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# Ōtākaro Limited

## Statement of Performance Expectations

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*For Financial Year 2022*

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### 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 2021 to 30 June 2022.

#### 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

8 June 2021



**PETER TOWNSEND**  
Board Member

## 2. OBJECTIVES, SCOPE AND OUTPUT FOR FINANCIAL YEAR 2022

### 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. The Company will also undertake any role, and take any action, to assist the government with any projects, as agreed between the Company and the Shareholding Ministers from time to time.

### 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
- Monitoring and funding some of the Canterbury Shovel Ready Projects
- Undertaking any role, and taking any action, to assist the government with any projects, as agreed between the Company and the Shareholding Ministers from time to time.



*Progress on Te Pae Christchurch Convention Centre as at March 2021*

### 3. REPORTABLE OUTPUTS AND 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 three reportable outputs as follows:

1. Delivery of defined Anchor Projects.
2. Divestment of Crown land while balancing good commercial outcomes against regeneration objectives.
3. Monitoring Ōtākaro assigned IRG Shovel Ready Projects.

The 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. They also support the Crown's Infrastructure Reference Group (IRG) Shovel Ready Objective.

The expected revenue and expense for each reportable output for the financial year 2022 is as follows:

| Reportable Output  | Revenue (NZ \$000) | Expense (NZ \$000) |
|--|--------------------|--------------------|
| Delivery of defined Anchor Projects (capital and operational)  | \$ 213,339         | \$ 217,451         |
| Divestment of Crown land while balancing good commercial outcomes with the Crown's regeneration objectives | \$ 27,101          | \$ 18,369          |
| Monitoring 12 Ōtākaro assigned funding agreements IRG Shovel Ready Projects                                | \$ 92,157          | \$ 92,157          |

*Expenses are greater than revenue due to income carried forward from the prior year of \$4,112*

The performance of the three outputs will be measured through the performance targets noted in the following sections 3.2.1 to 3.2.5.

#### 3.2 PERFORMANCE TARGETS

Performance targets for the Company's activities are measured as milestones and KPIs which have been set, and performance on these measures will be reported in the Ōtākaro Limited Annual Report, as follows:

##### 3.2.1 DELIVERY OF DEFINED ANCHOR PROJECTS

###### **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.

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### 3. REPORTABLE OUTPUTS AND PERFORMANCE TARGETS

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 – subject to any further impacts from COVID-19.
2. Current estimated costs at completion are below or equal to the current approved budget.
3. Forecast cost accuracy is plus or minus 10% – subject to any further impacts from COVID-19.
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 (Parakiore)
- East Frame Residential Precinct
- South Frame Public Realm.

#### 3.2.2 DIVESTMENT OF CROWN LAND

##### ***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 (22 parcels of land remain to divest; 9 of these are forecast to be settled in the 2022 financial year).
2. The Land Divestment Strategy reviewed six-monthly to reflect changes in market conditions.
3. The Land Divestment Strategy revised and approved annually to include updated market valuations.

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### 3. REPORTABLE OUTPUTS AND PERFORMANCE TARGETS

#### 3.2.3 HEALTH, SAFETY AND WELLBEING

##### ***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 2022.

##### ***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 is 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 at the time of the observation.
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 at the time of the investigation.

<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

#### 3.2.4 CREDIBILITY, TRUST AND CONFIDENCE

***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. Maintain results from six-monthly public research surveys compared to April 2020.
2. A heightened social media profile (target: an additional 1,500 'likes', 1.5 posts per week) and consistent engagement (target: 10% engagement with posts).
3. Regular communication outputs, including videos (target: 25) and other updates, news media releases (target: 10) and events, and e-newsletters (target: 6).
4. A 5% improvement in local public awareness and appreciation of Te Pae Christchurch Convention Centre (from six-monthly public surveys).

#### 3.2.5 TRANSITION TO LOCAL LEADERSHIP

***Outcome: Transition to local leadership***

Ōtākaro is committed to assist the Crown's transition to local leadership as part of the earthquake recovery.

What will achievement of this outcome look like?

1. All asset acceptance letters received from the Christchurch City Council for the public realm assets (two sections of the South Frame and the North Frame Pedestrian Bridge) completed within the year ended 30 June 2022.

#### 3.2.6 DEMONSTRATING GOOD COMMERCIAL OUTCOMES AGAINST CROWN REGENERATION OBJECTIVES

***Outcome: Balancing commercial outcomes against the Crown's regeneration objectives***

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 supports the Crown's exit over time on favourable terms.

What will achievement of this outcome look like?

1. The 2022 Annual Report will include a case study which illustrates how Ōtākaro adds 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.

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### 3. REPORTABLE OUTPUTS AND PERFORMANCE TARGETS

#### 3.2.7 SHOVEL READY MONITORING ROLE

***Outcome: Diligent monitoring of Ōtākaro approved Shovel Ready Projects***

Ōtākaro is committed to monitoring the Company's 12 assigned funding agreements for Shovel Ready Projects in Canterbury. Ōtākaro monitors the operational and service performance for IRG build partners as described in this section. The build partners' responsibility is for operational and service performance of the construction; Ōtākaro's role is to monitor performance to ensure that contractually agreed service levels are being met.

What will achievement of this outcome look like?

1. As at the end of FY21/22 at least 80% (10 of 12) of approved Ōtākaro IRG projects have commenced construction.

Build partners' performance is measured by project reports from their consultants confirming that construction has commenced. This component reflects the target of having at least 80% of Ōtākaro's IRG projects underway by the end of the financial year. Ōtākaro will report on these measures in the Company's Annual Report.

## 4. FORECAST FINANCIAL STATEMENTS

### 4.1 INTRODUCTION

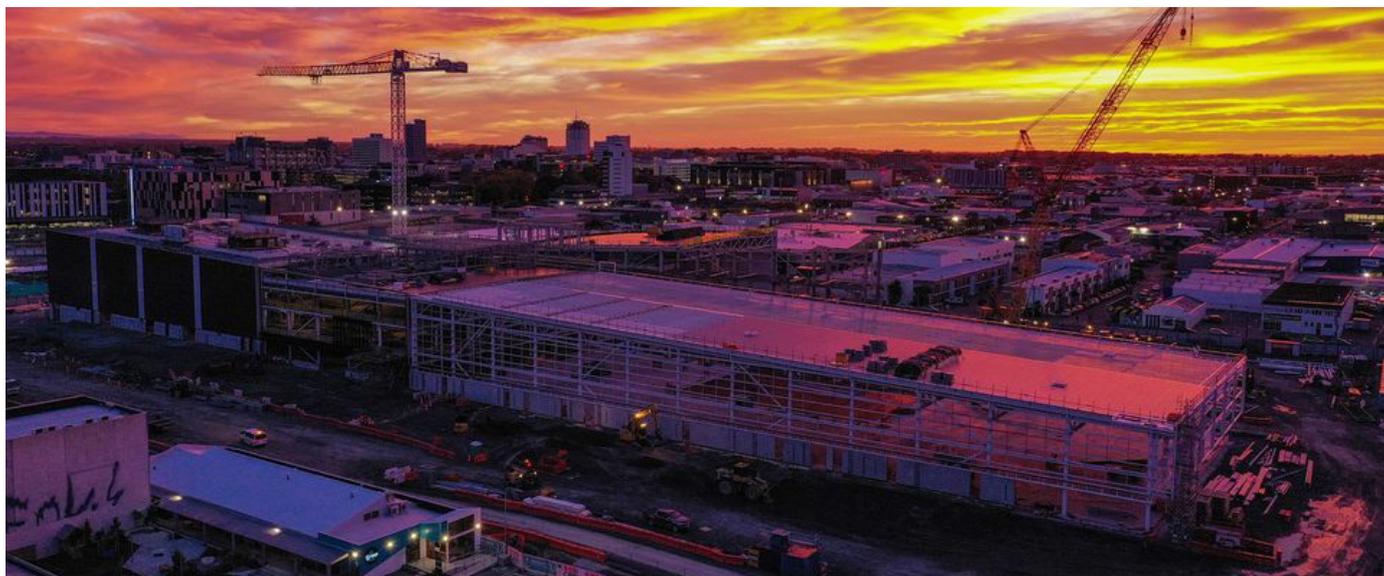
The forecast financial statements below include a forecast Statement of Comprehensive Revenue and Expense, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows for the 2022 financial year.

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 Statement of Financial Position.

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 Statement of Financial Position as capital work in progress. Capital expenditure is funded by the issue of shares to the Crown.

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 forecast takes into account reasonable estimates on the ongoing 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. Due to this, the forecast presented may materially change. Ōtākaro will continue to ascertain these impacts on projects.



*A view of the Metro Sports Facility (Parakiore) site from Antigua Street – February 2021*

## 4. FORECAST FINANCIAL STATEMENTS

### 4.2 FORECAST FINANCIAL STATEMENTS

#### 4.2.1 STATEMENT OF FORECAST COMPREHENSIVE REVENUE AND EXPENSE

Statement of Forecast Comprehensive Revenue and Expenses  
For the year ended 30 June 2022

| NZ \$000                             | 2022<br>FINAL BUDGET |
|--------------------------------------|----------------------|
| <b>Income</b>                        |                      |
| Crown Revenue – Operating            | 13,282               |
| Crown Revenue – Project Operating    | 5,532                |
| Crown Revenue – Te Pae Operations    | 3,487                |
| CCC Revenue                          | 54,830               |
| Interest Received                    | 650                  |
| Te Pae Sales Revenue                 | 6,127                |
| Shovel Ready Grants                  | 92,157               |
| <b>Total Income</b>                  | <b>176,066</b>       |
| <b>Net (Loss)/Gain on Land Sales</b> | <b>8,732</b>         |
| <b>Operating Expenses</b>            |                      |
| Salaries & Staff Costs               | (8,183)              |
| Facilities Costs                     | (1,049)              |
| IT Costs                             | (815)                |
| Depreciation                         | (84)                 |
| Other Expenses                       | (3,151)              |
| Project Operating Expenses           | (3,190)              |
| Land Remediation                     | (2,342)              |
| Te Pae Operations and Owner's Costs  | (3,487)              |
| Te Pae Operating Costs               | (9,121)              |
| Shovel Ready Project Costs           | (92,157)             |
| <b>Total Operating Expenses</b>      | <b>(123,580)</b>     |
| <b>Operating Surplus /(Deficit)</b>  | <b>61,218</b>        |
| Provision for Asset Transfer         | (168,315)            |
| Interest Expense                     | (626)                |
| Convention Centre Depreciation       | (13,608)             |
| <b>NET SURPLUS /(DEFICIT)</b>        | <b>(121,332)</b>     |

#### 4. FORECAST FINANCIAL STATEMENTS

#### 4.2.2 STATEMENT OF FORECAST FINANCIAL POSITION

Statement of Forecast Financial Position  
As at 30 June 2022

| NZ \$000                         | 2022<br>FINAL BUDGET |
|----------------------------------|----------------------|
| <b>EQUITY</b>                    |                      |
| Share Capital Opening            | 505,495              |
| Share Capital - Project Costs    | 151,832              |
| <b>Share Capital Closing</b>     | <b>657,327</b>       |
| Retained Earnings Opening        | (119,747)            |
| Surplus (After Tax)              | (121,332)            |
| Distribution to The Crown        | (161)                |
| <b>Retained Earnings Closing</b> | <b>(241,239)</b>     |
| <b>TOTAL EQUITY</b>              | <b>416,088</b>       |
| <b>Represented By:</b>           |                      |
| <b>ASSETS</b>                    |                      |
| Operating Cash                   | 60,036               |
| Short Term Deposits              | -                    |
| Sundry and Other Debtors         | 9,567                |
| Interest Receivable              | 5,030                |
| <b>Total Current Assets</b>      | <b>74,633</b>        |
| Office Fit Out & Equipment       | 255                  |
| Land                             | 50,692               |
| Inventory                        | 38,267               |
| Work in Progress                 | 309,770              |
| Buildings                        | 326,007              |
| <b>Total Non-Current Assets</b>  | <b>724,991</b>       |
| <b>TOTAL ASSETS</b>              | <b>799,622</b>       |
| <b>Less:</b>                     |                      |
| <b>Liability</b>                 |                      |
| Current Creditors                | 9,206                |
| Revenue in Advance               | 8,065                |
| Provision for Asset Transfer     | 334,762              |
| Crown Vendor Finance             | 31,501               |
| <b>TOTAL LIABILITY</b>           | <b>383,535</b>       |
| <b>NET ASSETS</b>                | <b>416,088</b>       |

#### 4. FORECAST FINANCIAL STATEMENTS

#### 4.2.3 STATEMENT OF FORECAST CHANGES IN EQUITY

Statement of Forecast Changes in Equity  
As at 30 June 2022

| <b>NZ \$000</b>                                | <b>CAPITAL</b> | <b>RETAINED</b>  | <b>TOTAL</b>     |
|--|----------------|------------------|------------------|
| <b>OPENING BALANCE</b>                         | <b>505,495</b> | <b>(119,747)</b> | <b>385,748</b>   |
| <b>Comprehensive Revenue and Expense</b>       |                |                  |                  |
| Net Deficit for the Year                       | -              | (121,332)        | (121,332)        |
| <b>Total Comprehensive Revenue and Expense</b> | <b>-</b>       | <b>(121,332)</b> | <b>(121,332)</b> |
| <b>Owners Transactions</b>                     |                |                  |                  |
| Contributed Capital                            | 151,832        | -                | 151,832          |
| Distribution to the Crown                      | (161)          | -                | (161)            |
| <b>Total Owner's Transactions</b>              | <b>151,671</b> | <b>-</b>         | <b>151,671</b>   |
| <b>CLOSING BALANCE 30 JUNE 2022</b>            | <b>657,167</b> | <b>(241,079)</b> | <b>416,088</b>   |

#### 4. FORECAST FINANCIAL STATEMENTS

#### 4.2.4 STATEMENT OF FORECAST CASH FLOWS

Statement of Forecast Cash Flows  
As at 30 June 2022

| NZ \$000  | 2022<br>FINAL BUDGET |
|---|----------------------|
| <b>Cash Flows From Project Activities</b>       |                      |
| Crown, CCC, Convention Centre and Rental Income | 58,659               |
| Interest Received                               | 650                  |
| Net Capital Injection From Crown                | 151,832              |
| Project Costs Paid                              | (325,611)            |
| General Expenses Paid                           | (14,048)             |
|   | <b>(128,518)</b>     |
| <b>Cash Flows From Land Sale Activities</b>     |                      |
| Proceeds from Sale of Land                      | 29,154               |
| Payments to Crown – Loan Repayment              | (21,687)             |
| Payments to Crown – Distribution                | (161)                |
|   | <b>7,307</b>         |
| <b>Cash Flows From Asset Transfers</b>          |                      |
| Office Equipment Purchased                      | (50)                 |
|   | <b>(50)</b>          |
| <b>Cash Flows From Investing</b>                |                      |
| Transfer From/(to) Short Term Deposits          | 130,000              |
|   | <b>130,000</b>       |
| <b>NET CASH MOVEMENT</b>                        | <b>8,739</b>         |
| <b>OPENING CASH BALANCE</b>                     | <b>51,297</b>        |
| <b>CLOSING OPERATING CASH BALANCE</b>           | <b>60,036</b>        |

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## 4. FORECAST FINANCIAL STATEMENTS

### 4.3 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.

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 supports 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).

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## 4. FORECAST FINANCIAL STATEMENTS

### SIGNIFICANT ACCOUNTING POLICIES

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

#### Revenue

##### *Project Funding*

The three types of Anchor 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.

##### *Shovel Ready Funding*

Ōtākaro is funded by the Crown to monitor and fund 12 Canterbury Shovel Ready Projects. These 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 that the cost is incurred; 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.

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#### 4. FORECAST FINANCIAL STATEMENTS

##### **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 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 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.

#### 4. FORECAST FINANCIAL STATEMENTS

##### 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 657,327,082 shares as at 30 June 2022.

##### 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 of settlement between financial years 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 is capitalised during the financial year. The estimated amount is affected by the uncertainty with regard to timing of divestments and Anchor Project progress.



About 3000 locals got to learn more about Te Pae Christchurch and sample items from the menu at the Taste of Te Pae activation hub in 2021



Ōtākaro Limited  
PO Box 73  
Christchurch 8140  
New Zealand

**P:** 03 357 6300  
**E:** [info@otakaroltd.co.nz](mailto:info@otakaroltd.co.nz)  
**W:** [otakaroltd.co.nz](http://otakaroltd.co.nz)

**Ōtākaro** Limited  
Building places for people