

Finance and Performance Committee

AGENDA

Notice of Meeting:

An ordinary meeting of the Finance and Performance Committee will be held on:

Date: **Wednesday 2 August 2017**
Time: **9am**
Venue: **Council Chambers, Civic Offices,
53 Hereford Street, Christchurch**

Membership

Chairperson	Councillor Raf Manji
Deputy Chairperson	Deputy Mayor Andrew Turner
Members	Councillor Vicki Buck
	Councillor Jimmy Chen
	Mayor Lianne Dalziel
	Councillor Mike Davidson
	Councillor Anne Galloway
	Councillor Jamie Gough
	Councillor Yani Johanson
	Councillor Deon Swiggs

28 July 2017

Principal Advisor

Carol Bellette
General Manager Finance and
Commercial

Aidan Kimberley
Committee and Hearings Advisor
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Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted.
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TERMS OF REFERENCE FINANCE AND PERFORMANCE COMMITTEE

Chair	Councillor Manji
Membership	Deputy Mayor Turner (Deputy Chair), Mayor Dalziel, Councillor Buck, Councillor Chen, Councillor Davidson, Councillor Galloway, Councillor Gough, Councillor Johanson, Councillor Swiggs and a non-voting independent member to be appointed by an Appointments Panel established by the Council.
Quorum	Half of the members if the number of members (including vacancies) is even, or a majority of members if the number of members (including vacancies) is odd.
Meeting Cycle	Monthly
Reports To	Council

Responsibilities

The focus of the Finance & Performance Committee is the financial and non-financial performance of the Council and its subsidiaries.

The Finance & Performance Committee:

- Seeks to enhance the Council's accountability with the community in relation to the Council's financial and non-financial performance
- Promotes active citizenship, community participation and community partnerships, including participatory budgeting
- Works in partnerships with key agencies, groups and organisations

The Finance & Performance Committee considers and reports to Council on issues and activities relating to:

- The preparation and adoption of the draft and final Annual Plan and Long Term Plan (based on the strategic direction of the Strategic Capability Committee)
- Performance against the Long Term Plan (LTP) and Annual Plan (AP), including financial performance and non-financial performance including:
 - medium to long term asset management
 - treasury investment and borrowings
 - organisational performance and capability
- Insurance matters including to:
 - consider legal advice from the Council's legal and other advisers,
 - approve further actions relating to the issues,
 - make recommendations to Council concerning formal actions.
- Performance of a number of subsidiaries including Council Controlled Organisations (CCO).
- Recommendations from Council's Subcommittees, Community Boards, the public, stakeholders and providers in relation to finance and performance.
- Overseeing the development to the Annual Report for consideration by the Council
- Development of the financial policy of the Council
- Development of a Genuine Progress Indicator

Process for appointing Independent Members to the Finance and Performance Committee

The following principles will guide the appointment process for Independent Members of the Finance and Performance Committee:

1. Council Officers, in consultation with Elected Members, will compile a longlist of candidates and provide this list to the General Manager Finance and Commercial for consideration.
2. If appropriate, the Chair of the Finance and Performance Committee and the General Manager Finance and Commercial may endorse the nominations.
3. Candidates will be contacted at the appropriate time to confirm their willingness to serve as an independent committee member and, if confirmation is received, appropriate background checks as determined by the General Manager Finance and Commercial will be conducted. Candidates will also be informed of Council policies.
4. The Chair and Deputy Chair of the Finance and Performance Committee, and the General Manager Finance and Commercial, will review the candidates to develop a shortlist by assessing the following:
 - a. Professional credentials and relevant experience.
 - b. Their understanding of relevant legislation.
 - c. Experience overseeing or assessing the performance of organisations.
 - d. Potential conflicts of interest.
 - e. Affiliations or connections with the Council and its related entities.
 - f. Reference and background check reports.
5. The shortlist of candidates will be presented to an Appointments Panel. The Panel will select from that shortlist the independent member to be appointed to the Committee. The resolution to appoint the independent member should specify the dates on which the appointment commences and concludes.
6. The Chair of the Panel will inform the Council in writing of the Panel's decision.

Part A	Matters Requiring a Council Decision
Part B	Reports for Information
Part C	Decisions Under Delegation

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1. Apologies

At the close of the agenda no apologies had been received.

2. Declarations of Interest

Members are reminded of the need to be vigilant and to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

3. Confirmation of Previous Minutes

That the minutes of the Finance and Performance Committee meeting held on [Wednesday, 5 July 2017](#) be confirmed (refer page 6).

4. Deputations by Appointment

There were no deputations by appointment at the time the agenda was prepared.

5. Presentation of Petitions

There were no petitions received at the time the agenda was prepared.

Finance and Performance Committee OPEN MINUTES

Date: Wednesday 5 July 2017
Time: 9:01am
Venue: Council Chambers, Civic Offices,
53 Hereford Street, Christchurch

Present

Chairperson	Councillor Raf Manji
Deputy Chairperson	Deputy Mayor Andrew Turner
Members	Councillor Vicki Buck
	Councillor Jimmy Chen
	Mayor Lianne Dalziel
	Councillor Mike Davidson
	Councillor Anne Galloway
	Councillor Jamie Gough
	Councillor Yani Johanson
	Councillor Deon Swiggs

4 July 2017

Principal Advisor

Carol Bellette
General Manager Finance and
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-
- Part A Matters Requiring a Council Decision
Part B Reports for Information
Part C Decisions Under Delegation
-

The agenda was dealt with in the following order.

1. Apologies

Part C

Committee Resolved FPCM/2017/00035

That the apology for early departure from Councillor Gough be accepted.

Deputy Mayor/Councillor Manji

Carried

2. Declarations of Interest

Part B

There were no declarations of interest recorded.

3. Confirmation of Previous Minutes

Part C

Committee Resolved FPCM/2017/00036

Committee Decision

That the open and public excluded minutes of the Finance and Performance Committee meeting held on Wednesday, 31 May 2017 be confirmed.

Councillor Swiggs/Councillor Chen

Carried

4. Deputations by Appointment

Part B

There were no deputations by appointment.

5. Presentation of Petitions

Part B

There was no presentation of petitions.

Councillor Gough left the meeting at 09:30 am.

6. Asset Management Unit Status Report

Committee Resolved FPCM/2017/00037

Part C

That the Finance and Performance Committee:

1. Receives the information contained in this report and the May 2017 Portfolio Dashboard Report
2. Requests that future Asset Management reports:
 - a. Include data on asset condition and asset values.
 - b. Be reported to the Committee quarterly.

Councillor Manji/Mayor

Carried

7. Review of the Rates Postponement Scheme

Committee Comment

The Finance and Performance Committee considered the report on the review of the rates postponement scheme.

An additional proposal was tabled at the meeting by Councillor Manji. The key differences from the staff recommendations were to allow for universal access to the rates postponement scheme for superannuitants in owner-occupied homes, and access for other owner-occupiers who can demonstrate significant financial hardship. An alteration was also made to clarify that the Policy should be reviewed before each future Long Term Plan.

The Committee recommended that the Council accept this revised option.

Committee Decided FPCM/2017/00038

Part A

That the Finance and Performance Committee Recommends that the Council:

1. Requests staff to amend the current Rates Postponement Policy for consultation in the 2018 Long Term Plan, so that:
 - a. There is universal access (no asset or income test) for all superannuitants in owner-occupied homes, and access for other owner-occupiers who can demonstrate significant financial hardship.
 - b. 100% of rates may be postponed, provided that the total postponed value shall not exceed 20% of the most recent Rating Valuation.
 - c. An annual interest and administration charge will recover the Council's costs.
 - d. Application must include evidence of adequate financial and legal advice (like a bank loan application), to minimise the risk of future recovery being successfully challenged.

- e. Understanding of compound interest and the impact on home equity must be re-confirmed each year (staff will include a standard renewal form with first instalment rates invoices, as is currently done for the Rebate scheme).
- f. The policy is reviewed prior to each future Long Term Plan.

Councillor Manji/Councillor Davidson

Carried

Councillor Swiggs requested that his vote against the resolution be recorded.

Meeting concluded at 10:20am.

CONFIRMED THIS 2ND DAY OF AUGUST 2017

COUNCILLOR RAF MANJI
CHAIRPERSON

6. Impact on Business from Council Works

Reference: 17/805048

Contact: Chris Gregory Chris.gregory@ccc.govt.nz

941 8324

1. Purpose and Origin of Report

Purpose of Report

- 1.1 The purpose of this report is for the Finance and Performance Committee to be updated on the options for addressing the impact of Council infrastructure projects on private businesses, and to make a recommendation to the Council.

Origin of Report

- 1.2 This report is being provided to fulfil the following Council resolution from its meeting of 20 June 2017:

“Request staff to report back on existing processes in relation to work in the public domain and on options for how businesses unreasonably adversely impacted by Council works could be addressed.”

2. Significance

- 2.1 The decision in this report is of low significance in relation to the Christchurch City Council’s Significance and Engagement Policy.
 - 2.1.1 The level of significance was determined by consideration of the Significance and Engagement Policy.
 - 2.1.2 The community engagement and consultation outlined in this report reflect the assessment.

3. Staff Recommendations

That the Finance and Performance Committee recommends that the Council:

1. Receive the information in the report.
2. Note that financial compensation for businesses or other ratepayers affected by the Council’s infrastructure works (whether through the rates system or a Grant) is not considered feasible,
3. Require that the managers of all Council infrastructure projects liaise with any businesses, property owners and tenants that front Council infrastructure projects to either enable access for pedestrians and vehicles onto the property or agree practical alternative measures to be implemented.

4. Key Points

- 4.1 The Council already has a number of processes to control and manage construction activities in the road corridor. These include activities by other agencies such as electricity, telecommunications and private developers.
- 4.2 Staff and contractors work closely with affected parties to mitigate the impacts of Council projects on those businesses, property owners and tenants. However, this is frequently a balance between community expectation and achieving efficiency in the delivery of the capital programme.
- 4.3 Virtually all Council projects provide some form of mitigation whether it is temporary access, temporary routes or traffic management.

- 4.4 On a few occasions mitigations, such as dedicated parking, are provided on a case by case basis where the impact cannot be directly mitigated.
- 4.5 Rates relief for affected property-owners is not considered feasible. Specific objective criteria would be required to define the extent of disruption sufficient to qualify for relief, the amount of rates remission to be provided, and the length of time for which this should be applied. Current rates staff and system resources are inadequate to administer such a remission to the standard required by rates legislation.
- 4.6 Financial compensation by establishing a new type of Grant would be more feasible in that resources already exist to manage this sort of activity. However, there would remain a significant practical difficulty in defining who should qualify and how much should be provided, particularly as there are commonly a number of other factors to be considered beyond the direct impact of the Council works.

5. Context/Background

Background

- 5.1 At its meeting to consider the 2017/18 Annual Plan the Council resolved the following:

“Request staff to report back on existing processes in relation to work in the public domain and on options for how businesses unreasonably adversely impacted by Council works could be addressed.”

The report below outlines the existing formal processes, current project procedures and compensation options.

Council processes for activities in the road reserve

- 5.2 The Council has three processes that control and manage the road corridor (which is defined as fence to fence, not just the roadway itself). Temporary Traffic Management Plans, Corridor Access Requests and Temporary Use of Legal Road permits are the three methods by which the Council manages activities in the road corridor to reduce impacts on road users, neighbours and roading assets.
- 5.3 The Christchurch Traffic Operations Centre (CTOC) manages the **Temporary Traffic Management** process that requires all works in the road to have an approved Temporary Traffic Management Plan. In considering the plan CTOC take cognisance of other proposed works, road safety and traffic flow efficiency. The proposed plan is also considered against the national code for temporary traffic management as an industry benchmark.
- 5.4 Transport Operations staff manage the **Corridor Access Request** process that requires approval before any agency or developer can excavate in the road corridor. This process is intended to protect Council assets such as footpaths and roadways. By knowing who is digging and where, staff can ensure that remediation is up to standard and that any defects, complaints or queries are directed to the correct agency.
- 5.5 Transport Operations staff manage the **Temporary Use of Legal Road Reserve** process that requires approval before any agency or developer can use the road corridor for their own activities. The type of activities covered by these permits include hoardings, skips, storage areas, scaffolding etc. This process is intended to ensure that issues such as public safety, pedestrian routes and wider community/business impacts are considered before the permit is issued.
- 5.6 All three of these processes are intrinsically interlinked and are closely co-ordinated between staff in the relevant teams.

Current process for Council projects

- 5.7 Where any Council infrastructure project is likely to impact on an adjacent business or residential property then the Contractor and the Council Project Manager work with the affected parties to ensure vehicle and pedestrian access is maintained to that business/property. Often this is by defining a safe pedestrian route and/or by providing a temporary crossing for vehicles.
- 5.8 On a very few occasions it is impossible to preserve full access due to the nature of the work. For example;
- open utility trenches in the footpath that prevent pedestrian access to specific premises
 - open trenches that are too wide to bridge with conventional steel plates to provide temporary vehicle crossings.
- 5.9 In some projects the works require the temporary removal of car parking outside of the business in order to undertake the work proposed such as pipe laying or road construction. These car parks are not provided for specific businesses but are for general public use. Usually alternative parking is available nearby further along the road or on adjacent streets.
- 5.10 In a few cases the removal of car parking has been extensive with no viable on-street parking nearby and temporary parking has been provided. This situation is assessed on a case by case basis and on occasions special parking provisions are provided to maintain amenity such as on the current works on Hills Road.
- 5.11 Staff and contractors try to work collaboratively with all parties affected by the works to achieve reasonable solutions, however, on some occasions the extent of the work or its duration mean that not all impacts can be mitigated to the satisfaction of all and staff have to balance community impact against affordability and traffic efficiency. This has often been case in recent times purely due to the extent of the rebuild programme.

Compensation

- 5.12 Financial compensation through the rates system would require the Council to:
- Define a specific type and minimum level of disruption required in order for a property to qualify for a remission, based on objective and measurable criteria (not staff judgement).
 - Ensure that the qualification criteria could be applied to all properties in a way that is equitable (e.g. so that a similar level of relief is provided to properties in similar circumstances).
 - Determine what level of rates relief is appropriate, including a formula if the amount is to be proportional to the level of disruption and/or the value of the property.
 - Estimate the likely cost of such a remission, and be satisfied that it is fair and equitable for this cost to be borne by other ratepayers.
 - Ensure that rates staff and systems are sufficient to process applications promptly, provide on-going monitoring, and end the remission promptly once the temporary disruption has ceased.
- 5.13 As a practical matter, this final requirement cannot be met with existing rates staff and systems. More broadly, it should be recognised that the rates system is governed by specific legislation and is designed to impose a relatively stable level of taxation across the District – it is not intended to provide short-term relief for temporary circumstances. Recent experience with the Council’s temporary earthquake-related remissions demonstrated that it is very difficult to administer such remissions robustly, even when the list of affected properties and the length of

time they are affected is significantly more stable than would be likely under a “roadworks remission”.

- 5.14 Financial relief could potentially be provided through the Grants system – a form of “hardship fund” that businesses, tenants, or other affected ratepayers could apply to for consideration of financial support. A new grant would need to be established and funded as existing grants do not cover the situation being considered, but this approach would have the advantage of fewer legal constraints than rates and existing staff and system resources that are designed to provide similar services.
- 5.15 However, there would remain a fundamental problem of definition – how could we objectively define a minimum level of disruption, how could we be satisfied that an applicant really has experienced the extent of financial or other disruption that they are claiming, and how much compensation should be offered in each case?
- 5.16 Moreover, although the linkage between the presence of Council works and ratepayers’ financial or personal disruption is superficially obvious, it becomes more nebulous when used as the basis for financial compensation – for example:
- If a business has declining sales revenue, how much of this may be attributed to Council works and how much to other factors (such as changes in market trends, local demographics, traffic flows, and competition)?
 - For residential ratepayers, how can personal disruption be translated into financial compensation (particularly if most Council activity occurs during working hours)?
 - For all properties, how can the impact of Council-specific works be separated from the often overlapping impact of works from other service providers (such as telecommunications companies) or developers (particularly in the CBD, where rebuilding often encroaches on street space and disrupts neighbouring properties)?
- 5.17 The level of analysis and judgement required to consider these issues thoroughly is likely to be unacceptable, in terms of both the amount of time required to do it and the lack of consistency and transparency in the end result.
- 5.18 Although a far more straightforward and efficient approach could be adopted, this would achieve little more than simply giving a standard amount of money to anyone with roadworks within a certain distance of their property. The extent of disconnect between need and support under such an approach is considered unacceptable.

Attachments

There are no attachments for this report.

Confirmation of Statutory Compliance

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
- (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.

(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories

Authors	Chris Gregory - Head of Transport Steve Ballard - Manager Funds and Financial Policy
Approved By	David Adamson - General Manager City Services Carol Bellette - General Manager Finance and Commercial (CFO)

7. Memorandum of Understanding - the Council, ChristchurchNZ, and Christchurch City Holdings

Reference: 17/762551

Contact: Ian Thomson ian.thomson@ccc.govt.nz

941 8999

1. Purpose and Origin of Report

Purpose of Report

- 1.1 To enable the Finance and Performance Committee to receive and consider the attached draft Memorandum of Understanding before making a recommendation to the Council.

Origin of Report

- 1.2 ChristchurchNZ Ltd has been established as a single entity to represent the Council's interests in tourism, mega and major events, international education, and economic development in Christchurch and Canterbury;
- 1.3 The Council expects the Finance and Performance Committee to provide oversight of the entity (Letter of Expectations of 28 September 2016);
- 1.4 A draft Memorandum of Understanding has been prepared to record arrangements for the monitoring and support of the entity;
- 1.5 This is attached as **Attachment A**, for the Committee's consideration.

2. Significance

- 2.1 The decision to be made by the Council is of low significance, in relation to the Council's Significance and Engagement Policy. No community engagement or consultation is proposed.

3. Staff Recommendations

That the Finance and Performance Committee:

1. Approves the draft Memorandum of Understanding between the Council, ChristchurchNZ Holdings Ltd, ChristchurchNZ Ltd, and Christchurch City Holdings Ltd, as set out in Attachment A;
2. If necessary, requests the General Manager Financial and Commercial to make any non-material changes to the document that may be required by the Committee;
3. Recommends that the Council approves the draft Memorandum of Understanding as set out in Attachment A, and delegates to the Chief Executive authority to sign the Memorandum of Understanding on the Council's behalf;

4. Key Points

- 4.1 The draft Memorandum of Understanding records the monitoring and support to be provided by the Council and Christchurch City Holdings Ltd to ChristchurchNZ Ltd.

5. Context/Background

- 5.1 In 2013 the Council entered into a Memorandum of Understanding with Canterbury Development Corporation Ltd and Christchurch City Holdings Ltd. The purpose was to record the monitoring and reporting functions to be put in place following the restructuring of Canterbury Development Corporation Ltd;

- 5.2 Since then Canterbury Development Corporation has been amalgamated with Christchurch and Canterbury Marketing Ltd to form ChristchurchNZ Ltd;
- 5.3 ChristchurchNZ Ltd is wholly owned by ChristchurchNZ Holdings Ltd (previously Transition Holdings Ltd and before that Canterbury Development Corporation Holdings Ltd);
- 5.4 One of the Council’s priorities for the establishment of the new entity was for ChristchurchNZ Holdings Ltd to work with the Council and Christchurch City Holdings Ltd on a review of the earlier Memorandum of Understanding;
- 5.5 This has been progressed, and the result is the draft document attached. It provides that:
- Christchurch City Holdings Ltd will meet at least quarterly with ChristchurchNZ Ltd, to be briefed on matters such as ChristchurchNZ Ltd’s strategic direction and current areas of focus. They will also share relevant information about economic activity in the Canterbury region;
 - The Council’s Finance and Performance Committee will provide the oversight of ChristchurchNZ Ltd referred to in the Council’s Letter of Expectations dated 28 September 2016;
 - The Committee will be responsible for receiving and reviewing the annual Statements of Intent prepared by ChristchurchNZ Holdings Ltd and ChristchurchNZ Ltd, and the monitoring and reporting functions set out in the Local Government Act 2002;
 - The Committee will also monitor ChristchurchNZ Ltd’s performance against the service levels agreed to with the Council and recorded in the Long Term Plan;
 - Christchurch City Holdings Ltd will be responsible for recommending appointments to the boards of ChristchurchNZ Holdings Ltd and ChristchurchNZ Ltd;
- 5.6 The draft Memorandum of Understanding has been approved by the other parties.

Attachments

No.	Title	Page
A ↓	Draft Memorandum of Understanding	20

Confirmation of Statutory Compliance

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
- (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.

(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories

Author	Ian Thomson - Senior Legal Advisor, Governance
Approved By	Rob Goldsbury - Head of Legal Services Carol Bellette - General Manager Finance and Commercial (CFO)

MEMORANDUM OF UNDERSTANDING

PARTIES

1. Christchurch City Council (the Council);
2. ChristchurchNZ Limited (the Company);
3. ChristchurchNZ Holdings Limited (CNZH);
4. Christchurch City Holdings Limited (CCHL);

BACKGROUND

- A. CNZH is wholly owned by the Council, and currently owns all of the shares in the Company;
- B. Both CNZH and the Company are Council-Controlled Organisations for the purposes of the Local Government Act 2002;
- C. CCHL is the wholly owned investment arm of the Council, owning shares in a number of trading companies and providing monitoring and governance oversight to them and other Council-Controlled organisations;
- D. The parties have agreed that the Council will monitor the performance of the Company, with CCHL providing strategic support;
- E. The parties have agreed to record in this document the basis for establishing and maintaining collaborative working relationships that reflect their respective roles.

THE UNDERSTANDING OF THE PARTIES IS THAT:

1. CCHL will be one of the Company's key stakeholders and, with CCHL subsidiaries, has the ability to have a cornerstone role in the development and implementation of major city-wide strategies for which the Company will be responsible. These include the Visitor Strategy, and strategies for economic development in Christchurch and Canterbury.
2. CCHL will meet at least quarterly with the Company, to be briefed on matters such as the Company's strategic direction and current areas of focus, and to share relevant information about economic activity in the region. The parties will also deal with any other significant issues either of them may raise.
3. The Council's Finance and Performance Committee (FPC) will be responsible for providing the oversight of the Company referred to in the Council's Letter of Expectations dated 28 September 2016. The FPC will undertake for the Council its

role in receiving and reviewing the annual Statements of Intent prepared by CNZH and the Company, and the monitoring and reporting functions set out in the Local Government Act 2002.

4. The FPC will also be responsible for monitoring the Company's performance against the service levels agreed to by the Company and the Council and recorded in the Council's Long Term Plan.
5. Staff in both organisations will establish and maintain a collaborative working relationship that will ensure engagement at the appropriate level in respect of matters such as setting service levels, events, economic development, and any other areas of mutual interest or concern. The intention is that any reports to the FPC and recommendations from the FPC to the Council's governing body will have the support of both organisations.
6. All parties will operate on a "no surprises" basis with regard to significant issues. The Company will inform the Council beforehand, or as soon as possible, of any material or significant events that may be discussed in the public arena, or which may require a Council response.
7. The structure of the Company is the result of the amalgamation of two CNZH companies, Christchurch & Canterbury Marketing Ltd and Canterbury Development Corporation Ltd. CNZH and the Company have common board membership.
8. CCHL will be responsible for recommending appointments to the Company's board, in accordance with the Council's policy for the appointment and remuneration of directors to Council-Controlled Organisations.
9. Any recommendations made as a result of the appointments process will be reported by CCHL to the Council for approval (via the FPC). While the common board membership model is in place any changes made will be reflected in the board of CNZH.
10. This document replaces the Memorandum of Understanding between the Council, CCHL, and Canterbury Development Corporation Ltd dated 20 February 2013.

Dated this day of 2017

Memorandum of Understanding

Page 2 of 3

Attachment A
Item 7

Signed for and on behalf of:
Christchurch City Council

Signed for and on behalf of:
ChristchurchNZ Limited

Signed for and on behalf of:
ChristchurchNZ Holdings Limited

Signed for and on behalf of:
Christchurch City Holdings Limited.

DRAFT

8. Final 2017/18 Statements of Intent

Reference: 17/696505

Contact: Linda Gibb

Linda.gibb@ccc.govt.nz

941.6762

1. Purpose and Origin of Report

Purpose of Report

- 1.1 This report notes the changes made to the 2017/18 Statements of Intent (SOI) for Christchurch City Holdings Ltd (CCHL) and its subsidiaries and for the Council's trading organisations and charitable trusts following their consideration of the Council's comments on the draft documents in April 2017.

Origin of Report

- 1.2 This report is staff generated as a result of final SOIs being received by the Council on or before 30 June 2017.

2. Significance

- 2.1 The decision(s) in this report are of low significance in relation to the Christchurch City Council's Significance and Engagement Policy.
 - 2.1.1 The level of significance was determined by applying the Council's Significance and Engagement Policy, taking into consideration (amongst other things) the possible costs/risks to the Council, ratepayers and the wider community of carrying out the decision, whether the impact of the decision can be easily reversed and the number of people affected and/or with an interest in the matter.
 - 2.1.2 The community engagement and consultation outlined in this report reflect the assessment.

3. Staff Recommendations

That the Finance and Performance Committee recommend that the Council:

1. Notes that the final Statements of Intent for 2017/18 have been received from the following groups of Council-controlled organisations:
 - a. Christchurch City Holdings Ltd and its subsidiaries – Christchurch International Airport Ltd, Orion New Zealand Ltd, Lyttelton Port Company Ltd, Enable Services Ltd, City Care Ltd, EcoCentral Ltd, Red Bus Ltd and Development Christchurch Ltd;
 - b. Council-owned organisations and charitable trusts – Vbase Ltd, Civic Building Ltd, ChristchurchNZ Ltd (formerly Transition Holdings Ltd) and Local Government New Zealand, Riccarton Bush Trust, Christchurch Agency for Energy Trust and Rod Donald Banks Peninsula Trust;
2. Notes that the final Statements of Intent for 2017/18 address the Council's comments on the draft documents made at its meeting on 13 April 2017 (Council resolutions CNCL/2017/00109 and CNCL/2017/00110 refer);
3. Notes that the Statements of Intent meet the minimum statutory requirements for information to be provided as set out in clauses 9 and 10 of Schedule 8 of the Local Government Act 2002;
4. Notes that the Statements of Intent will be made public by each of the Council-controlled organisations on or before 31 July 2017.

4. Key Points

- 4.1 Clause 3 of Schedule 8 of the Local Government Act 2002 (LGA) sets out the process for Council-controlled organisations (CCO) to finalise their SOIs. It provides for CCO boards to consider the comments made by shareholders on the draft documents and to then provide the final SOI to shareholders on or before 30 June each year.
- 4.2 The final SOIs for the following CCOs were received by shareholders by 30 June 2017, all of which address the comments made by the Council on the draft documents at its meeting on 13 April 2017, and set out in paragraph 4.8:
 - **CCHL and its subsidiaries** – Christchurch International Airport Ltd, Orion New Zealand Ltd, Lyttelton Port Company Ltd, Enable Services Ltd, City Care Ltd, EcoCentral Ltd, Red Bus Ltd and Development Christchurch Ltd (CNCL/2017/00109 refers);
 - **Council-owned CCOs and charitable trusts** - Vbase Ltd, Civic Building Ltd, ChristchurchNZ Holdings Ltd (formerly Transition Holdings Ltd), New Zealand Local Government Funding Agency Ltd, Riccarton Bush Trust, Christchurch Agency for Energy Trust and Rod Donald Banks Peninsula Trust (CNCL/2017/00110 refers); and
 - **Development Christchurch Ltd** – a revised draft SOI was considered by the Council at its meeting on 8 June (CNCL/2017/00179 refers).
- 4.3 CCHL, as shareholder made comments on its subsidiaries' draft SOIs, all of which have been addressed in their final documents. The material changes CCHL sought were to Lyttelton Port Company's (LPC) SOI. The changes mostly reflected the cruise berth decisions made by the Council at its meeting on 23 March (CNCL/2017/00072 refers) which was after LPC's draft SOI was submitted. LPC's revised SOI also notes its contribution to the Council's Antarctic Strategy.
- 4.4 All changes made to CCHL's and its subsidiaries' SOIs are noted in CCHL's report to Council at **Attachment A** to this report.
- 4.5 The final SOIs meet the statutory requirements for content set out in clauses 9 and 10 of Schedule 8 of the LGA.
- 4.6 The LGA does not provide shareholders with an opportunity to further comment on the content of the documents, or to agree or approve them. This is because SOIs are 'owned' by a CCO's board and content is for the board to decide, as long as the statutory requirements of the LGA are met. Shareholders are able to require a CCO to amend its SOI for certain matters, mostly relating to the narrative of its strategic intentions, scope of operations, capability, functions and performance targets.
- 4.7 In accordance with clause 7 of Schedule 8 of the LGA, the final SOIs will be made public on or before 31 July (one month following submission). They are expected to be available on the CCOs' websites, or on the Council's website. Council staff can provide the physical documents on request.

- 4.8 The following table sets out the comments made by the Council on the CCOs' draft SOIs, and the response of those entities following consideration of the Council's comments.

CCTO/Trust	Issues raised by the Council, as shareholder	How addressed
CCHL	Consider reducing the number of performance targets to those that provide greater transparency about the quality and quantity of its activities and responsiveness to shareholders.	Reduced.
CCHL	Including a reference to its public responsibilities when setting remuneration.	Included.
CCHL	Amending information flows to reflect that it now provides regular reports to Council and periodic workshops/briefings together with regular management discussions.	Included.
All CCTOs in the CCHL group	Having both financial and non-financial performance measures for each of the three years that the SOI covers.	CCHL's subsidiaries were encouraged to provide non-financial targets that embrace innovative practices this year (i.e. running an electric bus trial, establishing an innovation hub). Council staff agree with CCHL that it is reasonable that these targets are annual and reassessed each year so they are more concise, achievable and relevant for future years. Financial measures are always provided for the three-year period.
Orion NZ Ltd	Including an obligation to mitigate environmental management risks.	Included.
Development Christchurch Ltd	Reflecting recent Council decisions regarding its land strategy.	Addressed.
Development Christchurch Ltd	Including a narrative of the company's purpose and objectives.	Included.
Development Christchurch Ltd	Adding performance targets that are relevant to the governance nature of the SOI.	Included.

Development Christchurch Ltd	Amending the SOI to reflect that further discussion is required with the Council regarding the extent to which responsibility for projects already provided for in the Council's LTP may be transferred to DCL and the compensation provided for those projects.	Amended.
Development Christchurch Ltd	Removing the words "where appropriate" after "engage in sustainable environmental practices", and include awareness of coastal hazard reports.	Addressed.
Vbase Ltd	Noting that it will investigate options to improve its long-term profitability.	Change to draft SOI: <i>"Options for the future business structure are being discussed with Council"</i> .
Vbase Ltd	If feasible, align the health and safety targets with experience to date and benchmarks.	Addressed.
Vbase Ltd	Whether the section entitled "Contribution to Rebuild" is required given the time that has elapsed since the earthquakes.	Removed.
Vbase Ltd	Removing the request for an operational subsidy for the Town Hall, as the SOI is not the vehicle in which to make such a request.	Removed.
ChristchurchNZ Holdings Ltd (incorporating Christchurch Development Corporation and Canterbury and Christchurch Tourism and ChristchurchNZ Ltd)	Adding that its half-year financial statements will be provided by the end of February each year and will be prepared in accordance with generally accepted accounting practice.	Specifically noted as a reporting requirement.
Riccarton Bush Trust	Including information on its expenditure against the capital grant approved by Council in its half-year and full year reporting.	Specifically noted as a reporting requirement.

Transwaste

Transwaste Canterbury Ltd (Transwaste) is a commercial joint venture that is charged with managing the Canterbury region's waste through its ownership of the Kate Valley Landfill and the Burwood Resource Recovery Park. It is owned 50 percent by Canterbury Waste Services Ltd, a wholly-owned subsidiary of Waste Management NZ Ltd and 50 percent by Canterbury district councils (Selwyn, Waimakariri, Ashburton and Hurunui) and Christchurch City Council. Christchurch City Council is the majority shareholder of the councils' 50 percent share, with 77.8 percent (38.9 percent of the company overall).

The joint venture arrangement reflects the key objectives of collaboration between the local authorities to achieve durable outcomes and to work with the wider community goals of long-term waste minimisation. It is governed by the Canterbury Regional Landfill Joint Committee comprising councillors of all shareholding councils. It is at this Committee that accountability, reporting, monitoring and other governance decisions are made. The Council is not provided with a line of sight to the decisions being taken, and outcomes being generated other than informally from the Councillors appointed to the joint committee.

Staff propose to take this matter up with the joint committee to align its reporting with the Council's governance policy.

Attachments

No.	Title	Page
A ↓	CCHL Report to Council on the changes made to its group's Statements of Intent	28

Confirmation of Statutory Compliance

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
- (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.

(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories

Authors	Linda Gibb - Performance Monitoring Advisor Patricia Christie - Manager External Reporting and Governance
Approved By	Diane Brandish - Head of Financial Management



Christchurch
City Holdings
Limited

Report for Council

Date: 7 July 2017
To: Chairperson, Finance and Performance Committee, CCC
From: Leah Scales, CFO, CCHL
Subject: CCHL Group - Final Statements of Intent

Purpose

This is a report submitted for consideration and approval by the Council's Finance and Performance Committee and the Council at their August meetings.

The purpose of this report is to present the final Statements of Intent (Sol) of the Council's subsidiary companies to the Council. These final Sols have been approved by the respective company Boards and have been received by CCHL by 30 June 2017 as required under the Local Government Act. Council now needs to receive and note these final Sols.

Final Sols from the following CCHL companies are available on the CCHL website:

- Christchurch City Holdings Ltd
- Orion New Zealand Ltd
- Christchurch International Airport Ltd
- Lyttelton Port Company Ltd
- Enable Services Ltd
- City Care Ltd
- Red Bus Ltd
- EcoCentral Ltd
- Development Christchurch Ltd

The CCHL parent company Sol was forwarded to Council management prior to the statutory deadline of 30 June 2017.

Statutory framework

The Council's and CCHL's subsidiary companies (CCTOs) are required by statute to submit an annual Sol to their shareholders. A Sol must set out the entity's objectives and performance measures, as well as certain other information.

CCTOs are required by the Local Government Act to deliver to their shareholders a draft Sol on or before 1 March. They must then consider comments on their Sol from their shareholder(s) received by 1 May, and then issue a final Sol by 30 June.

The requested changes from both Council and CCHL to the draft Statement of Intents are highlighted on following pages, along with confirmation of the changes made.

Recommendation

That the Council note the receipt of the Final Statement of Intents.



Leah Scales
CFO, CCHL

Christchurch City Holdings Ltd (CCHL)

Feedback provided by Council 28 April 2017:

- That CCHL consider reducing the number of performance targets included in the document focusing on fewer targets that provide greater transparency about the quality and quantity of its activities and its responsiveness to shareholders.
 - That within the references to the remuneration policy that CCHL's public responsibilities are considered when setting remuneration.
 - That the information flows on page 8-9 of the draft Statement of Intent be amended to reflect that CCHL are now providing regular reports to Council and periodic workshops/briefings together with regular management discussions.

The final CCHL Sol reflects all the above requests.

Subsidiaries

Feedback to all our subsidiaries included the following request:

- Remuneration Policy - we are asking all companies to include the following as part of their remuneration policy statement:
 - o *"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".*

This was picked up by all subsidiaries.

Orion New Zealand Ltd (Orion)

Feedback provided to Orion on their draft Sol:

- Financial Targets - add in Revenue as a Performance target
- Reword the following sentence to include "identify and mitigate":
 - o *"The New Zealand Government has made a commitment to reduce carbon emissions via the 2016 Paris Agreement. In support of that commitment, it makes sense for us to identify and mitigate at the major sources of our footprint."*

The final Orion Sol reflects all the above requests.

Christchurch International Airport Ltd (CIAL)

No specific requests were made of CIAL however their final Sol did have a change to their Mission statement to include "social and economic":

*"to be a champion airport, acknowledged at home and abroad as the engine room of the South Island's **social and economic** prosperity".*

Lyttelton Port Company Ltd (LPC)

Feedback provided to LPC on their draft Sol:

- Update the acquisition/divestment policy to include the following:
 - o *When the subscription, acquisition or divestment is considered by directors to be significant to the company's business operations, it will be subject to consultation with the shareholders.*
 - o *Major transactions as defined in the Companies Act 1993, s129 (2), will be subject to shareholders' approval by special resolution.*
 - o *Notwithstanding the above, if LPC is considering a significant acquisition or disposal of assets or securities, the shareholders will be consulted with as much lead-time as is commercially practicable in the prevailing circumstances.*
- Page 11 – Social Licence to Operate – change the final sentence to read...
 - o *"We are providing access to the waterfront as part of the redevelopment of our Marina called Te Ana, in accordance with our Lyttelton Port Recovery Plan".*
- Page 12 – Cruise Berth – remove reference to Central Government funding, and note this section is to be updated to reflect the decisions/direction from Council in relation to the proposed Cruise Berth development
- Page 14 – Dividend Policy and dividend targets (page 13) to be updated to reflect the decisions/direction from Council and the MoU between LPC and CCHL, in relation to the proposed Cruise Berth development
- Page 14 – Shareholder returns – update to include - additionally, LPC is contributing to the Antarctic Strategy being developed with the City Council, which will not necessarily drive or deliver fully commercial outcomes.
- Page 17 – Environmental – change the first bullet to read "Implement environmentally sustainable principles in Port operations" and remove from 3rd bullet, "where appropriate" to now read: "Pro-actively consult with the community on environmental issues".
- Page 18 – Healthy Harbour – reference that this is a whole of harbour catchment management plan as referenced by the Lyttelton Port Recovery Plan.
- Page 18 – Local Government Relationships – add a bullet to the list of significant projects that LPC is working on: "Lyttelton Port Recovery Plan Actions"

The final LPC Sol reflects all the above requests.

Enable Services Ltd (ESL)

No specific requests were made of ESL however their final Sol did have the following additions:

Future Mode of Operation:

As Enable reaches the end of our UFB network build programme we are undergoing a transformation that will see our business focus primarily on delivering the best network services and ongoing service experience for our customers – being both our retail service providers, residents and businesses across greater Christchurch. We are investing to understand the needs of our customers and to ensure we are resourced and structured to best meet their needs.

Connection with our community

As a business that requires the people of Christchurch to choose to consume our services, as well as being owned by them, we need to build a deep and meaningful relationship with our community. We will build trust with the people of Christchurch and ensure they know who we are and what we stand for – which is them.

First and foremost we will deliver excellent customer experiences for our community – in all our interactions with them. Beyond this we will engage with our community through initiatives that align with our long-term business objectives while delivering tangible societal benefits.

City Care Ltd (CCL)

Feedback provided to CCL on their draft Sol:

- Page 10 – Strategy – establish a ‘best practice and innovation hub’ to realise and demonstrate our position as an industry-leader. – Explain (provide more detail/clarity) as to what this innovation hub is intended to be, and consider how best to describe a performance measure which can be used to report against this Performance Target.

The final CCL Sol reflected the following changes:

Update to Strategy section to reflect the change in the Citycare Group structure

Update to innovation section:

This innovation hub will better enable Citycare to capture- and appropriately re-purpose – industry best practice, SMART contracting tools and opportunities, innovation field service technologies, etc, also providing a collaborative space through which the business can workshop industry trends and help tailor practical solutions to customers requirements. This presents a virtuous circle opportunity that potentially waves value into Citycare’s service proposition, customer and industry perception of the company as innovators. The focus of the innovation hub will be to initially drive innovation through existing contracts.

Innovation Performance target now includes:

Develop performance measurement for specific innovation being delivered through customer contracts.

Red Bus Ltd (RBL)

Feedback provided to RBL on their draft Sol:

- Develop initiatives to:
 - o Provide environmentally friendly public transport services
 - o Expand their footprint into areas that are complementary to their core urban public transport business
- Page 4 – describe the nature of the targeted Innovation Projects so there is some indication of the nature and purpose of the innovation focus

The final RBL Sol reflects the following changes:

New objective being to develop the initiatives as outlined above.

New performance target:

Scope and trial innovation projects using technological developments as appropriate:

- *Electric bus trial (external funding sought for zero emission trial)*
- *Fuel trial to reduce emissions and carbon footprint(target 3-4.5% reduction at no cost)*
- *Improve urban operational efficiency (improve service as same/lower cost).*

EcoCentral Ltd (ECO)

No additional requests were made of ECO.

Development Christchurch Ltd (DCL)

Feedback provided to DCL on their draft Sol:

- page 1 - under nature and scope of activities add the following objective:
 - o 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.

- page 3 – under the “Development management and implementation” heading – the last bullet point does not reflect DCL’s role in development of projects, therefore recommend that DCL consider adding “Develop and” to the start of the bullet point.

- page 6 – recommend rewording of the following statement (“Engage in sustainable environmental practices where appropriate”), including removal of “where appropriate”, and consider adding “and ensure coastal hazard regulatory requirements and risk are managed”

- page 7 - amendment to the second sentence to clarify the funding position, to read:
 - o 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.

- page 9 - add clarification wording (in red) into the Acquisition/Divestment policy as follows:
 - o 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.

The final DCL Sol reflects all the above requests.

9. Corporate Finance Report for the period ending 30 June 2017

Reference: 17/767217

Contact:	Patricia Christie	Patricia.christie@ccc.govt.nz	941 8113
	Steve Ballard	steve.ballard@ccc.govt.nz	941 8447

1. Purpose and Origin of Report

Purpose of Report

1.1 The purpose of this report is for the Finance and Performance Committee to receive quarterly information relating to the Council's treasury and debtors risks.

Origin of Report

1.2 This report is staff generated.

2. Significance

2.1 The decision(s) in this report are of low significance in relation to the Christchurch City Council's Significance and Engagement Policy.

2.1.1 The level of significance was determined by the impact of the decisions on the community.

3. Staff Recommendations

That the Finance and Performance Committee recommends that the Council:

1. Receives the information in the report
2. Notes the on-going but temporary Treasury Policy breach for interest rate re-pricing (hedging), last ratified at the Council meeting of 25 May 2017.

4. Key Points

Treasury Risk versus Policy Limits

4.1 Net Debt for treasury risk management purposes is defined as Council's borrowing (including borrowing from subsidiaries and the Capital Endowment Fund, but excluding any finance leases), less amounts on-lent to CCHL, "borrower note" investments in LGFA (explained under the table below), and cash holdings.

4.2 Movements in this Net Debt figure represent Council's net operating and capital spending flows over the period.

4.3 At 30 June 2017, Net Debt was \$931 million, an increase of \$217 million over the financial year. Key movements since 30 June 2016 have been:

- a) \$92 million reduction in cash investments, of which:
 - \$9 million was used to meet Council's operating and capital investment cash-flows; and
 - \$83 million was used to repay internal loans from Vbase (Vbase had lent its post-earthquake insurance settlement to Council, in order to obtain more favourable term deposit rates - \$33 million of such internal loans remain as at 30 June 2017).
- b) \$304 million increase in borrowing from the Local Government Funding Agency. This amount was applied as follows:

- \$143 million to fully pre-fund Council’s large debt maturity in December, in accordance with the advice of our external treasury advisor, PWC;
- \$65 million borrowed in advance of requirements to match existing hedging instruments (rather than incur the cost of re-structuring them);
- \$91 million was on-lent to Christchurch City Holdings Limited (CCHL sources the bulk of its new borrowing from Council, in order to access the favourable borrowing rates available from the Local Government Funding Agency); and
- \$5 million was invested in LGFA Borrower Notes.

4.4 These changes are shown in the table below:

Current Debt and Investments versus June 2016

	Current	At Jun-16	Full Year Change
CCC External Borrowing	1,657,700,000	1,353,623,000	304,077,000
Borrowing from Vbase	33,339,171	116,616,417	-83,277,246
Borrowing from CEF	73,317,930	72,630,039	687,891
Gross Debt	1,764,357,101	1,542,869,456	221,487,645
On-Lending to CCHL	479,500,000	388,500,000	91,000,000
Borrower Notes	23,627,200	18,424,000	5,203,200
Cash	330,437,282	422,673,605	-92,236,323
Gross Investing	833,564,482	829,597,605	3,966,877
Net Debt for Risk Purposes	930,792,619	713,271,851	217,520,768

* *Borrowing from Capital Endowment Fund (CEF)* – ratepayer-funded interest is paid by Council to CEF, rather than CEF investing in low-returning external investments. \$31 million is still in external investments.

* *Local Government Funding Agency (LGFA) Borrower Notes* – Each time Council borrows from LGFA it must invest a small proportion into a matching LGFA Note to maintain LGFA’s required capital adequacy.

4.5 Treasury risk positions are within policy limits, except for interest rate re-pricing. This temporary breach was approved at the 10 March 2016 Council meeting (details below).

Debtors

4.6 At 30 June 2017, the debtors' balance stood at \$15.8 million, \$1.3 million higher than reported in March 2017. The increase is primarily due to General Debtors increasing from \$8.7 million to \$11.4 million. This is partially offset by a decrease in Resource Consent debtors from \$3.3 million to \$2.3 million.

4.7 Debts of \$139,016 has been written-off during the 2017 financial year compared to \$511,303 for the 2016 financial year. The significant decrease is due to the write off of \$367,329 owed by companies that were placed into liquidation or receivership in the 2016 financial year. Further detail is provided in paragraph 6.4 below.

5. Treasury Report

5.1 Council manages four types of treasury risk relating to its Net Debt:

Treasury Risk	Management Objective
Short-Term Liquidity Risk	<i>To ensure that on-going cash payments can be met in an orderly manner.</i>
Long-Term Funding Risk	<i>To ensure that debt maturities (and anticipated new borrowing) are spread so as to minimise re-financing risk in future years.</i>

Interest Rate Re-pricing Risk	<i>To ensure that interest rates are fixed for varying terms, to minimise the impact of market rate volatility on budgeted interest costs over the Long-Term Planning period.</i>
Counterparty Credit Risk	<i>To minimise the risk of loss due to a counterparty's inability or unwillingness to make payments to Council as they fall due.</i>

Policy Snapshot

Risk Area	Policy Compliance
Liquidity	Within
Funding	Within
Interest Rate Re-pricing	Breach
Counterparty Credit	Within

5.2 Short-term Liquidity Risk

Policy Limit (LGFA Liquidity Ratio must >110%) – Within Limit

External Debt (ex cl. for CCHL)	1,178,200,000
Committed Facility	100,000,000
Investments (incl. CEF & B/N)	383,564,482
Limit >110%	141%

* Ratio is calculated as the sum of all three, divided by external debt

* Investments include Borrower Notes plus \$29.5 million of realisable external CEF investments

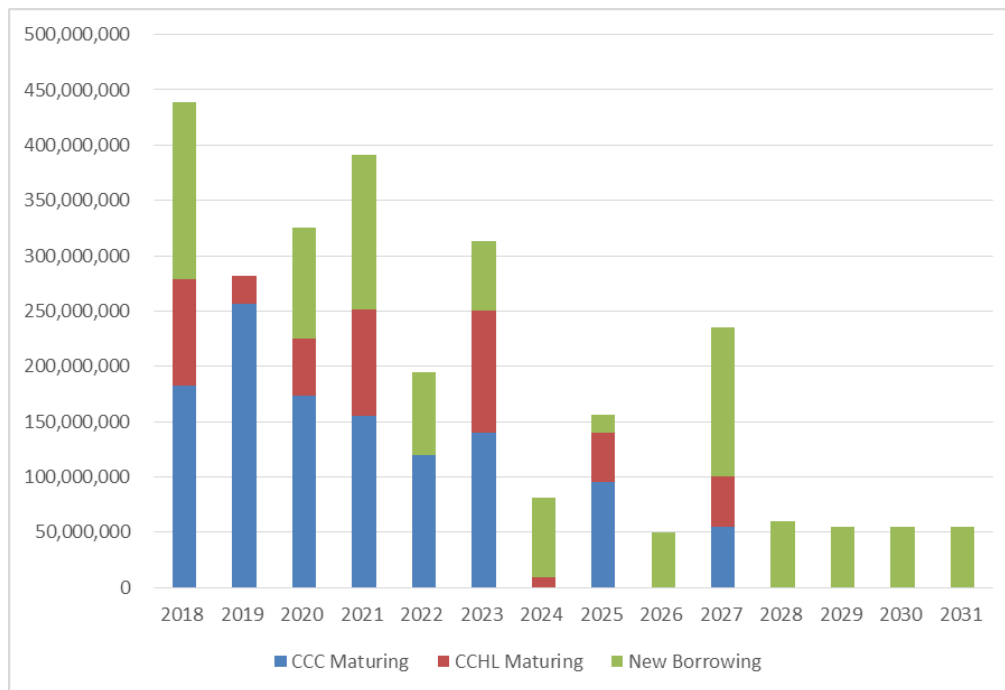
5.3 Long-term Funding Risk

Policy Limit (existing maturities only) – Within Limit

Period	Actual	Minimum	Maximum
0 to 3 years	47%	15%	60%
3 to 5 years	22%	15%	60%
5 years plus	30%	10%	60%
	100%		

5.3.1 In practice, management considers funding risk in terms of both the re-financing of existing maturities and the need to incur new debt to meet negative operating flows, as shown in the chart below.

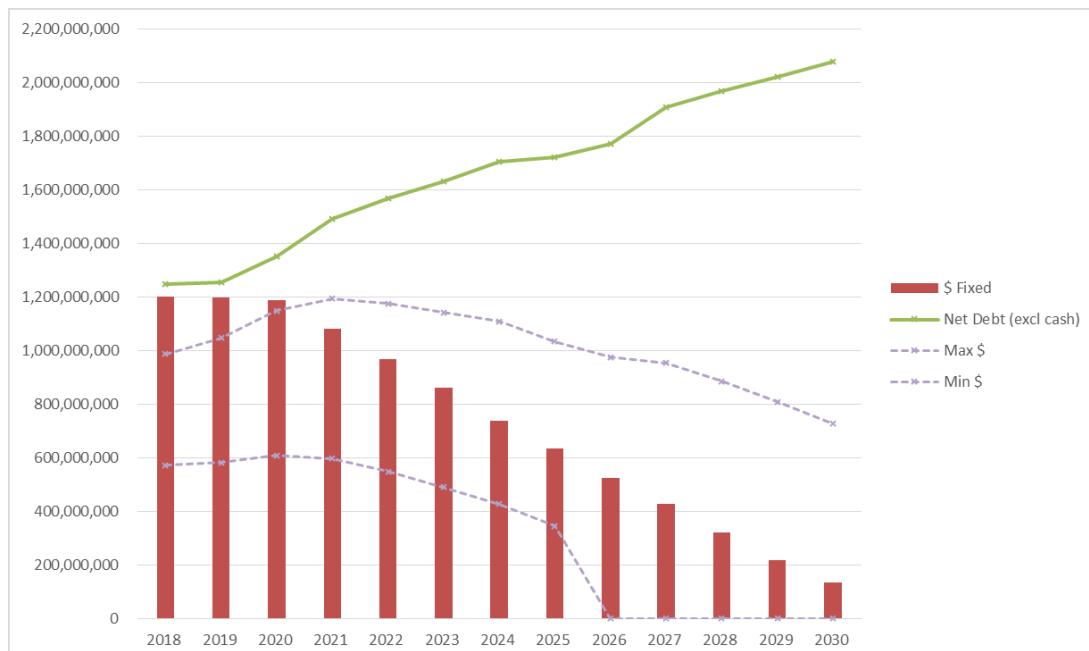
Council Funding Risk (existing maturities plus expected new borrowing)



- * Blue = Maturity of CCC debt
- * Red = Maturity of debt on-lent to CCHL
- * Green = expected new borrowing based on the published Draft 2017/18 Plan.

5.4 Interest Rate Re-pricing Risk

Policy Limit – Breach



- * Green line = projected Net Debt (excluding term deposits), based on the Draft 2017/18 Plan
- * Red bars = amount of debt at contractually fixed rates as at each 30 June
- * Dotted lines = Policy Limits (minimum & maximum amount of fixed rate hedging permitted)

- 5.4.1 Hedging levels remain above maximum Policy limits for all financial years to 2019/20.
- 5.4.2 This breach has been created by delays in Council's debt growth – hedging of up to \$1.2 billion from June 2018 originally represented around 60% of anticipated net debt; however, the combination of large insurance settlement and delayed capital programme has caused actual debt growth to be slower.
- 5.4.3 In discussion with Council's external treasury advisor (PricewaterhouseCoopers), management remains of the view that the cost of adjusting the hedging profile is not justified, and that the best course of action is still to retain the existing hedging profile and allow it to come back within Policy limits over time as actual debt levels increase.
- 5.4.4 Councillors last ratified this approach at the 25 May 2017 meeting.

5.5 Credit Risk

Policy Limit – Within Limit

Counterparty	Credit Rating	Exposure	Limit	total exposure comprising:	
				Deposits	Derivatives
Derivative Banks					
ANZ Bank	"AA" band	131.3	200	131.3	0.0
BNZ Bank	"AA" band	8.1	200	8.1	0.0
Westpac Bank	"AA" band	67.0	200	44.7	0.0
Other Banks					
ASB / CBA Bank	"AA" band	35.0	150		
Kiwibank	"A" band	47.0	150		
Rabobank	"A" band	61.5	150		
Government & Semi-Government					
NZ Government	n/a	0.0	unlimited		
LGFA	> "A-"	33.6	100		
Other					
Canterbury Museum	unrated	1.1	1.1		
Endeavour I-cap	unrated	0.4	0.4		
Interstar NZ Millenium	"A" band	0.1	0.1		
		385.0			

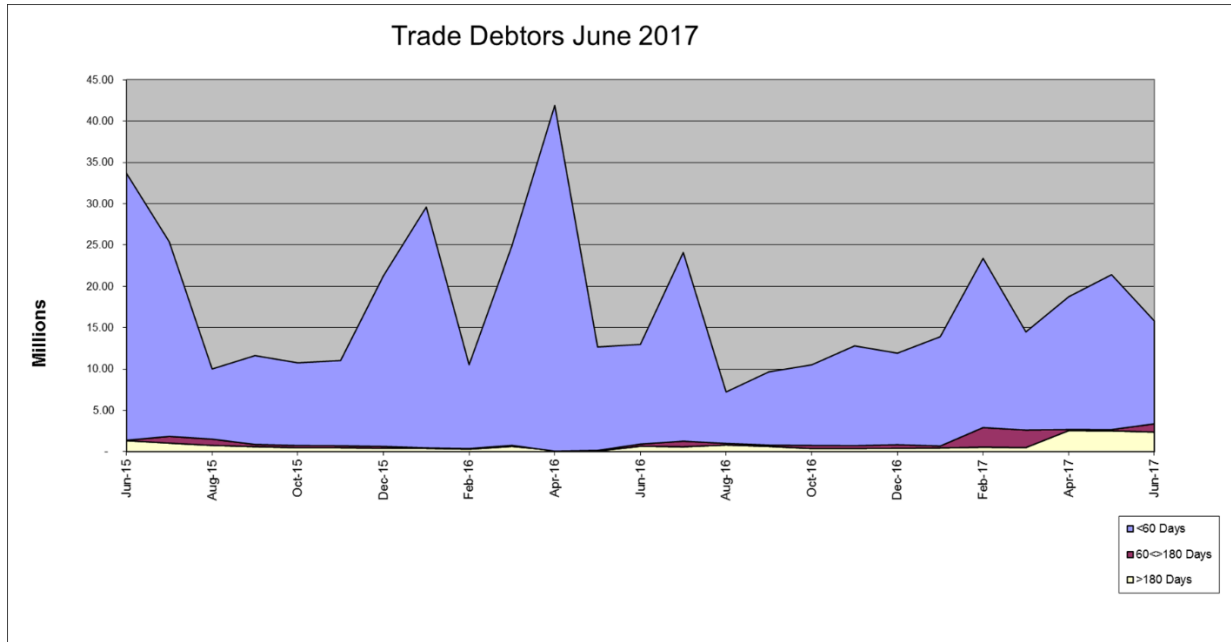
* Derivative exposures are calculated as the current market value plus a buffer to reflect potential future value movements. If the total exposure for any bank is negative (i.e. Council would pay the bank upon termination), then a zero exposure is recorded.

6. Debtors Report

6.1 At 30 June 2017, the debtors' balance stood at \$15.8 million, \$1.3 million higher than reported in March 2017.

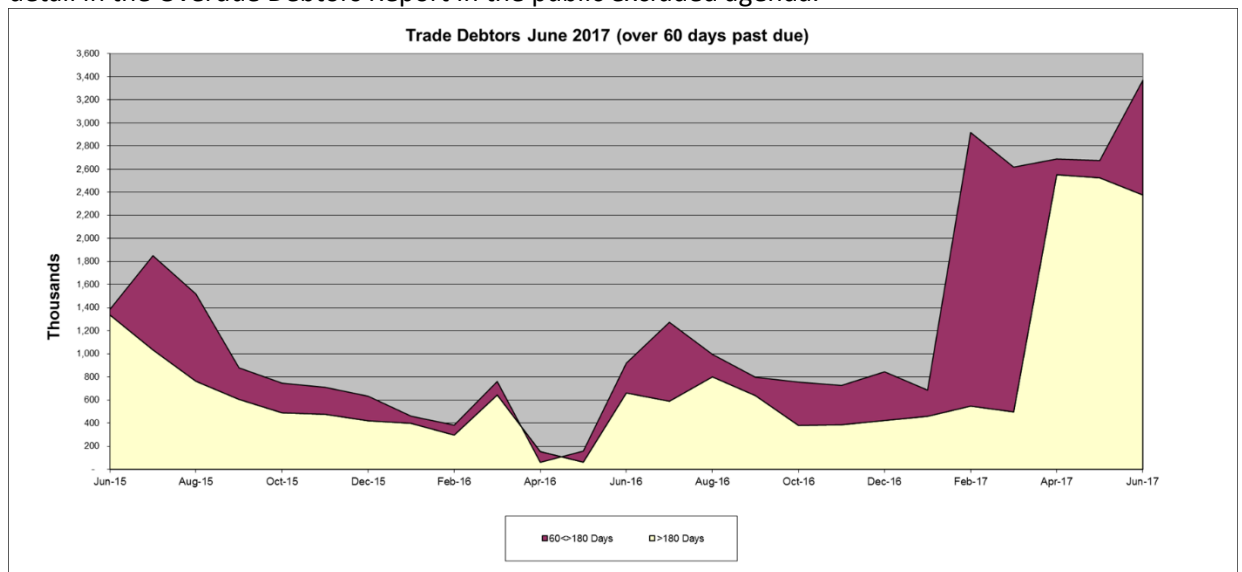
6.1.1 The increase is primarily due to General Debtors increasing from \$8.7 million to \$11.4 million. This is partially offset by a decrease in Resource Consent debtors from \$3.3 million to \$2.3 million.

6.2 The significant debtors within the General Debtors balance of \$11.4 million include; Vbase Limited, Land Information New Zealand and the Ministry of Health. These three debtors account for approximately \$7.4 million of the balance.



Overdue Debtors

6.3 Overdue debtors, (older than 92 days), have increased by \$0.8 million to \$3.4 million (21.31 per cent of total debt compared to 18.06 per cent reported in March 2017). This is covered in more detail in the Overdue Debtors Report in the public excluded agenda.



Debts Written off

6.4 Debts of \$139,016 have been written-off during the 2017 financial year compared to \$511,303 compared to last financial year. The detail is below:

Debt written off

	12 months to June 17	12 months to June 16
Residential Rents	909	29,569
Regulatory	15,902	2,862
Dogs	1,243	2,187
Library	74,491	69,323
Sundry	27,933	22,169
Recreation & Sport	6,855	13,203
Customer in Liquidation	3,307	367,329
Street Pole	8,230	4,364
Commercial Rents	146	297
	139,016	511,303

- 6.5 Regulatory debts written off during the year include \$11,500 of resource consent fees approved by Council on 14 July 2016. Sundry debtors written off include \$14,309 of service fees approved by Council on 8 September and an infrastructure damage claim of \$9,893 approved for write off in June 2017.
- 6.6 The significant decrease in debt written off compared to 2016 relates to the \$366,624 owed by companies that were placed into liquidation or receivership in 2016. These debts were written off following Council approval with the majority being provided for at 30 June 2015. A summary report is provided in **Attachment A**.
- 6.7 The library debt written off comprises a large number of relatively small amounts where the debt collection agency has been unable to locate the debtor or the debtor refuses to pay. Only amounts over \$30 are referred to debt collection agencies for collection. Libraries currently have a lending limit of up to a maximum of 30 books at any point in time. This limit is primarily utilised by youth members to develop and support literacy. This limit does not affect the use and enjoyment of other customers.

Attachments

No.	Title	Page
A ↓	Debt Written Off - Summary - 30 June 2017	41

Confirmation of Statutory Compliance

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
- (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.

(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories

Authors	Andrea Webb - Financial Accountant Patricia Christie - Manager External Reporting and Governance Steve Ballard - Manager Funds and Financial Policy
Approved By	Diane Brandish - Acting General Manager Finance and Commercial

Debt written off - summary report														
	July	August	September	October	November	December	January	February	March	April	May	June	YTD Total	%
Write Offs > \$2000.00	11,499.99	-	14,309.45	6,758.34	-	-	-	-	-	-	-	9,893.13	42,460.91	30.54%
Write Offs =< \$2000.00	5,673.86	7,387.44	9,728.12	8,055.58	8,297.24	7,945.78	340.00	10,819.81	10,112.05	8,209.99	5,134.57	14,850.35	96,554.79	69.46%
Total to approve	17,173.85	7,387.44	24,037.57	14,813.92	8,297.24	7,945.78	340.00	10,819.81	10,112.05	8,209.99	5,134.57	24,743.48	139,015.70	
<i>Breakdown:</i>														
Residential Rents	18.80	214.04	532.92	-	-	142.90	-	-	-	-	-	-	908.66	0.65%
Regulatory	11,499.99	-	-	649.50	-	-	-	-	-	-	-	3,752.84	15,902.33	11.44%
Dogs	88.00	-	-	-	-	-	179.00	782.00	195.00	-	-	-	1,244.00	0.89%
Library	3,594.25	4,826.73	7,863.06	6,738.60	7,910.20	6,376.10	-	8,501.86	8,368.10	7,276.80	4,871.37	8,163.82	74,490.89	53.58%
Sundry	472.68	965.25	14,309.45	-	25.00	-	-	1,535.95	241.02	447.50	5.00	9,930.13	27,931.98	20.09%
Recreation & Sport	1,500.13	1,381.42	134.85	667.48	362.04	915.42	161.00	-	1,307.93	-	258.20	166.64	6,855.11	4.93%
Customer in Liquidation	-	-	576.96	-	-	-	-	-	-	-	-	2,730.05	3,307.01	2.38%
Abandoned Vehicle	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
Street Poles	-	-	620.33	6,758.34	-	511.36	-	-	-	339.70	-	-	8,229.73	5.92%
Commercial Rents	-	-	-	-	-	-	-	-	-	145.99	-	-	145.99	0.11%
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
Total 2016-2017	17,173.85	7,387.44	24,037.57	14,813.92	8,297.24	7,945.78	340.00	10,819.81	10,112.05	8,209.99	5,134.57	24,743.48	139,015.70	
Total 2015-2016	345,069.97	15,966.00	10,622.83	12,223.81	28,807.57	40,503.06	11,467.17	8,770.35	13,348.90	10,116.08	1,963.14	12,443.73	511,302.61	
Variance to Last Year	(327,896.12)	(8,578.56)	13,414.74	2,590.11	(20,510.33)	(32,557.28)	(11,127.17)	2,049.46	(3,236.85)	(1,906.09)	3,171.43	12,299.75	(372,286.91)	

10. Development Christchurch Ltd - Progress Report June/July 2017

Reference: 17/773812

Contact: Rob Hall Rob.Hall@dcl.org.nz

1. Purpose and Origin of Report

Purpose of Report

- 1.1 The purpose of this report is for the Finance and Performance Committee to note the activities that Development Christchurch Ltd (DCL) has undertaken in June and July 2017.
- 1.2 The information in this report is an update on the activities and projects which DCL is currently undertaking. Reporting of DCL's performance against its Statement of Intent targets is provided quarterly, alongside that of other council-controlled organisations.

Origin of Report

- 1.3 This report was prepared and submitted by the Chief Executive of DCL.

2. Staff Recommendations

That the Finance and Performance Committee recommends that the Council:

1. [Notes the information contained in Development Christchurch Ltd's Progress Report for June and July 2017.](#)

3. Key Points

- 3.1 The report from DCL is at **Attachment A**. It contains an update on the following projects:
 - 3.1.1 New Brighton
 - 3.1.2 Peterborough Quarter
 - 3.1.3 Christchurch Adventure Park
 - 3.1.4 Commercial advisory services to the Council.

Attachments

No.	Title	Page
A ↓	Development Christchurch Ltd Report - Public	45

Confirmation of Statutory Compliance

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:

- (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and

- (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.
- (b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories

Authors	Linda Gibb - Performance Monitoring Advisor Patricia Christie - Manager External Reporting and Governance
Approved By	Diane Brandish - Head of Financial Management Carol Bellette - General Manager Finance and Commercial (CFO)



Development Christchurch Ltd.

To: Finance and Performance Committee – 2 August 2017 meeting
From: Rob Hall, Chief Executive
Date: 19 July 2017
Subject: Development Christchurch Limited Report

1. Overview

This report is to provide the Finance and Performance Committee (FPC) of Council with an update on the activities of Development Christchurch Limited (DCL). It is presented in two parts; this report, which is presented in the public section and a second report, which is tabled in the public excluded part of the FPC meeting.

2. Work Programme Update

2.1 New Brighton

Funding for the hot salt water pools project was approved by Council on 24 June 2017. The project team is finalising the design for the beachside playground, which will be incorporated into the wider beach-front development including the hot salt water pools and surf club redevelopment.

The estimated out turn cost for Phase 1a and 1b remains within the budget of \$8.03m and \$11.17m, respectively.

The Resource Consent application for the beachside playground was submitted on 4 July 2017. Consents are required from both Christchurch City Council (CCC) and Environment Canterbury.

The concept design for the beachside playground has been presented to the community for feedback. Circa 2500 feedback forms have been issued, with over 100 written comments received and in excess of 500 face to face conversations, with all bar one, being very positive. The feedback is being issued to the design team progressively to inform their ongoing design development.

Playground equipment is the critical lead time item for the project as it will be imported from overseas. The specific equipment list is being confirmed and the order will be placed shortly. In order to obtain the best, long-term outcome and maintain a pre-Christmas opening of the park, some equipment may be installed at a slightly later date.

The 'quick wins' component of the New Brighton regeneration project became 'creating momentum' earlier this year and has been successful in contributing towards regeneration. As part of this initiative, DCL has provided funding assistance for:

- Imagination Station, which in the first two weeks had 700 people visit, 70% of whom indicated they came to New Brighton specifically for Imagination Station and 78% said they would continue to shop in New Brighton after their visit.



DCL

Development Christchurch Ltd.

- ARGO Beach Co-working – Funding for three six-month full time ‘scholarships’ will contribute to expanding New Brighton’s knowledge economy, and provide support for entrepreneurs in the East.
- The New Brighton Business Landowners’ Association (NBBLA) for a branding and website upgrade for the organisation.
- Rockabilly Show & Shine – Highly popular annual event that attracts rockabilly and muscle car enthusiasts from around Christchurch and New Zealand for an all day festival and street party. NBBLA is engaging with the business to open at night for this year’s event.
- Carnaby Lane Refurbishment Project – An initiative from the landowner and businesses of Carnaby Lane to revitalise the lane with new artistic murals, planters, and seating.
- Renew Brighton – The New Brighton Online website & Facebook to promote New Brighton to visitors by listing local events, businesses, and things to do.
- The Good Shop, a social enterprise on Carnaby Lane selling artisan goods and hosting a range of community workshops.
- The Artisan Emporium for marketing and advertising for a collective of small businesses known as ‘105’.

2.2 Peterborough Quarter Limited (PQL)

DCL continue to work with PQL on the development of a deliverable site master plan. See the Development Christchurch Limited Report – August 2017, PUBLIC EXCLUDED, dated 13 July 2017 for further detail.

2.3 Christchurch Adventure Park (CAP)

DCL continues to work closely with the CAP Board and management team in our role as an investor and Board member. Operations at the CAP remain suspended due to damage caused by the March 2017, Port Hills Fire. Clearance of the fire damaged trees is progressing alongside other remedial repair works.

3. Commercial Advisory Services to CCC

See the Development Christchurch Limited Report – August 2017, PUBLIC EXCLUDED, dated 13 July 2017 for further detail.



Rob Hall, FRICS, FCIWEM
Chief Executive
Development Christchurch Limited



11. Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987.

I move that the public be excluded from the following parts of the proceedings of this meeting, namely items listed overleaf.

Reason for passing this resolution: good reason to withhold exists under section 7.

Specific grounds under section 48(1) for the passing of this resolution: Section 48(1)(a)

Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

- “(4) Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof):
- (a) Shall be available to any member of the public who is present; and
 - (b) Shall form part of the minutes of the local authority.”

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

ITEM NO.	GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	SECTION	SUBCLAUSE AND REASON UNDER THE ACT	PLAIN ENGLISH REASON	WHEN REPORTS CAN BE RELEASED
12	DEVELOPMENT CHRISTCHURCH LTD - PROGRESS REPORT FOR JUNE/JULY 2017	S7(2)(B)(II)	PREJUDICE COMMERCIAL POSITION	TO ALLOW DCL TO PROTECT ITS COMMERCIAL POSITION IN NEGOTIATIONS FOR CONTRACTS ON PARTICULAR PROJECTS.	WHEN CONTRACTS ARE COMPLETED
13	CAPITAL PROGRAMME WATCHLIST AND MAJOR CYCLEWAYS REPORTS	S7(2)(B)(II)	PREJUDICE COMMERCIAL POSITION	THE REPORTS CONTAINS CONFIDENTIAL AND SENSITIVE COMMERCIAL INFORMATION PERTINENT TO THE CAPITAL PROJECT DELIVERY	FOLLOWING COMPLETION OF MAJOR PROJECTS
14	OVERDUE DEBTORS OVER \$20,000 AT 30 JUNE 2017	S7(2)(A)	PROTECTION OF PRIVACY OF NATURAL PERSONS	OVERDUE DEBTORS SHOULD REMAIN CONFIDENTIAL TO ASSIST IN THE COLLECTION OF THESE DEBTS.	WHEN LEGAL PROCEEDINGS ARE COMMENCED
15	CIVIC FINANCIAL SERVICES - SPECIAL GENERAL MEETING FOR SHAREHOLDERS' TO VOTE ON THE POSSIBLE SALE OF CIVIC ASSURANCE HOUSE	S7(2)(B)(II)	PREJUDICE COMMERCIAL POSITION	THE REPORT CONTAINS DETAILS OF A POTENTIAL MARKET TRANSACTION THAT COULD PREJUDICE THE SELLER'S ABILITY TO MAXIMISE THE SALE PRICE.	AFTER THE PROPERTY SALE HAS BEEN COMPLETED