



**DCL**

Development Christchurch Ltd

# DEVELOPMENT CHRISTCHURCH LIMITED STATEMENT OF INTENT

FOR THE YEAR ENDING 30 JUNE 2020

## DCL STATEMENT OF INTENT FY-2019/2020

### Directory

<b>Postal Address:</b>	Development Christchurch Limited Level 2, Building 2 181 High Street Christchurch 8011 New Zealand
<b>Registered office:</b>	Level 2, Building 2 181 High Street Christchurch 8011 New Zealand
<b>DCL Board:</b>	Bill Dwyer (Chair) Fiona Mules (Deputy Chair) Dr Jane Gregg Darren Wright, MNZM Peter Houghton
<b>Chief Executive Officer:</b>	Rob Hall
<b>Director of Corporate Services and Chief Financial Officer:</b>	Joel Lieschke
<b>Director of Investment and Engagement:</b>	Steve Clarke
<b>Director of Development:</b>	Michael Gale
<b>Commercial Director:</b>	Paul Silk
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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 Council's 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<sup>th</sup> June 2020.

DCL is a Council Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002. The Company is an operational Urban Development Agency (UDA), delivering key projects for the Council both through a direct relationship managed by specific contracts and in its own right, utilising owned assets in accordance with the Sol. It is anticipated that DCL's Sol will be subject to regular changes and updates.

## Purpose and objectives

DCL was established to support both the Council and CCHL's vision for the city through supporting the Council's Strategic Framework and the delivery of the LTP by leading investment activity and pursuing new developments for the benefit of Christchurch. DCL is also working closely with ChristchurchNZ and Regenerate Christchurch, as a delivery focussed UDA with a work programme, which is fully aligned. 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 developmental activity will contribute to a vibrant, competitive and attractive city, focusing on environmental, social and community investment, consequently driving economic growth as defined in the Christchurch Prosperity Framework, produced by ChristchurchNZ.

## **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 wholly-owned by Council.

DCL provides Council with increased capacity and capability that arises from its commercial focus and commitment to engage effectively with developers, investors and other stakeholders. Outside this core activity, there is also a role as a UDA to add capacity to Council by acting as a delivery agent for some nominated capital works, which align to ongoing urban regeneration particularly where significant private investment and development is required. This may be linked to, but not exclusively for, wider development opportunities or for the provision of innovative delivery solutions.

Council and DCL have a Memorandum of Understand (MoU) which agrees to a set of mutual objectives and guiding principles, enabling strong and collaborative working relationships between the organisations. In addition, Council and DCL have a separate Funding and Services Agreement that sets the terms and conditions on which DCL agrees to provide services and outlines the Council's agreement to fund DCL's provisions of the services, through until the end of fiscal year 2021.

DCL will undertake activities set out in this Sol that are consistent with Council's values and community, social and environmental objectives buy utilising the 'Best for City' objective in its decision-making processes.

DCL is a lean organisation undertaking and facilitating development work, whilst providing high-quality advice and services to Council across the following three areas:

### **1. Transform**

- Advance the Council's strategic objectives in taking a proactive 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 that have the potential to enhance the City and in doing so deliver a return that balances financial and public good outcomes.
- Develop and deliver nominated projects for Council or CCHL as requested by those organisations or approved by the Board of DCL.
- Deliver the agreed outcomes in approved Regeneration Plans and Strategies, as directed by the Council ensuring close working with Regenerate Christchurch.

## **2. Facilitate**

- Coordinating with partner organisations, particularly ChristchurchNZ, to be a clear entry point for public, private investment and social capital as stated in the Investor Ready Strategy.
- Establish credible mechanisms that enable early engagement, effective advocacy and strong working partnerships with the private sector, not-for-profit and community groups active in areas of development that benefits the City.
- Promote a high level of community engagement through projects developed and delivered.

## **3. Support**

- Provide strategic advice to Council and other public agencies on matters relating to urban regeneration.
- 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 and other investment related projects. This may include delivery of those strategies and business cases.
- Provide commercial advice on attracting private sector investment to projects as opportunities present.
- Facilitate investment opportunities, where it is agreed that DCL should be the nominated investment management and/or monitoring vehicle. This will predominantly be focussed on property and will often be done working alongside Council and ChristchurchNZ.

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.
- Provide appropriate oversight over the DCL 54.73% investment into Leisure Investments New Zealand Limited.
- Work with CCHL and Council to develop options for a sustainable financial model to support core operations and delivery of services in the future.
- Work with Council and Regenerate Christchurch to prepare for the delivery of the Development Plan project defined within the Ōtākaro Avon River Corridor Regeneration Plan.
- Ensure that best practice governance, assurance, financial, and health and safety practices are applied to its operations, relevant to the size and scope of those operations.

## Performance targets and measures

The DCL Board will use the following measures to assess its performance over the 2019/20 financial year:

### Governance

	Objective	Performance targets for 2019-2020
1.	DCL maintains a strategic direction that is consistent with that of 100% shareholder Christchurch City Holdings Ltd (CCHL) and Council.	<b>Target 1</b> - DCL will ensure it maintains policies, plans and strategies that are consistent with the Council's requirements. <b>Target 2</b> - DCL will submit a draft Sol for 2020/21 for approval to CCHL by 1 <sup>st</sup> March 2020.
2.	DCL keeps its owners informed of all significant matters relating to DCL.	<b>Target 3</b> - DCL will meet and provide updates to the Finance and Performance Committee on key work programmes quarterly. 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.	<b>Target 4</b> - 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 2019-2020
1.	Development Management and Implementation. The Company:	<b>Target 5</b> - DCL will work with the private sector to progress the development of land parcels and property owned by DCL.

	Objective	Performance targets for 2019-2020
	<ul style="list-style-type: none"> <li>• Takes a pro-active approach to development through the use of Council and DCL owned land and other non-financial levers.</li> <li>• Supports the implementation of suburban masterplans as directed by Council and seek to attract private sector and community-based investment as appropriate.</li> <li>• Works with Council to receive or provide advice on delivery of parts of the Ōtākaro Avon River Corridor.</li> </ul>	<p><b>Target 6</b> - DCL will continue to lead the revitalisation of New Brighton:</p> <ul style="list-style-type: none"> <li>- Practical completion construction of the Christchurch Hot Pools by March 2020.</li> <li>- Continue to facilitate investment and delivery of developments in the commercial core as outlined in the Suburban Masterplan and New Brighton Regeneration Project Implementation Plan.</li> <li>- Assist the New Brighton Surf Bathing &amp; Life Saving Club to deliver a new club building on the foreshore.</li> </ul> <p><b>Target 7</b> - DCL will work with the Council to progress other development projects such as Milton Street and the former New Brighton School site, which have the potential to deliver on the City's ambition.</p> <p><b>Target 8</b> - Leadership of investment activity across Christchurch through our commitment to the Central City Action Plan:</p> <ul style="list-style-type: none"> <li>- Ongoing facilitation of opportunities for investment across a wide range of investors and sectors, through the 'Investor Ready City' strategy.</li> </ul> <p>Seeking and enabling investment where appropriate in activities that have the potential to enhance the economic wellbeing of the City and in doing so, deliver a return that balances financial and public good outcomes.</p> <p><b>Target 9</b> - DCL will develop and maintain a credible and effective Engagement Framework to:</p> <ul style="list-style-type: none"> <li>- Provide an effective point of engagement for community groups and other key stakeholders in areas that meet DCL's objectives.</li> </ul>

	Objective	Performance targets for 2019-2020
		<ul style="list-style-type: none"> <li>- Ensure DCL works closely with Regenerate Christchurch and Ōtākaro Limited in providing effective advocacy for, and support of, new regeneration plans.</li> </ul>
2.	<p><b>Investor Relations and Engagement</b></p> <p>The Company:</p> <ul style="list-style-type: none"> <li>• 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, business and investment, not-for-profit funding and social capital.</li> <li>• Establishes credible mechanisms that enable early engagement, effective advocacy and strong working partnerships with the private sector, not-for-profit and community groups active in areas of development interest to DCL.</li> </ul>	<p><b>Target 10</b> - 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"> <li>- Procurement strategies and the ability to effectively engage with the markets.</li> <li>- Commercial strategies, including enhanced revenue and investment opportunities.</li> <li>- The attraction of private sector investment to projects.</li> </ul>

	Objective	Performance targets for 2019-2020
3.	<p><b>Strategic/Commercial Advice</b></p> <p>The Company:</p> <ul style="list-style-type: none"> <li>• Works to ensure that Council has confidence that the separation of political and commercial decision-making not only retains a clear alignment with Council’s hierarchy of Strategies and Plans but also enhances its ability to engage with other public sector and private sector entities.</li> <li>• Provides both strategic and commercial advice to Council and other entities such as ChristchurchNZ, as appropriate.</li> </ul>	

### Financial and operational objectives

	Objective	Performance targets for 2019-2020
1.	The Company is financially sustainable.	<b>Target 11</b> - DCL will provide CCHL financial forecasts for the three years to 30 <sup>th</sup> June 2022.
2.	Operational excellence.	<p><b>Target 12</b> - 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"> <li>- Maintain a culture that is focussed, proactive and outcomes focussed.</li> </ul>

	Objective	Performance targets for 2019-2020
		<ul style="list-style-type: none"> <li>- Continue to comply with a Diversity and Inclusion Policy designed to recognise the value of diverse and skilled director and employee groups to maintain an inclusive and collaborative boardroom and workplace culture.</li> <li>- Utilise an effective prioritisation framework and work programme in ensuring optimal allocation of resources.</li> <li>- Ensure decisions around its operation and supporting infrastructure have the support of its shareholder and Council.</li> <li>- Maintain a strict 'no-surprises' policy in its relationship with CCHL and Council as appropriate.</li> <li>- Promote sustainable environmental practices and reflect these through a Sustainability Policy.</li> <li>- Ensure coastal hazard risks and climate change regulatory requirements are fully considered, managed and implemented when appropriate.</li> <li>- Provide effective communication and engagement with the communities DCL is involved with.</li> </ul>

### Financial performance measures

In the Council Annual Plan, completed in June 2016, Council approved \$3m of annual funding to DCL for the five years commencing 2016. No agreement has been made for provisions of funds for operational and core expenses for the financial year ending 2022 and beyond.

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 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 Council. Changes to this funding structure and project forecast would significantly impact the projected results:

	2020	2021	2022
	\$'000s	\$'000s	\$'000s
Net Profit/(loss) after tax	(473)	984	708
Total Assets	17,245	14,795	11,398
Equity	19,849	15,849	11,849
Ratio of Equity to Total assets	115%	107%	104%

## 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.

## Corporate Governance

The performance targets included in this document give an overview of the Company's main corporate governance 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.

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.

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

## **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 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 Council as outlined under 'Performance Targets', and meet with CCHL and 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 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<sup>st</sup> December, and a review of the period, that complies with NZ IAS 34 'Interim Financial Reporting' by 28<sup>th</sup> February.

## **Board composition and fees**

The Board comprises of five directors and is 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 a term 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 the 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 all 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.
- Proactive identification and management of hazards and risks.
- A 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 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 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 loan facilities, 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.