

DEVELOPMENT CHRISTCHURCH LIMITED

STATEMENT OF INTENT

FOR THE YEAR ENDING 30 JUNE 2019



DCL

Development Christchurch Ltd.

Directory



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DCL Board:	Bill Dwyer (Chair) Fiona Mules (Deputy Chair) Dr Jane Gregg Darren Wright Peter Houghton
Chief Executive Officer:	Rob Hall
Director of Corporate Services and Chief Financial Officer:	Joel Lieschke
Director of Investment and Engagement	Steve Clarke
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Introduction

This Statement of Intent (Sol) is prepared in accordance with Section 64(1) of the Local Government Act 2002.

The Sol specifies for Development Christchurch Limited (DCL or Company), the purpose statement, strategic objectives, nature and scope of the activities to be undertaken, and the measures by which the performance of DCL may be judged in relation to its objectives, and the achievement of Community Outcomes outlined by the Christchurch City Councils Long Term Plan (LTP).

The process of negotiation and determination of an acceptable Sol is a public and legally required expression of the accountability relationship between the company and its shareholder, Christchurch City Holdings Ltd (CCHL).

The Sol is reviewed annually with Christchurch City Council (the Council) and covers the period through to 30 June 2019.

DCL is a Council Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002. The company has completed its establishment phase and is evolving as it progresses through more operational phases. It is anticipated that DCL's Sol will be subject to regular changes and updates.

Purpose and objectives

DCL was established to support the Council's and CCHL's vision for the City through the achievement of the Council's Strategic Framework and supporting the delivery of the Long Term Plan. The Board and management of DCL have defined the company's objective:

"We are an urban development agency that accelerates development activities in Christchurch's built environment to achieve positive social outcomes that lead to a prosperous local economy".

Accelerated development activity will contribute to:

- A vibrant, competitive and attractive city, with higher levels of public participation and growth across a range of opportunities, including social and community investment therefore driving economic growth.
- Greater convergence of opportunity and outcomes across all of Christchurch by promoting equal levels of service, amenity, access to transport and employment opportunities as well as availability and quality of housing stock in areas more severely affected by the earthquakes and post-earthquake environment.
- Increased productivity and incomes from a more spatially efficient and consolidated central city.

Nature and scope of activities

The Company's business was established in July 2015. DCL is a wholly-owned subsidiary of CCHL, which in turn is a wholly-owned by Council.

DCL's core role is to provide the Council with the increased capacity and capability that arises from its commercial focus and commitment to engage effectively with developers, investors, businesses and other stakeholders. Outside this core activity, there is also a role to add capacity to Council by acting as delivery agent for some nominated capital works. This may be linked to, but not exclusively for, wider development opportunities or for the provision of innovative delivery solutions.

DCL is cognisant of, and will undertake activities set out in this Sol that are consistent with Council's values and community, social and environmental objectives.

DCL is intended to be a lean organisation providing high-quality advice and services to Council across the following three areas:

1. Strategic advice

- Provide strategic advice to Council and other public agencies on matters relating to urban regeneration outcomes and engagement with key stakeholders.
- Provide commercial advice to Council in regard to the procurement, commercial strategies and business case developments that form part of and assist in the delivery of capital projects. This may include delivery of those strategies and business cases.
- Provide commercial advice on attracting private sector investment to projects and as opportunities present.

2. Development management, facilitation and implementation

- Advance the Council's strategic objectives in taking a pro-active approach to property and urban development through the use of Council or DCL owned land and other 'non-financial levers'.
- To seek, on behalf of CCHL and the Council, land development and any other relevant investment opportunities, as requested by Council, that have the potential to enhance the economic well-being of the City and in doing so deliver a return that balances financial and public good outcomes.
- Assist Council in facilitating investment opportunities, where it is agreed that DCL should be the nominated investment management and / or monitoring vehicle.
- Develop and deliver nominated projects for Council or CCHL as requested by those organisations or approved by the Board of DCL.

3. Engagement and investor relations

- Coordinating with partner organisations to be a clear and stable entry point for public, private and social capital providers through the delivery of the Investor Ready Strategy.
- Establish credible mechanisms that enable early engagement, effective advocacy and strong working partnerships with private sector, not-for-profit and community groups active in areas of development interest to DCL.
- Promote a high level of community engagement through projects developed and delivered.
- Work with partner organisations to identify and mitigate risks/issues that have the potential to be bottlenecks for investment and regeneration in Christchurch.

In addition to these core objectives DCL will also:

- Ensure that the organisation performs to a high standard, with key policies, processes, systems and people in place.
- Work with CCHL and CCC to develop a sustainable financial model to support its operations on an ongoing basis.
- Ensure that best practice governance, assurance, financial and health and safety practises are applied to its operations, relevant to the size and scope of those operations.
- Develop strong working relationships with Council and related entities, CCHL and its subsidiaries, Christchurch.NZ, Regenerate Christchurch and Ōtākaro Limited in undertaking activities directed at attaining the enhanced well-being of the City.
- Further progress the priority projects allocated by Council to DCL including:
 - The implementation of a plan that delivers on the Council's commitment to support the revitalisation of priority regeneration areas, such as New Brighton's commercial core and progress the delivery of the hot pools.
 - The successful redevelopment of the Peterborough Quarter.
 - The implementation of a land development strategy that will deliver highest and best use of available land owned by DCL to deliver community, social and economic benefits to the City.

Performance targets and measures

The DCL Board will use the following measures to assess its performance and contribution to the achievement of the Community Outcomes identified by CCC over the 2018/19 financial year:

Governance

	Objective	Performance targets for 2018-2019
1.	DCL maintains a strategic direction that is consistent with that of 100% shareholder Christchurch City Holdings Ltd (CCHL) and the Council.	<p>Target 1 - DCL will ensure it maintains policies, plans and strategies that are consistent with the Council's requirements.</p> <p>Target 2 - DCL will submit a draft Sol for 2019/20 for approval to CCHL by 1 March 2019.</p>
2.	DCL keeps its owners informed of all significant matters relating to DCL.	Target 3 - DCL will meet and provide updates to the Finance and Performance committee on key work programmes as required but quarterly as a minimum. DCL will provide a quarterly report to CCHL noting progress against Sol targets. DCL will advise any major matters of urgency to its owners at the earliest opportunity.
3.	Corporate governance procedures are appropriate, documented and reflect best practice.	Target 4 - The Board will maintain an appropriate and comprehensive suite of corporate governance policies and procedures, which will be regularly reviewed.

Key Initiatives

	Objective	Performance targets for 2018-2019
1.	<p>Development Management and Implementation</p> <p>The Company:</p> <ul style="list-style-type: none"> • Takes a pro-active approach to development through the use of Council and DCL -owned land and other non-financial levers. • Supports the implementation of suburban master plans as directed by Council and seek to attract private sector and community-based investment as appropriate. 	<p>Target 5 - DCL will continue to progress and monitor the development of the Peterborough Quarter.</p> <p>Target 6 - DCL will continue to lead the revitalisation of New Brighton:</p> <ul style="list-style-type: none"> - Complete construction of Phase 1B of the hot water pools. - Source an external investor to fund the implementation and development of the commercial core as outlined in the Suburban Masterplan and New Brighton Regeneration Project Implementation Plan. <p>Target 7 - DCL will seek, on behalf of CCHL and the Council, development opportunities that have the potential to enhance the economic well-being of the City, deliver an optimal return that balances financial and public good outcomes: Source development partners for land transferred to DCL by Council.</p> <p>Target 8 - DCL will work with the Council to progress other development projects which have the potential to deliver on the City's vision and provide value for money and require support from the Council.</p>
2.	<p>Investor Relations and Engagement</p> <p>The Company:</p> <ul style="list-style-type: none"> • Ensures the City has access to the broadest possible pool of capital required to support the successful regeneration of Christchurch. This includes facilitating access to project finance, development capital, investment capital, 	<p>Target 9 - Leadership of investment activity across Christchurch. DCL will lead the delivery of the 'Investor Ready City' strategy, by:</p> <ul style="list-style-type: none"> - On-going facilitation of opportunities for investment across a wide range of investors and sectors. - Seeking and enabling investment where appropriate in activities that have the potential to enhance the economic well-being of the City and in doing so deliver a return that balances financial and public good outcomes.

	Objective	Performance targets for 2018-2019
	<p>business and investment, not-for-profit funding and social capital.</p> <ul style="list-style-type: none"> Establishes credible mechanisms that enable early engagement, effective advocacy and strong working partnerships with private sector, not-for-profit and community groups active in areas of development interest to DCL. 	<p>Target 10 - DCL will develop and maintain a credible and effective Engagement Framework to:</p> <ul style="list-style-type: none"> Provide an effective point of engagement for community groups and other key stakeholders in areas that meet DCL's objectives. Ensure DCL works closely with Regenerate Christchurch and Ōtākaro Limited in providing effective advocacy for, and support of, new regeneration plans.
3.	<p>Strategic/Commercial Advice</p> <p>The Company will work to ensure that Council has confidence that the separation of political and commercial decision-making not only retains a clear alignment with CCC's hierarchy of Strategies and Plans but also enhances its ability to engage with other public sector and private sector entities.</p> <p>The Company provides strategic and commercial advice to the Council.</p>	<p>Target 11 - The company provides strategic and commercial advice to the Council in relation to development matters, as and when required in relation to but not limited to:</p> <ul style="list-style-type: none"> Procurement strategies and the ability to effectively engage with the markets. Commercial strategies, including enhanced revenue and investment opportunities. The attraction of private sector investment to projects.

Financial and operational objectives

	Objective	Performance targets for 2018-2019
1.	The company is financially sustainable	Target 12 - DCL will provide CCHL financial forecasts for the three years to 30 June 2021.
2.	Operational excellence	<p>Target 13 - DCL is committed to maintaining rigorous policies and processes in accordance with accepted industry standards the Company will:</p> <ul style="list-style-type: none"> Develop a culture that is focussed, pro-active and outcomes focussed. Implement a Diversity and Inclusion Policy designed to recognise the value of diverse and skilled director and employee groups to maintain

	Objective	Performance targets for 2018-2019
		<p>an inclusive and collaborative boardroom and workplace culture.</p> <ul style="list-style-type: none"> - Develop an effective prioritisation framework and work programme in ensuring an optimal allocation of resources. - Ensure decisions around its operation and supporting infrastructure have the support of its shareholder and Council. - Maintain a strict 'no-surprises' policy in its relationship with CCHL and Council as appropriate. - Promote sustainable environmental practices and reflect these through a Sustainability Policy. - Ensure coastal hazard risks and climate change regulatory requirements are fully considered, managed and implemented when appropriate. - Provide effective communication and engagement with the communities DCL is involved with.

Financial performance measures

In the Council's Annual Plan, completed in June 2016, the Council approved \$3m of annual funding to DCL for the five years commencing 2016.

Projections have been prepared which take into consideration project revenue, governance costs, staff and employer contribution costs, shared service costs, overheads and external consultants. Further discussion is required with the Council regarding the extent to which responsibility for projects already provided for in the Council's Long Term Plan may be transferred to DCL and the compensation provided to DCL for those projects.

The following projections are based on core funding in the form of services income from the Council. Changes to this funding structure and project forecast would significantly impact the projected results:

	2019	2020	2021
	\$'000s	\$'000s	\$'000s
Net Profit/(loss) after tax	6	663	838
Total Assets	17,779	13,705	9,260
Equity	19,006	16,669	13,507
Ratio of Equity to Total assets	107%	122%	146%

Distributions

DCL does not intend to make any distributions in the next three years.

Accounting policies

DCL will adopt accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the CCHL/Christchurch City Council group. Detailed accounting policies are available on our website.

Corporate Governance

This statement gives readers an overview of the Company's main corporate governance policies, practices and processes adopted or followed by the DCL Board.

Role of the Board of Directors

The Board is responsible for the proper direction and control of the Company's activities. The Board guides and monitors the business and affairs of DCL on behalf of the shareholder.

The Chief Executive has been delegated responsibility for the day to day management of the Company assisted by staff as required. The Company Does make use of external advisers from time to time.

All directors are required to comply with a formal Code of Conduct, which is based on the New Zealand Institute of Directors' Principles of Best Practice.

Responsibility to shareholder

Statement of Intent

In accordance with the Local Government Act 2002, the Company submits a draft Statement of Intent (Sol) for the coming financial year for consideration by CCHL and the Council. This Sol sets out the Company's overall objectives, intentions and financial and performance targets. Having considered any comments on the Sol by CCHL and the Council, the company issues the Sol in final form.

Information flows

The Board aims to ensure that CCHL is informed of all major developments affecting the Company's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public.

In addition to the statutory reporting noted below, DCL will submit reports to CCHL and the Council as outlined under 'Performance Targets', and meet with CCHL and the Council regularly to discuss the company's strategic direction and any significant issues that arise.

Statutory information requirements

The Company will provide an annual Statement of Intent in accordance with Section 64(1) of the Local Government Act 2002. The directors will include any other information they consider appropriate. Where appropriate, revised forecasts will be submitted to the shareholder.

DCL will submit an annual report to its shareholder which will be publicly available for Council and the public. The annual report will include audited financial statements and such other details as are necessary to permit an informed assessment of the Company's performance and financial position during the reporting period, and to comply with the requirements of the Companies Act and Financial Reporting Act.

The Company will also prepare interim financial statements to 31 December, and a review of the period, that comply with NZ IAS 34 'Interim Financial Reporting' by 28 February.

Board composition and fees

The Board comprises five directors and are paid fees in accordance with the normal CCHL policies and processes.

Board appointments

All directors are selected for their commercial expertise and other skill sets in accordance with the Council's appointments policy.

- Directors will be appointed for terms of three years in accordance with Council policy.
- The Board will generally meet at monthly intervals, and more often when required.

Remuneration Policy

The Company is especially conscious of its public responsibilities in the setting of remuneration for senior executives, which is closely managed by the Board and made publically available via the annual report.

We have policies and procedures in place to ensure remuneration levels are set at responsible limits that are able to attract and retain the people we need to manage and operate the business. These include;

- Delegated financial authorities for hiring of new employees and remuneration setting.
- An annual staff performance review process.
- Subscription to and participation in the Strategic Pay market remuneration surveys.

Health and safety

Health and safety is everyone's responsibility. DCL will have safe worksites – for our employees, contractors, visitors, consumers and the public. We take a risk-based approach to health and safety. We will also maintain a fit-for-purpose health and safety management process encompassing the following:

- Board and management reporting.
- Incident investigation, applying any lessons learnt.
- Identification and risk management of critical safety risks.
- Culture of continuous improvement.
- Compliance with legislation.

Sustainability and our environment

We are committed to working towards a sustainable environment and managing the hazards and risks due to the effects of climate change and our dynamic environment and ecosystems. Particularly those in our coastal areas, and how these affect our urban form. We will be leaders in sustainable business practices and maintain a Sustainability Policy that meets the challenge – ‘meeting the needs of today without compromising needs of future generations’.

DCL will operate in a way that is consistent with the Council’s aim of becoming carbon neutral by 2030.

Activities for which compensation is sought from any local authority

This Statement of Intent contains no specific requirements for compensation by CCHL or the Council apart from the provision of equity funding as noted earlier in this document. It is noted that there may be a need to obtain funding from the Council for the delivery of specific additional work that is identified. This will be formally agreed and contracted between Council and DCL. It is also noted that Council has requested CCHL to provide a line of credit, as required on a project specific basis, to DCL in line with its commercial terms.

Acquisition/divestment policy

The subscription or acquisition of securities in any company or organisation or any land development (including any land acquisition/divestment) transactions, special purpose vehicle or joint venture or a divestment of part of the existing business (including any land disposal transaction), will only be considered where it is consistent with the Company’s long-term business objectives (and business plan) and will only be undertaken after consultation with the shareholder.

Commercial value of shareholder's investment

The value of CCHL's investment has not been determined, as there are still significant uncertainties around DCL's projected financial performance.