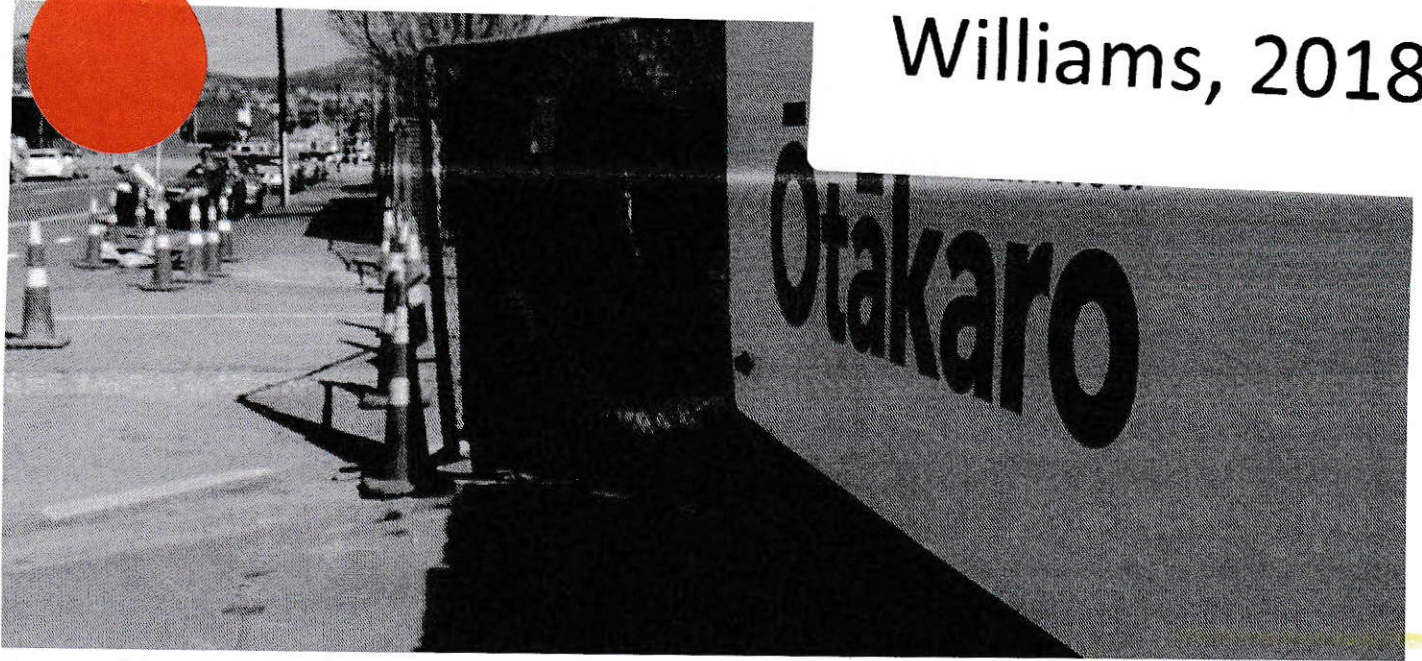


Williams, 2018



Crown company Ōtākaro is charged with delivering so-called "anchor" projects in central Christchurch. Photo: David Williams

September 11, 2018



David Williams

David Williams is Newsroom's South Island correspondent and investigative writer.

NEWS

Minister defends statement dodge

Two Crown companies have neglected to prepare performance statements this year, because of what the Government's calling extraordinary circumstances. David Williams reports.

Government ministers have let two Crown companies away with not producing annual statements of performance expectations – a legal requirement – claiming extraordinary circumstances.

Christchurch-based Crown companies Ōtākaro and Southern Response decided not to provide an annual statement of performance expectations (SPE) this year because ministers didn't write them a letter of expectations.

Megan Woods, the Minister responsible for the Earthquake Commission, says the companies' roles are being reviewed. "It's important to remember these are exceptional circumstances of a new Government with significantly different expectations for both agencies."

She adds: "I consider it acceptable that the boards have done the pragmatic thing by deciding to delay the companies' SPE until these issues are resolved. It removes the need for duplication of work and cost that would only slow momentum."

However, Christchurch accountant Cam Preston – who has had run-ins with Southern Response over earthquake claims and was allegedly spied on – says it doesn't matter if the Government doesn't give a sniff of direction to the companies.

"They still have to provide the public with a set of forecast financials and a set of outputs. You can't just skip a year because you feel like it."

Meanwhile, National Party Christchurch list MP Nicky Wagner throws the situation back on Woods for not providing ministerial expectations – one of few "levers" ministers have in Christchurch. "How can any organisation possibly deliver when they don't know what they're going to deliver against?"

The new Government was elected on bold promises, she says, to speed things up, and improve the work National had done. "And actually, they've left it exactly as it is and they haven't even bothered to make any changes [to the ministerial expectations]."

Material changes considered

Woods wrote to Ross Butler, who chairs Ōtākaro and Southern Response, in April. She said shareholding ministers didn't intend to provide a letter of expectations by the end of the financial year, because the Government was reviewing their roles.

Woods' April 30 letters stated significant changes were being considered for both entities "which may materially change the company's scope including the nature and expected duration of its operations".

Ōtākaro, a Christchurch rebuild agency established in April 2016, might play a role in the construction of **Christchurch's planned stadium**.

Meanwhile, Southern Response, the company settling Canterbury earthquake claims from AMI policy-holders, will likely be affected by the Government's attempt to resolve outstanding insurance claims. (Last week, legislation to establish a Canterbury Earthquake Tribunal passed its first reading in Parliament.)

After receiving Woods' letter, the boards of both companies decided not to prepare a statement of performance expectations. The situation was laid out in Official Information Act responses to Christchurch accountant Prestor who says it appears the companies are acting "beyond the law". The statements, which contain financial forecasts and output targets, aren't discretionary, he says. They're important for transparency and accountability.

"If they're using such vast sums of public money – especially Ōtākaro Ltd, god, there's so much money they've got under their control – and really, the whole commercial future of the city, and to not be able to stump up a basic budget is inconceivable."

"Both Treasury and I were aware of the likely impact this would have on the boards' decision-making." – Megan Woods

There's no provision in the law for exempting Crown entities from providing a statement, Woods' office confirms, and none was sought.

Woods' letter didn't explicitly state the Crown companies shouldn't produce a statement of performance expectations. But Woods says: "I discussed my approach regarding the letters of expectation with Treasury and they confirmed that under the circumstances it was an appropriate and pragmatic way forward. Both Treasury and I were aware of the likely impact this would have on the boards' decision-making."

A letter of expectations is being prepared for Ōtākaro now, Woods' office says. A letter for Southern Response is expected to be prepared in the next few weeks. "These will include ministers' expectations regarding the operations of these organisations."

Hon Dr M Woods ISURY
Kaitiaki Take Kōwhiri

**Treasury Report: Treasury Report: Letters to Chairs of Southern
Response and Ōtakaro**

Date:	20 April 2018	Report No:	T2018/1095
		File Number:	CM-1-3-112

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Note the contents of this report	30 April 2018
Minister for Greater Christchurch Regeneration (Hon Dr Megan Woods)	Note the contents of this report Approve and sign the attached letter to the Chair of Ōtakaro	30 April 2018
Minister Responsible for the Earthquake Commission (Hon Dr Megan Woods)	Note the contents of this report Approve and sign the attached letter to the Chair of Southern Response	30 April 2018

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
David Stanley	Principal Advisor	ss(2)(k) ss(2)(a)	✓

Southern Response chief executive Anthony Honeybone says his company is discussing the matter with Crown officials.

In a statement laced with similar language to that of Woods, he says: "The board believes it is a sensible and pragmatic approach to fully understand the minister's expectations of Southern Response's role within the Government's work programme to resolve outstanding insurance claims before the Statement of Performance Expectations is finalised. This avoids duplication of effort and provides a clear and concise direction of this Government's expectations."

Former Ōtakaro chief executive Albert Brantley wrote to Preston in July, saying the minister's letter enables the board to develop a business plan, which in turn allows the company to produce a statement of performance expectations. "Consequently, the minister has requested that Ōtakaro continue to operate under the 2017/18 LOE [letter of expectation], business plan and statement of performance expectations."

Newsroom asked Ōtakaro about that statement, but it said our query was best answered by the minister. Woods' spokesman didn't call it a direction. During a meeting with the Ōtakaro board on July 6 – after the financial year end, and after the statement should have been produced – the minister suggested continuing under its previous documents was a "practical approach".

Such pragmatism doesn't wash with Preston, who used to work for consultancy firm PwC. "Where do you draw the line with pragmatism? Surely the line's got to be where the law is." He's interested in these annual reports, he says, in the budgets, performance expectations and outputs. "If they're not produced then we're bloody mushrooms aren't we?"

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