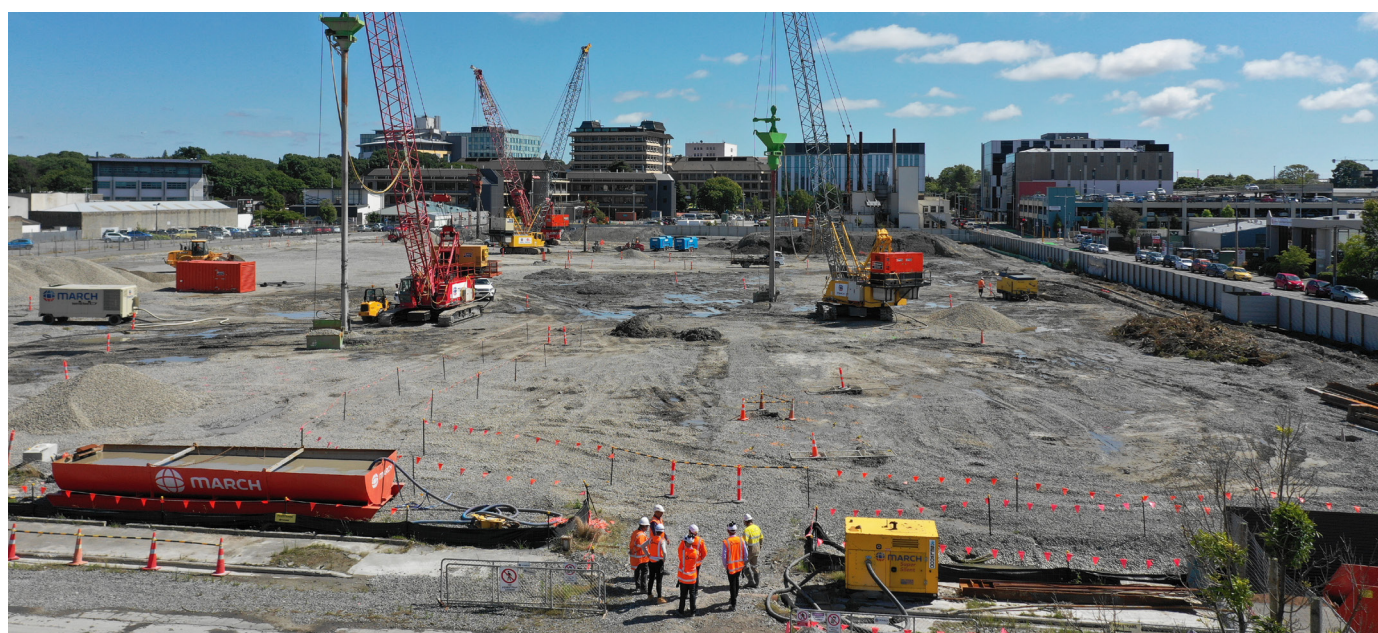
The purpose of the Company is to add value to Anchor Projects and Crown land in a manner that balances a desire to achieve good commercial outcomes against the Crown's regeneration objectives and supports the Crown's exit over time on favourable terms. The Company will assist the Crown's transition to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

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
- Acting in a manner consistent with recovery plans and any regeneration plans.



Metro Sports Facility groundworks underway.

3. REPORTABLE OUTPUTS & PERFORMANCE TARGETS

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 outcomes.

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 2020 is as follows:

Reportable Output	Revenue (NZ \$000)	Expense (NZ \$000)
Delivery of defined Anchor Projects (capital and operational expenditure)	\$215,463*	\$248,294*
Divestment of Crown land while balancing good commercial outcomes with the Crown's regeneration objectives	\$111,179	\$120,944

** Expenses are greater than revenue due to income carried forward from the prior year of \$32,831*

The performance of the two outputs will be measured through the performance targets noted in the following sections 3.2.1 to 3.2.4.

3. REPORTABLE OUTPUTS & 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:

2020 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. 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
- East Frame Public Realm
- East Frame Residential Precinct
- An Accessible City
- South Frame

Outcome: Divestment of Crown land while balancing good commercial outcomes

One of Ōtākaro's key strategic objectives is to divest of 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.

3. REPORTABLE OUTPUTS & PERFORMANCE TARGETS

What will achievement of this outcome look like?

1. Sales meet forecasted targets for the financial year, as per the Board-approved Budget (28 parcels of land remain to divest; 11 of these are forecast to be divested in the 2020 financial year).
2. Land Divestment Strategy reviewed six-monthly to reflect changes in market conditions.
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 and agile 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 2020.
3. Improve current engagement score by 5% from the 2019 score.

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 construction of larger buildings, 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 & Safety:

1. Monthly critical risk inspections undertaken on active projects (Typically, 11 inspections per annum per project) with 90% of audit findings adequately addressed within the timeframes agreed at the time of the inspection.
2. TRIFR of less than 2.7 per 200,000 hours worked across the project portfolio¹. 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 events assessed by WorkSafe NZ as being notifiable during the financial year occur on Ōtākaro sites.

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

3. REPORTABLE OUTPUTS & PERFORMANCE TARGETS

4. 90% of Incident Cause Analysis Method (ICAM) investigations' corrective and preventative actions adequately addressed within timeframes agreed at the time of the investigation.
5. 90% of ICAM investigation findings communicated on a quarterly basis across all sites with Ōtākaro presenting, in person, these findings at two toolbox talks per site (target: 12 per annum).

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.
2. A heightened social media profile (target: an additional 1,000 'likes', 3–4 posts per week) and consistent engagement (target: 10% engagement with posts).
3. Increased 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

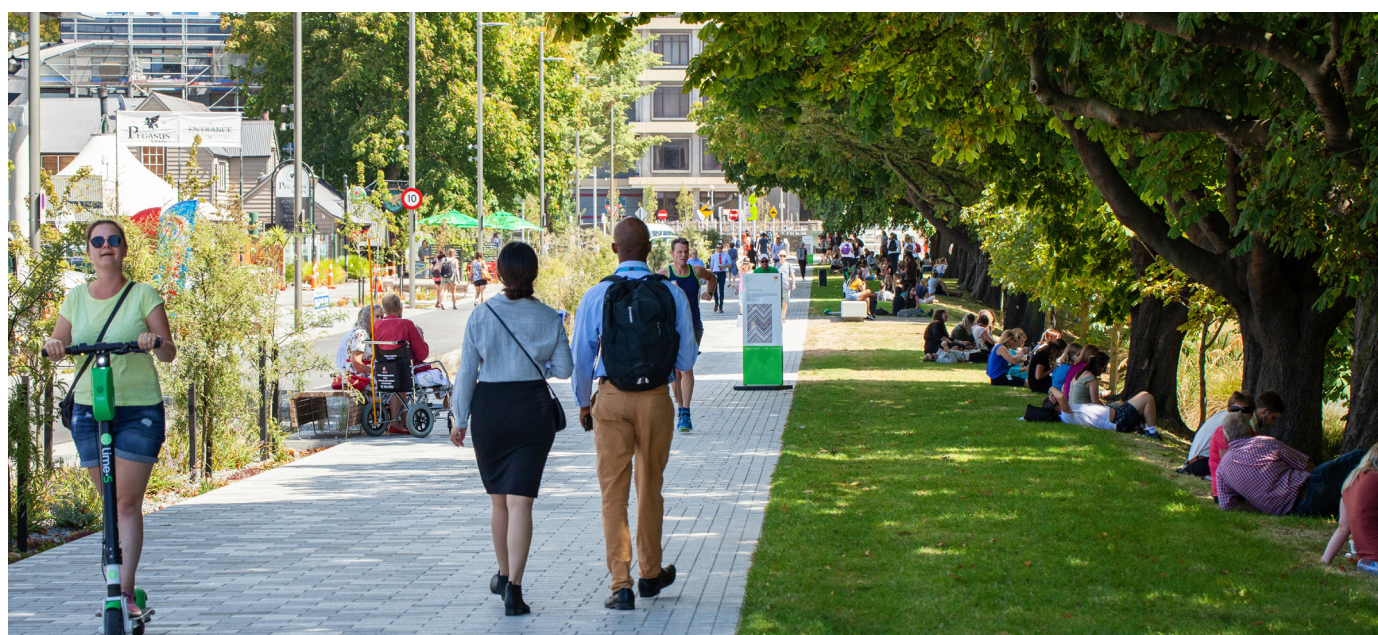
The forecast financial statements below include a forecast Statement of Comprehensive Revenue and Expense, Statement of Financial Position, Statement of Changes in Equity and Statement of Forecast Cash Flows for the 2020 financial year.

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.

Ōtākaro will incur expenditure in relation to the Investment Case for the Canterbury Multi-Use Arena. As this is undertaken as an agency relationship, any revenue received in advance is held as a liability on the balance sheet which reduces as expenditure is incurred.

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 public enjoying the recently completed Avon River Promenade

4. FORECAST FINANCIAL STATEMENTS

Statement of Forecast Comprehensive Revenue and Expenses For the year ended 30 June 2020

NZ \$000	2020 FINAL BUDGET
Income	
Crown Revenue – Operating	16,451
Crown Revenue – Project Operating	5,623
Crown Revenue – CCP AM/FM & Operator*	6,671
Other Crown Funding	14,755
CCC Revenue	67,995
Sundry Income	800
Rental Income	310
Interest Received	667
Non Exchange Revenue	3,519
Total Income	116,791
Net (Loss)/Gain on Land Sales	(9,765)
Operating Expenses	
Salaries & Staff Costs	(10,509)
Facilities Costs	(1,026)
IT Costs	(940)
Depreciation	(96)
Other Expenses	(3,819)
Residential Red Zone Costs	(61)
Project Operating Costs	(10,953)
Land Remediation	(11,554)
Land Management	(1,673)
Bus Interchange Operating Costs	(1,528)
Convention Centre AM/FM & Operator Costs*	(6,671)
Total Operating Expenses	(48,830)
Operating Surplus	58,196
Provision for Asset Transfer	(118,834)
Interest Expense	(2,694)
Bus Interchange Depreciation	-
NET SURPLUS /(DEFICIT)	(63,332)

*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

4. FORECAST FINANCIAL STATEMENTS

Statement of Forecast Financial Position As at 30 June 2020

NZ \$000	2020 FINAL BUDGET
EQUITY	
Share Capital Opening	333,700
Share Capital - Project Costs	141,844
Share Repurchase - Asset Transfer	(2,350)
Share Capital Closing	473,194
Retained Earnings Opening	(67,066)
Distribution for the Crown	(1,262)
Surplus (After Tax)	(63,332)
Retained Earnings Closing	(131,660)
TOTAL EQUITY	341,534
Represented By:	
ASSETS	
Operating Cash	13,485
Short Term Deposits	12,000
Sundry and Other Debtors	18,206
Interest Receivable	2,460
Total Current Assets	46,151
Office Fit Out & Equipment	282
Land	62,511
Inventory	23,044
Work In Progress	142,932
Convention Centre Building	284,660
Total Non-Current Assets	513,429
TOTAL ASSETS	559,580
LIABILITIES	
Current Creditors	12,577
Provision for Asset Transfer	174,172
Crown Vendor Finance	31,297
TOTAL LIABILITIES	218,046
NET ASSETS	\$341,534

4. FORECAST FINANCIAL STATEMENTS

Statement of Forecast Changes in Equity For the year ended 30 June 2020

NZ \$000	Capital	Retained	TOTAL
OPENING BALANCE	333,700	(67,066)	266,634
Comprehensive revenue and expense			
Net deficit for the year	-	(63,332)	(63,332)
Total Comprehensive revenue and expense	-	(63,332)	(63,332)
Owners transactions			
Contributed capital	141,844	-	141,844
Share Repurchase	(2,350)	-	(2,350)
Distribution to Crown	-	(1,262)	(1,262)
Total owner's transactions	139,494	(1,262)	138,232
CLOSING BALANCE 30 JUNE 2020	473,194	(131,660)	341,534

4. FORECAST FINANCIAL STATEMENTS

Statement of Forecast Cash Flows For the year ended 30 June 2020

NZ \$000	2020 FINAL BUDGET
Cash Flows From Project Activities	
Crown, CCC, Convention Centre and Rental Income	111,398
Interest Received	667
Net Capital Injection From Crown	141,844
Project Costs Paid	(277,315)
General Expenses Paid	(19,555)
	(42,961)
Cash Flows From Land Sale Activities	
Proceeds from Sale of Land and Inventory	111,179
Payments to Crown - Loan Repayment	(96,811)
Payments to Crown - Distribution	(1,262)
	13,106
Cash Flows From Asset Transfers	
Office Equipment Purchased	(50)
Cash Flows From Asset Transfers	(50)
Cash Flows From Investing	
Transfer From/(to) Short Term Deposits	20,000
Cash Flows From Investing	20,000
NET CASH MOVEMENT	(9,905)
OPENING CASH BALANCE	23,390
CLOSING OPERATING CASH BALANCE	13,485

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 one 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.

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 and buildings 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 473,194,741 shares as at 30 June 2020.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these prospective financial statements, Ōtākaro has made estimates and assumptions concerning the future. 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.