

# Shareholder Expectations Letters Information Release

## Release Document

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<https://treasury.govt.nz/information-and-services/guidance-state-sector/performance-strategic-intentions/strategic-issues>

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### Key to Redaction Codes

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1] 9(2)(a) – to protect the privacy of natural persons, including deceased people

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above.



## MP for Wigram

Minister of Energy and Resources

Minister Responsible for the Earthquake Commission

Minister for Greater Christchurch Regeneration

Minister of Research, Science and Innovation

Ross Butler  
Chair  
Ōtākaro Limited  
Private Bag 4999  
**CHRISTCHURCH 8140**

Dear Ross

## 2018/19 LETTER OF EXPECTATIONS FOR ŌTĀKARO LIMITED

I am writing on behalf of the shareholding Ministers of Ōtākaro Limited to set out our expectations for Ōtākaro, for the Financial Year 2018/19.

Ōtākaro will exist until the projects it is responsible for are delivered and land is divested; based on current expectations, a period of no longer than seven years from establishment (noting this could be impacted by decisions on certain major projects discussed below). We will review these expectations each year.

### *Purpose and objectives of Ōtākaro*

Ōtākaro was established to contribute to the regeneration of Christchurch by adding value to defined anchor projects and Crown land in a manner which balances a desire to achieve good commercial outcomes against the Crown's regeneration objectives, and by supporting the Crown's exit over time on favourable terms. Further to what's in the company constitution, Ministers expect Ōtākaro to:

- deliver defined Crown anchor projects and investments within expected time, cost and quality criteria (discussed further below)
- undertake project procurement, contracting and land transaction appropriately as a Crown-owned market participant, and
- add value to the Crown's investment in defined anchor projects and land.

As the company is funded by the Crown, this necessitates a high level of engagement between the company and Crown representatives to ensure the spending of public money delivers the outcomes sought by shareholding Ministers. As you will be aware, the Treasury is responsible for commercial monitoring of the company's performance, and the Department of the Prime Minister and Cabinet (DPMC) is the policy lead regarding Ōtākaro's contribution to regeneration outcomes.

### *Ōtākaro's core functions*

We expect Ōtākaro to achieve its purpose through successful delivery of its objectives and shareholders' expectations as expressed in its Constitution and this and future Letters of Expectations. We do not expect Ōtākaro to take on activities that would expose the company

or its shareholders to undue financial or reputational risk. Shareholding Ministers do not expect the proceeds of asset divestment to be applied to new investments but consider that the retention of sales proceeds in excess of associated debt (including capitalised interest) provides an incentive to achieve good value for the Crown. These may be applied to meet cost pressures in the anchor project programme and operating costs in line with the funding agreement (except for the need to extend Ōtākaro's operating grant, if the need arose due to decisions on major anchor projects).

#### *Expectations for 2018/19 on major projects*

Subject to circumstances outside your control, we expect Ōtākaro to undertake the following actions in relation to these major projects:

- **Metro Sports Facility:** work with officials and the Christchurch City Council (CCC) to progress this Facility. In particular, we expect Ōtākaro to progress advanced earthworks in 2018 and appoint a main works contractor by the end of March 2019.
- **Convention Centre:** ensure main works continue to progress as planned, and continue to market the centre to ensure the facility will be well utilised, and by the end of 2018, appoint an operator for the completed project.
- **Stadium/Multi-Use Arena:** assist the CCC and Crown in preparing the Investment/Business Case, with a view to a possible role in delivering this project (subject to agreement with the CCC).

We expect Ōtākaro to progress these projects within expected time, cost and quality criteria and to keep Ministers and officials updated on progress against agreed plans and budget.

#### *Other non-project based work*

We recognise Ōtākaro has a role in representing the Crown's interests in the Christchurch residential red zone, complementing the roles of DPMC and LINZ. When carrying out its independent statutory functions under the Greater Christchurch Regeneration Act 2016, we expect Ōtākaro will act in accordance with the relevant legislation, its constitution (including its purpose 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') and its other governance documents. Equally, in carrying out this role, we acknowledge Ōtākaro will draw on its core expertise and experience.

As part of the ongoing transition to full local leadership of regeneration, the Crown expects to enter into negotiations with a number of parties (including CCC) in relation to existing Crown assets and liabilities or any future commitments. We expect Ōtākaro to engage with Crown agencies as required to support this process. There will also be requirements to share information as is appropriate, with Crown officials and CCC (for example, regarding the Bus Interchange). Crown officials will discuss this with you. Ōtākaro will be advised if there are any other implications for the company arising from negotiations.

#### *Business planning*

We expect Ōtākaro's Business Plan to explain how you intend the company's work programme to be sequenced over its whole lifespan, to support the Crown's exit from its interests in anchor projects and land over the medium term while optimising returns on a portfolio basis. We also expect the planning documents (discussed further in Annex 1) to indicate how Ōtākaro will prepare itself for disestablishment on the timeframe we have



agreed, noting this could be impacted by decisions on some of the major projects discussed above. We expect these documents to be progressed as soon as practicable.

#### *Relationship with shareholding Ministers*

We expect that Ōtākaro will operate in accordance with the relevant expectations set out in the Treasury's Owner's Expectations Manual, particularly with regard to operating in a financially responsible manner, the "no surprises" policy, adhering to thresholds for projects requiring Ministerial consultation and Official Information Act requests. We also expect Ōtākaro to work with the Treasury and the Department of the Prime Minister and Cabinet so that officials can appropriately advise Ministers.

#### *Relationships with other organisations*

The regeneration of Christchurch, especially the central city, requires many parties to work collaboratively. Along with Crown agencies with regeneration functions such as DPMC and LINZ, we expect Ōtākaro to work pro-actively, openly and cooperatively with key stakeholders as appropriate, including:

- Christchurch City Council (CCC).
- Regenerate Christchurch.
- Development Christchurch Limited (DCL).
- Mataporore Charitable Trust.

#### *Financial Responsibility*

Shareholding Ministers expect that Ōtākaro will operate in a financially responsible manner, and in accordance with the financial responsibility provisions of the Crown Entities Act. In addition, we expect the company to review its operating structure and associated budget annually. We expect that you will be open, proactive, and cooperate with the Treasury, who will be monitoring the company's commercial and financial performance, and DPMC, who will be monitoring its contribution to regeneration outcomes.

Ōtākaro needs to comply with the Cabinet Office Circular Investment Management and Asset Performance in the State Services (CO (15) 5), and Ministers expect Ōtākaro to work with officials to ensure it maintains an upper quartile Investor Confidence Rating.

When Ōtākaro is acting as an agent for the Crown and on projects where the Crown continues to carry major financial, reputational, and other risks we expect the company to exercise its best judgement on how to manage these risks. We further expect that prior to making decisions that affect project outcomes or increase costs and risks to the Crown, Ōtākaro will consult with monitoring agencies and Ministers. Where appropriate we also expect Ōtākaro to transparently share project financial information with the CCC (for which the Council will be the end owner) or Crown organisations where they have or are contributing funds to an anchor project being delivered by Ōtākaro.

#### *Next steps*

We expect you to engage with DPMC, the Treasury and other relevant government agencies both as you develop your planning documents and on an ongoing basis. We expect your planning documents to be progressed as soon as practicable. Given this, if you wish to respond to this letter of expectations with a strategic issues letter, we ask that this occur concurrently with the development of your planning documents.

Your Treasury relationship managers will be in contact shortly after you receive this letter to discuss Ministers' expectations in more detail. If you have any questions please contact [1] \_\_\_\_\_ or [1] \_\_\_\_\_. Within DPMC's Greater Christchurch Group, queries related to the wider purpose and objectives of Ōtākaro should be directed to [1] \_\_\_\_\_), and to [1] \_\_\_\_\_ on matters relating to the Stadium/Multi-Use Arena or Metro Sports Facility.

Warm regards

Hon Dr Megan Woods  
**Minister for Greater Christchurch Regeneration**  
On behalf of shareholding Ministers  
cc John Bridgman, CEO Ōtākaro Limited

## **Annex 1 – Business planning documents**

Ōtākaro is required to prepare the following business planning/accountability documents:

1. Statement of Intent (SOI, at least every 3 years).
2. Statement of Performance Expectations (SPE, annually).
3. Business plan (annually).

Under the Crown Entities Act, an SOI is solely about strategy and must cover a minimum of four years. These documents are to be updated at least every three years, or more frequently to ensure currency and accuracy of the latest published document.

As you are aware, the final Statement of Intent and Statement of Performance Expectations are public documents, but the business plan is confidential.

All wholly owned subsidiaries of the Crown operating as Schedule 4A companies are expected to provide shareholding Ministers with a draft SOI (if required), SPE and business plan consistent with shareholding Ministers expectations as detailed in this letter.

We expect Ōtākaro to consult with the Treasury on its strategic and operational priorities, and performance measures and targets and to provide shareholding Ministers with a draft SOI (if required) and SPE as soon as practicable so that these documents can be finalised and made publicly available.

Further guidance can be found on the Treasury website in the section on Guidance for Strategic Intentions.

<http://www.treasury.govt.nz/publications/guidance/strategy>