



# Office of Hon Gerry Brownlee

## MP for Ilam

Leader of the House  
Minister of Defence  
Minister of Civil Defence

Minister Responsible for the Earthquake Commission  
Minister supporting Greater Christchurch Regeneration

14 MAR 2017

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

Dear Ross

## **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 2017/18. We also set out our expectations of Ōtākaro's general long-term, specific relationship-based and monitoring requirements. 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. We will review these expectations each year.

### *Purpose and objectives of Ōtākaro*

We have established Ōtākaro 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. As the company is funded through 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.

### *Ōtākaro's core functions*

We expect Ōtākaro to achieve its purpose through successful delivery of its objectives and shareholders' expectations as expressed in the Constitution, this letter 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.

### *Business cycle*

The timetable for Ōtākaro's planning documents is set out in Annex 1 to this letter. We expect the 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 to indicate how Ōtākaro will prepare itself for disestablishment in the timeframe we have agreed.

#### *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 (OEM), 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.

#### *Relationships with other organisations*

The regeneration of Christchurch, especially the central city, requires many parties to work collaboratively. In particular, we expect Ōtākaro to work pro-actively, openly and cooperatively with key stakeholders, including:

- Christchurch City Council (CCC)
- Regenerate Christchurch
- Development Christchurch Limited (DCL)
- Mataporore Charitable Trust, and
- New Zealand Transport Agency

#### *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 prior to the close of the financial year ending 30 June 2017. 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 Department of Prime Minister and Cabinet, 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). Ōtākaro has been designated a Tier 2 Investment Intensive Agency under this Circular. A high Investor Confidence Rating reflects best commercial practice, and we understand that the company is already working well with officials to enable this process to occur in the last half of Financial Year 2016/17.

When Ōtākaro is acting as an agent for the Crown and on projects where the Crown continues to carry major financial and reputational risks, we expect the company to exercise its best judgement on how to manage the Crown's 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. We also expect Ōtākaro to transparently share project financial information with the Council or the New Zealand Transport Agency where either has/is contributing funds to an anchor project being delivered by Ōtākaro on the Crown's behalf and for which the Council will be the end owner.

*Next steps*

You may wish to respond to this letter of expectations with a strategic issues letter, outlining the major issues you expect to address during the business planning round which will inform the development of your planning documents.

We expect you to actively engage with DPMC, the Treasury and other relevant government agencies both as you develop planning documents and on an ongoing basis.

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 David Stanley (on 04 890 7253) or Jen Johnson (on 04 890 3559). Queries related to the wider purpose and objectives of Ōtākaro should be directed to Jonathan King at DPMC Greater Christchurch Group (on 03 903 0557).

Yours sincerely



Hon Gerry Brownlee  
**Minister supporting Greater Christchurch Regeneration**  
On behalf of shareholding Ministers

cc Albert Brantley, CEO Ōtākaro Limited

## Annex 1 – Business planning schedule

Each year, Ōtākaro is required to prepare the following documents:

1. Statement of Intent
2. Statement of Performance Expectations
3. Business Plan.

Under the Crown Entities Act, a Statement of Intent 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. I expect Ōtākaro to consult with Treasury and DPMC as you set strategic and operational priorities, and performance measures and targets.

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

### Key Dates

<b>Due Date</b>	<b>Key Action</b>
<b>By 1 May 2017</b>	Board submits draft Statement of Intent, draft Statement of Performance Expectations and draft Business Plan to shareholding Ministers
<b>15 working days after receipt</b>	Responsible Minister(s) comments on draft documents
<b>Before start of financial year</b>	Board delivers final Statement of Intent and Statement of Performance Expectations to shareholding Ministers for tabling in Parliament

All wholly owned subsidiaries of the Crown operating as Schedule 4A companies are expected to provide shareholding Ministers with a draft Statement of Intent, Statement of Performance Expectations and Business Plan consistent with shareholding Ministers' expectations as detailed in this letter, by 1 May each year. This normal business cycle reporting will come into effect for Ōtākaro from calendar year 2018.

Shareholding Ministers should be alerted as soon as possible if any of these deadlines cannot be met.

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>.