

## 12. Christchurch City Holdings Ltd - Draft Letter of Expectations 2021/22

Reference / Te Tohutoro: 20/1546204

Report of / Te Pou Matua: Linda Gibb, Performance Monitoring Advisor,  
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General Manager / Pouwhakarae: Diane Brandish, Acting General Manager Finance and Commercial  
Group, diane.brandish@ccc.govt.nz

### Confidentiality

Section under the Act:	The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
Sub-clause and Reason:	s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.
Plain English Reason:	The content of the Letters of Expectation could adversely impact the commercial outcomes of the CCOs, and following Council committee debate the content may change.
Report can be released:	At the time the final Statement of Intent for 2021/22 is published, by 31 July 2021.

### 1. Purpose of the Report / Te Pūtake Pūrongo

- 1.1 The purpose of this report is for the Council to approve the draft Letter of Expectations (LOE) for 2021/22 for Christchurch City Holdings Ltd (CCHL).
- 1.2 This report has been written in response to the Finance and Performance Committee's decisions at its meeting on 3 December 2020 to:
  - workshop the draft LOE and for it to be brought to the 28 January 2021 Council meeting for approval (FPCO/2020/00044 refers); and
  - receive a briefing from CCHL and Christchurch International Airport Ltd on the Tarras' airport land acquisition and potential development.
- 1.3 The draft LOE and Tarras' development are to be workshopped with councillors on 26 January 2021. The final draft LOE is not attached. It will be circulated to councillors after the workshop on 26 January 2021 and before the Council meeting on 28 January 2021.
- 1.4 The decisions in this report are of low significance in relation to the Christchurch City Council's Significance and Engagement Policy. The level of significance was determined by taking into account the potential impact of the decisions on the community.

### 2. Officer Recommendations / Ngā Tūtohu

That the Council:

1. Approves the draft Letter of Expectations for Christchurch City Holdings Ltd for 2021/22; and
2. Agrees to release this report and the final Letter of Expectations to the public at the time the final Statement of Intent for 2021/22 is published, by 31 July 2021.

### 3. Reason for Report Recommendations / Ngā Take mō te Whakatautau

- 3.1 The recommendations are made to ensure CCHL receives the final LOE in time for it to be taken into account in the CCHL Group's SOIs for 2021/22 (due in draft by 1 March 2021).

### 4. Alternative Options Considered / Ētahi atu Kōwhiringa

- 4.1 The only alternative option is not to issue a LOE which would be out of step with Council policy and with the approach taken for Vbase Ltd and ChristchurchNZ Holdings Ltd, both of which were issued LOEs for the 2021/22 year in December 2020.

### 5. Detail / Te Whakamahuki

- 5.1 The draft LOE was initially developed taking into account the following:
- the impact of COVID-19 and its aftermath, ongoing uncertainty about economic conditions and the importance of retaining jobs in Christchurch;
  - maximising dividends to the Council to assist with funding its operating expenditure; and
  - meeting the Council's wider set of strategic priorities and community outcomes.
- 5.2 The draft LOE requests CCHL to prioritise activities that will make the biggest contribution to Christchurch's ongoing recovery from the COVID-19 impacts and to ensure strong strategic alignment with CNZ and Vbase as appropriate. This focus also underpinned the approved LOEs for Vbase and CNZ for 2021/22.
- 5.3 Expectations for CCHL that are new to this draft LOE from prior years include:
- to present a road map to recovery from the COVID-19 impacts with measurable targets and identified risks;
  - CCHL parent company to engage more fully with the Council on the process conducted for appointing members to boards, including the way in which diversity is accounted for. The draft LOE also requests that CCHL provides up to four nominees for vacant positions, with its recommendation of preferred candidate and why; and
  - for the Chair of the CCHL Board to attend Council meetings when CCHL material is being presented.

### 6. Policy Framework Implications / Ngā Hīraunga ā- Kaupapa here

#### Strategic Alignment / Te Rautaki Tīaroaro

- 6.1 LOEs are strongly aligned to the strategic objectives of the Council and to its Long Term Plan.

#### Policy Consistency / Te Whai Kaupapa here

- 6.2 The issuing of a LOE to CCHL is consistent with Council policies.

#### Impact on Mana Whenua / Ngā Whai Take Mana Whenua

- 6.3 The decision does not involve a significant decision in relation to ancestral land or a body of water or other elements of intrinsic value, therefore this decision does not specifically impact Mana Whenua, their culture and traditions.

#### Climate Change Impact Considerations / Ngā Whai Whakaaro mā te Āhuarangi

- 6.4 The report reinforces the Council's commitment to addressing climate change and the impact of the Council group's activities on the environment, the need to build resilience and understand and manage risk.

## 7. Resource Implications / Ngā Hīraunga Rauemi

Capex/Opex / Ngā Utu Whakahaere

- 7.1 Cost to Implement – there are no direct costs.
- 7.2 Maintenance/Ongoing costs – Not relevant.
- 7.3 Funding Source – Not relevant.

## 8. Legal Implications / Ngā Hīraunga ā-Ture

Statutory power to undertake proposals in the report / Te Manatū Whakahaere Kaupapa

- 8.1 There is no legal context, issue or implication relevant to this decision.
- 8.2 This report has not been reviewed and approved by the Legal Services Unit.

## 9. Risk Management Implications / Ngā Hīraunga Tūraru

- 9.1 Not relevant.

## Attachments / Ngā Tāpirihanga

No.	Title	Page
A	CCHL Draft Letter of Expectations 2021/22 ( <i>Version 2</i> )	

In addition to the attached documents, the following background information is available:

Document Name	Location / File Link
Not applicable	Not applicable

## Confirmation of Statutory Compliance / Te Whakatūrutanga ā-Ture

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 / Ngā Kaiwaitohu

Author	Linda Gibb - Performance Monitoring Advisor CCO
Approved By	Len Van Hout - Manager External Reporting & Governance Diane Brandish - Acting General Manager Finance and Commercial (CFO)

Released from Public Excluded

Mr Jeremy Smith  
Chair  
Christchurch City Holdings Ltd  
P O Box 1151  
Christchurch  
Email: jeremy@seamountnz.com

Dear Jeremy

Draft Letter of Expectations 2021/22

This letter sets out the Council's expectations of Christchurch City Holdings Ltd (CCHL) and its subsidiaries for the 2021/22 financial year.

This letter includes expectations articulated in prior year letters of expectations and reflect their ongoing importance to the Council.

The Council asks that you incorporate these expectations into CCHL's 2021/22 Statement of Intent (SOI) and that you request the CCHL subsidiaries to do the same.

Prosperous economy

In view of the ongoing economic challenges posed by COVID-19, the Council asks that CCHL focus its subsidiaries on their own recovery as well as to consider what contribution they may be able to make to the city's economic and social recovery.

The Council requests that the Group's SOIs present a road map to recovery, with measurable targets and identified risks taking into account prioritisation of those activities that will make the biggest contribution to Christchurch's ongoing recovery from the COVID-19 impacts including meeting any obligations acquired through the Ōtautahi Christchurch Economic Recovery Plan. They should also focus on value for money and efficiency including whether investment in, and divestment of, any of the group's assets could provide a meaningful contribution to the Council's strategic priorities and community outcomes.

The Council requests that CCHL maximises dividend distributions. However, we acknowledge that the CCHL group may, from time to time be presented with, or may identify opportunities that could create longer term social and/or economic value for Christchurch. CCHL should make such trade-offs as it considers appropriate from a whole-of-Christchurch perspective.

### Meeting the challenge of climate change and other risks

The Council is strongly committed to addressing climate change and the impact of the Council group's activities on the environment, the need to build resilience and understand and manage risk. A target for the district has been set of zero greenhouse emissions (excluding methane) by 2045. The Council is taking a leadership role on this matter and is asking all members of its wider group to target carbon neutrality by 2030.

We note the progress that the CCHL group has made in the development of planning and reporting frameworks for identifying and addressing climate change impacts and look forward to the Group's SOIs demonstrating ongoing progress and would welcome the opportunity to work closer with yourself and your subsidiaries to ensure an effective and aligned approach.

The Council requests that CCHL provide a briefing on its internal Resource Efficiency and Greenhouse Gas Emission work programme, the internal structures it has or will put in place to deliver this work programme, targets, risks and risk management strategies towards building long term resilience and its monitoring plan to identify progress in reducing emissions.

### Governance

Diversity of board membership is very important to the Council. We ask that a report and/or briefing be presented from you on the process you conduct to appoint members to boards, including the way in which you approach the issue of diversity and the mechanism used to source candidates.

For appointments to the CCHL group's boards, we ask that you include discussion about diversity of the board to which the appointee is proposed.

As always, we expect the CCHL group to exercise restraint in the level of senior executive total remuneration, develop and show leadership in innovative practices, and remunerate directors on a fair and reasonable basis taking into account the public service nature of the positions.

We acknowledge your advice that CCHL will always give priority to senior executive ability over salary and request that you stress the importance to the CCHL subsidiary boards of holding their senior executives to account. Remuneration packages should reflect that the companies are public sector organisations and be directly linked to performance.

### Engagement

Open and effective communication with the Council's elected members and staff, and between CCHL and other Council entities is sought. In particular, the Council seeks to be fully apprised of the ongoing impacts of COVID-19 on an ongoing basis. We would like you to continue to work closely with ChristchurchNZ Holdings Ltd to ensure strong strategic alignment between the two agencies.

### Reporting

Over the course of the 2021/22 financial year we ask that you brief us on specific issues including those mentioned in this letter, as well as progress of achieving remuneration expectations across the group, implementing the living wage, benchmarking performance against other similar organisations and the group's recovery plans and financial strategy. Council staff will arrange workshops for these briefings.

The timetable for completing the 2021/22 Statement of Intent (SOI) is as follows:

Item	Due Date
Draft SOIs	1 March 2021
Workshop on draft SOIs	By end March 2021
Comments from Council on draft SOIs	By 1 May 2021
Final SOIs	By 30 June 2021
SOIs to be published on CCO websites	By 31 July 2021

We acknowledge the LOE is later than usual. The LGA allows the Council to approve a time extension for delivery of the draft SOI by one month. If CCHL requires an extension to the due date, we are able to provide that. This will mean the draft SOI would be due by 1 April. Please advise Council staff if you wish to take up this extension.

We appreciate the work that CCHL undertook in 2019 to complete the strategic review of Development Christchurch Ltd in response to the Council's request in its 12 December 2019 LOE. We also acknowledge the input CCHL has provided to transition DCL's current functions and priority projects for the remainder of the 2020/21 financial year.

We ask that you to publish this LOE on your website as soon as possible after receiving it. Should you wish to withhold any of the content, please ensure it is permitted by the Local Government Official Information and Meetings Act 1987 and please request the same of your subsidiary companies.

In closing, we ask that CCHL continues to engage with Council staff as the Long Term Plan (LTP) for 2021-31 is developed between January and June 2021. We expect the Group's SOIs to reflect the strategic directions that the LTP underpins.

Please contact Dawn Baxendale if you wish to discuss the content of this letter.

Yours sincerely

Lianne Dalziel  
Mayor

c.c. Paul Munro, Chief Executive, CCHL - email