

DCL

DEVELOPMENT
CHRISTCHURCH LTD

Statement of Intent

For the year ending 30 June 2018

Directory

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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), 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 2020.

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 rapidly 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 Community Outcomes identified in the Long Term Plan. The Board and management of DCL have defined the company's objective as stated below:

“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 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.
- Productive suburban centres that bring communities together.

Nature and scope of activities

The company's business was established in July 2015 following a Council resolution passed in April 2015. DCL is a wholly-owned subsidiary of CCHL, which in turn is a wholly-owned subsidiary of the 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:

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 development that form part of and assist in the delivery of capital projects. This may include delivery of those strategies and business cases.
- Provide commercial investment advice on attracting private sector investment to projects as required and as opportunities present.

Development management 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.
- Develop a commercial strategy that supports the development and implementation of suburban master-plans as requested by Council and attracts private sector and community-based investment.
- Develop and deliver nominated projects for Council or CCHL as requested by those organisations or approved by the Board of DCL.

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 development of an 'investor ready city' 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.
- Promotes 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 in Christchurch.
- Assist Council and Regenerate Christchurch in promoting the 'shared value' benefits that arise from successful regeneration activities.

In addition to these core objectives DCL will also:

- Ensure that the organisation performs well, with key policies, processes, systems and people in place.
- Continue developing 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 (formally CDC, CCT and Council events team), 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.

- The preparation of a development management plan, that provides for the successful redevelopment of the Peterborough Quarter.
- The implementation of a land development strategy that will deliver highest and best use of available Council land transferred to DCL by Council 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 2017/18 financial year:

Governance

	Objective	Performance target 2017-2018
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 2018/19 for approval to CCHL by 1 March 2018.</p>
2.	DCL keeps its owners informed of all significant matters relating to DCL.	<p>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.</p>
3.	Corporate governance procedures are appropriate, documented and reflect best practice.	<p>Target 4 - The Board will maintain an appropriate and comprehensive suite of corporate governance policies and procedures.</p>

Key Initiatives

	Objective	Performance target 2017-2018
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 and seek to attract private sector and community-based investment as appropriate. 	<p>DCL will continue to progress the development of the Peterborough Quarter.</p> <p>DCL will continue to lead in line with the suburban master plan the revitalisation of New Brighton:</p> <ul style="list-style-type: none"> - Complete construction of Phase 1A of the hot salt water pools. - Completion of an Outline Development Plan for the commercial core and foreshore linkages. <p>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:</p> <ul style="list-style-type: none"> - Provide development implementation plan for the tranche 1 land transferred to DCL by Council <p>DCL will work with the Council to progress other development projects which have the potential to deliver on the City's vision, 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, business investment, not-for-profit funding and social capital. • 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>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"> - Reporting 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. <p>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 DCL has an active interest. - Ensure DCL works closely with Regenerate Christchurch and Ōtākaro Limited in providing effective advocacy for and support of new regeneration plans.

	Objective	Performance target 2017-2018
3.	<p>Strategic/Commercial Advice</p> <p>The 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 in relation to relevant development matters.</p>	<p>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. - Investment opportunities. - The attraction of private sector investment to these projects.

Financial and operational objectives

	Objective	Performance target 2017-2018
1.	The company is financially sustainable	DCL will provide CCHL financial forecasts for the three years to 30 June 2020.
2.	Operational excellence	<p>DCL is committed to maintaining rigorous policies and processes in accordance with accepted industry standards:</p> <ul style="list-style-type: none"> - Develop a culture that is focussed, pro-active and outcomes focussed. - Develop an effective prioritisation framework and work programme in ensuring an optimal allocation of resources. - Continue to ensure decisions around its operation and supporting infrastructure have the support of its shareholder. - Maintain a strict 'no-surprises' policy in its relationship with CCHL, and is mindful of the high level of public scrutiny it may come under in performance of its work. - Engage in sustainable environmental practices. - Ensure coastal hazard regulatory requirements and risks are considered and managed. - 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 next five years.

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. These arrangements will affect DCL's financial projections.

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:

	2018	2019	2020
	\$'000s	\$'000s	\$'000s
Net Profit/(loss) after tax	9	(1,477)	(333)
Total Assets	22,020	33,944	32,185
Equity	19,627	27,150	26,817
Ratio of Equity to Total assets	89%	80%	83%

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 will be made available on our website as it comes online.

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 may 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 its shareholder, the Council. The Sol sets out the company's overall objectives, intentions and financial and performance targets. Having considered any comments on the Sol by 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 and group'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 the 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 will be 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 on the permanent board 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.

We aim to have safe worksites – for our employees, contractors, visitors, consumers and the public. We take a risk-based approach to health and safety. We also aim to have a fit-for-purpose health and safety management process, one with effective and robust:

- Board and management reporting
- Incident investigation, applying any lessons learnt
- Identification and risk management of critical safety risks
- Investment to achieve our health and safety objectives
- Culture of continuous improvement
- Compliance with legislation

The environment

We are committed to working towards a sustainable environment and we review our policies at least annually.

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 above. It is noted that there may be a need to obtain funding from the Council in accordance with the Memorandum of Understanding and associated Services Agreement that will be entered into between Council and DCL. It is also noted that Council has requested CCHL to provide a line of credit, as required, 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, 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 full 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.