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# Ōtākaro Limited

## Statement of Performance Expectations

### *For Financial Year 2023*

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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 2022 to 30 June 2023.

#### 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



**PETER TOWNSEND**  
Board Member

7 June 2022

## 2. OBJECTIVES, SCOPE AND OUTPUT FOR FINANCIAL YEAR 2023

### 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. 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 Anchor Projects and a land divestment programme that is consistent with the Christchurch Central Recovery Plan.

The overarching responsibilities of Ōtākaro include:

- Delivery of 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.
- Divesting 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.



*Hydroslide installation at Parakiore*

### 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 Anchor Projects.
2. Divestment of Crown land while balancing good commercial outcomes against regeneration objectives.
3. Monitoring Ōtākaro assigned Infrastructure Reference Group (IRG) Shovel Ready Projects.

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. They also support the Crown's IRG Shovel Ready Objective.

The expected revenue and expense for each reportable output for the financial year 2023 is as follows:

Reportable Output	Revenue (NZ \$000)	Expense (NZ \$000)
Delivery of Anchor Projects (capital and operational)	\$79,052	\$88,653*
Divestment of Crown land while balancing good commercial outcomes with the Crown's regeneration objectives	\$12,961	\$13,401
Monitoring 12 Ōtākaro assigned funding agreements IRG Shovel Ready Projects	\$67,090	\$67,090

*\*Expenses are greater than revenue due to income carried forward from the prior year of \$9,601*

The performance of the three outputs will be measured through the performance targets noted in the following sections 3.2.1 to 3.2.7.

#### 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 ANCHOR PROJECTS

###### **Outcome: Delivery of 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 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. Work undertaken on Anchor Projects is to the desired quality, as established during the project planning phase.

Anchor Projects include:

- Parakiore Recreation and Sport Centre
- East Frame Residential Precinct
- South Frame Public Realm
- Avon River Precinct – North Frame Pedestrian Bridge.

#### 3.2.2 HEALTH AND SAFETY

##### ***Outcome: Delivery of 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. 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. TRIFR of less than 2.7 per 200,000 hours worked across the project portfolio<sup>1</sup>.
2. Zero notifiable incidents investigated by Worksafe NZ during the financial year on Ōtākaro sites.

<sup>1</sup> Note that the performance target for the year ended 30 June 2023 was set on the rate per million hours worked

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### 3. REPORTABLE OUTPUTS AND PERFORMANCE TARGETS

#### 3.2.3 SHOVEL READY MONITORING ROLE

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

Otakaro 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; the company'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 30 June 2023 at least 67% (8 of 12) of approved Ōtākaro IRG projects are completed.

Build partners' performance is measured by project reports from their consultants confirming that construction has commenced. Ōtākaro will report on these measures in the company's Annual Report.

#### 3.2.4 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 of Crown-owned and 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 (12 parcels of land remain to divest; 5 of these are forecast to be settled in the 2023 financial year).
2. The 2023 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.

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### 3. REPORTABLE OUTPUTS AND PERFORMANCE TARGETS

#### 3.2.5 EMPLOYEE HEALTH 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 actively participate in health, safety and wellbeing initiatives.
2. All Ōtākaro employees have active learning and development plans and individual KPIs in place by 31 July 2022.

#### 3.2.6 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 completed works within the year ended 30 June 2023.

#### 3.2.7 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 2023 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

#### 3.2.8 TE PAE CHRISTCHURCH CONVENTION CENTRE OPERATIONS

***Outcome: Diligent financial management of Te Pae operations***

Ōtākaro manages the operation of Te Pae as the building owner. The company's role is to monitor performance of the Te Pae operator to ensure that agreed service levels are being met in a cost-effective manner.

What will achievement of this outcome look like?

1. As at 30 June 2023 the total operating loss is less than or equal to \$1.87m (with an sensitivity accuracy of +/- 10%).
2. Sales revenue of not less than \$12.5m for the year ended 30 June 2023.
3. 12 international events held at the facility.

COVID-19 border restrictions have a significant impact on the ability to hold events with more than 100 attendees. In the first full year of operations the operating loss is higher as the business and client base is established.

## 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 2023 financial year.

Ōtākaro conducts a number of different activities as outlined in section 2.2 under specific funding agreements with the Crown. 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.

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.



*South Frame Laneway at the Team Hutchinson Ford site*



## 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 2023

NZ \$000	2023 FINAL BUDGET
<b>Income</b>	
Crown Revenue – Operating	12,740
Crown Revenue – Project Operating	2,222
Crown Revenue – Te Pae Operations	6,013
CCC Revenue	15,572
Interest Received	984
Te Pae Sales Revenue	12,522
Shovel Ready Grants	67,090
<b>Total Income</b>	<b>117,143</b>
<b>Net (Loss)/Gain on Land Sales</b>	<b>(440)</b>
<b>Operating Expenses</b>	
Salaries & Staff Costs	(7,957)
Facilities Costs	(914)
IT Costs	(433)
Depreciation	(50)
Other Expenses	(3,387)
Project Operating Expenses	(285)
Land Remediation	(1,937)
Te Pae Operations and Owner's Costs	(6,013)
Te Pae Operating Costs	(14,394)
Shovel Ready Project Costs	(67,090)
<b>Total Operating Expenses</b>	<b>(102,459)</b>
<b>Operating Surplus /(Deficit)</b>	<b>14,243</b>
Provision for Asset Transfer	(122,724)
Interest Expense	(269)
Convention Centre Depreciation	(18,144)
<b>NET SURPLUS /(DEFICIT)</b>	<b>(126,894)</b>

#### 4. FORECAST FINANCIAL STATEMENTS

#### 4.2.2 STATEMENT OF FORECAST FINANCIAL POSITION

Statement of Forecast Financial Position  
As at 30 June 2023

NZ \$000	2023 FINAL BUDGET
<b>EQUITY</b>	
Share Capital Opening	600,233
Share Capital - Project Costs	63,195
<b>Share Capital Closing</b>	<b>663,428</b>
Retained Earnings Opening	(164,807)
Surplus (After Tax)	(126,894)
Distribution to The Crown	-
<b>Retained Earnings Closing</b>	<b>(291,701)</b>
<b>TOTAL EQUITY</b>	<b>371,727</b>
<b>Represented By:</b>	
<b>ASSETS</b>	
Operating Cash	23,682
Short Term Deposits	10,000
Sundry and Other Debtors	17,029
Interest Receivable	3,793
<b>Total Current Assets</b>	<b>54,504</b>
Office Fit Out & Equipment	98
Land	25,700
Inventory	12,491
Work in Progress	-
Buildings	317,119
<b>Total Non-Current Assets</b>	<b>355,408</b>
<b>TOTAL ASSETS</b>	<b>409,910</b>
<b>Less:</b>	
<b>Liability</b>	
Current Creditors	1,551
Revenue in Advance	10,117
Provision for Asset Transfer	-
Crown Vendor Finance	26,516
<b>TOTAL LIABILITY</b>	<b>38,184</b>
<b>NET ASSETS</b>	<b>371,727</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

NZ \$000	CAPITAL	RETAINED	TOTAL
<b>OPENING BALANCE</b>	<b>600,233</b>	<b>(164,807)</b>	<b>435,426</b>
<b>Comprehensive Revenue and Expense</b>			
Net Deficit for the Year	-	(126,894)	(126,894)
<b>Total Comprehensive Revenue and Expense</b>	<b>-</b>	<b>(126,894)</b>	<b>(126,894)</b>
<b>Owners Transactions</b>			
Contributed Capital	63,195	-	63,195
Distribution to the Crown	-	-	-
<b>Total Owner's Transactions</b>	<b>63,195</b>	<b>-</b>	<b>63,195</b>
<b>CLOSING BALANCE 30 JUNE 2022</b>	<b>663,428</b>	<b>(291,701)</b>	<b>371,727</b>

#### 4. FORECAST FINANCIAL STATEMENTS

#### 4.2.4 STATEMENT OF FORECAST CASH FLOWS

Statement of Forecast Cash Flows  
As at 30 June 2023

NZ \$000	2023 FINAL BUDGET
<b>Cash Flows From Project Activities</b>	
Crown, CCC, Convention Centre and Rental Income	54,389
Interest Received	984
Net Capital Injection From Crown	63,195
Project Costs Paid	(219,592)
General Expenses Paid	(13,329)
	<b>(114,352)</b>
<b>Cash Flows From Land Sale Activities</b>	
Proceeds from Sale of Land	12,799
Payments to Crown – Loan Repayment	(10,363)
Payments to Crown – Distribution	-
	<b>2,436</b>
<b>Cash Flows From Asset Transfers</b>	
Office Equipment Purchased	-
	<b>-</b>
<b>Cash Flows From Investing</b>	
Transfer From/(to) Short Term Deposits	80,000
	<b>80,000</b>
<b>NET CASH MOVEMENT</b>	<b>(31,916)</b>
<b>OPENING CASH BALANCE</b>	<b>55,598</b>
<b>CLOSING OPERATING CASH BALANCE</b>	<b>23,682</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 support the Crown's exit over time on favourable terms. 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.

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 projects that Ōtākaro is 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.

### **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 663,428,322 shares as at 30 June 2023.

#### 4. FORECAST FINANCIAL STATEMENTS

#### 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 capitalised during the financial year. The estimated amount is affected by the uncertainty with regard to timing of divestments and Anchor Project progress.
- Shovel ready payments to recipients is based on progress on site. If any significant delays are experienced this will impact on forecast payment to recipients.



*The recently completed auditorium at Te Pae*





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**Ōtākaro** Limited  
Building places for people