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## **Christchurch City Council**

### **AGENDA**

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#### **Notice of Meeting:**

An ordinary meeting of the Christchurch City Council will be held on:

**Date:** Thursday 14 July 2022  
**Time:** 10am  
**Venue:** Council Chambers, Civic Offices,  
53 Hereford Street, Christchurch

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#### **Membership**

Chairperson	Mayor Lianne Dalziel
Deputy Chairperson	Deputy Mayor Andrew Turner
Members	Councillor Jimmy Chen
	Councillor Catherine Chu
	Councillor Melanie Coker
	Councillor Pauline Cotter
	Councillor Mike Davidson
	Councillor Celeste Donovan
	Councillor Anne Galloway
	Councillor James Gough
	Councillor Yani Johanson
	Councillor Aaron Keown
	Councillor Sam MacDonald
	Councillor Phil Mauger
	Councillor Jake McLellan
	Councillor Tim Scandrett
	Councillor Sara Templeton

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**11 July 2022**

Samantha Kelly  
Team Leader Hearings & Committee Support  
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samantha.kelly@ccc.govt.nz  
[www.ccc.govt.nz](http://www.ccc.govt.nz)

**Principal Advisor**  
Dawn Baxendale  
Chief Executive  
Tel: 941 8999

**Note:** Due to time constraints there will be limited capacity for deputations for this meeting. Please refer to page 4 of the agenda for further information.

Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. If you require further information relating to any reports, please contact the person named on the report.

**To watch the meeting live, or a recording after the meeting date, go to:**

<http://councillive.ccc.govt.nz/live-stream>

**To view copies of Agendas and Minutes, go to:**

<https://www.ccc.govt.nz/the-council/meetings-agendas-and-minutes/>



# Developing Resilience in the 21st Century

Strategic Framework

Whiria ngā whenu o ngā papa,  
honoa ki te maurua tāukiuki  
Bind together the strands of each mat and join  
together with the seams of respect and reciprocity

## Ōtautahi–Christchurch is a city of opportunity for all

Open to new ideas, new people and new ways of doing things – a city where anything is possible

### Principles

<p>Being open, transparent and democratically accountable</p> <p>Promoting equity, valuing diversity and fostering inclusion</p>	<p>Taking an inter-generational approach to sustainable development, prioritising the social, economic and cultural wellbeing of people and communities and the quality of the environment, now and into the future</p>	<p>Building on the relationship with Te Rūnanga o Ngāi Tahu and the Te Hononga–Council Papatipu Rūnanga partnership, reflecting mutual understanding and respect</p>	<p>Actively collaborating and co-operating with other local, regional and national organisations</p> <p>Ensuring the diversity and interests of our communities across the city and the district are reflected in decision-making</p>
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### Community Outcomes

<p><b>Resilient communities</b></p> <p>Strong sense of community Active participation in civic life Safe and healthy communities Celebration of our identity through arts, culture, heritage, sport and recreation Valuing the voices of all cultures and ages (including children)</p>	<p><b>Liveable city</b></p> <p>Vibrant and thriving city centre Sustainable suburban and rural centres A well connected and accessible city promoting active and public transport Sufficient supply of, and access to, a range of housing 21st century garden city we are proud to live in</p>	<p><b>Healthy environment</b></p> <p>Healthy water bodies High quality drinking water Unique landscapes and indigenous biodiversity are valued and stewardship exercised Sustainable use of resources and minimising waste</p>	<p><b>Prosperous economy</b></p> <p>Great place for people, business and investment An inclusive, equitable economy with broad-based prosperity for all A productive, adaptive and resilient economic base Modern and robust city infrastructure and community facilities</p>
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### Strategic Priorities

<p><b>Enabling active and connected communities to own their future</b></p>	<p><b>Meeting the challenge of climate change through every means available</b></p>	<p><b>Ensuring a high quality drinking water supply that is safe and sustainable</b></p>	<p><b>Accelerating the momentum the city needs</b></p>	<p><b>Ensuring rates are affordable and sustainable</b></p>
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**Ensuring we get core business done while delivering on our Strategic Priorities and achieving our Community Outcomes**

Engagement with the community and partners	Strategies, Plans and Partnerships	Long Term Plan and Annual Plan	Our service delivery approach	Monitoring and reporting on our progress
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**Karakia Whakamutunga**

## Karakia Tīmatanga

### 1. Apologies Ngā Whakapāha

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

### 2. Declarations of Interest Ngā Whakapuaki Aronga

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. Public Participation Te Huinga Tūmatanui

#### 3.1 Public Forum Te Huinga Whānui

There will be no public forum scheduled for this meeting.

#### 3.2 Deputations by Appointment Ngā Huinga Whakaritenga

Due to time constraints there will be limited capacity for deputations for this meeting. Speaking time will also be limited to three minutes for individuals and five minutes for groups/organisations.

Should you wish to apply for a deputation please contact Samantha Kelly or Megan Pearce no later than noon, Wednesday 13 July 2022. All deputations require approval from the Chairperson.

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Megan Pearce  
Manager Hearings and Council Support  
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### 4. Presentation of Petitions Ngā Pākikitanga

There were no Presentation of Petitions at the time the agenda was prepared.

## 5. Te Kaha multi-use arena budget increase

Reference / Te Tohutoro: 22/896668

Report of / Te Pou  
Matua: Mary Richardson General Manager Citizens and Community

General Manager /  
Pouwhakarae: Mary Richardson General Manager Citizens and Community

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

- 1.1 The purpose of this report is to introduce three reports to inform the Council's decision on whether or not to invest up to \$150 million additional funding into Te Kaha: Canterbury Multi-Use Arena. The reports, which are to be separately circulated as attachments are:
  - 1.1.1 Report on the consultation (prepared by the Council's Research Analysts);
  - 1.1.2 Report on the Design and Construct contract (prepared by Te Kaha Project Delivery Ltd);
  - 1.1.3 Report on financial implications (prepared by Council's General Manager Resources/CFO); and
  - 1.1.1 Detailed project costings (Confidential).
- 1.2 The decision on whether or not to invest additional funding in Te Kaha is of high significance in relation to the Christchurch City Council's Significance and Engagement Policy. This is the reason Council sought community views along with expert advice, financial reports and other relevant information.

### 2. Officer Recommendations Ngā Tūtohu

That the Council:

1. Receive the report on the consultation on the investment of a further up to \$150 million in the Te Kaha project.
2. Receive and consider the recommendation in the report from Te Kaha Project Delivery Ltd and advice from the Independent Assurance Expert and Simpson Grierson independent Legal Advisors.
3. Receive and consider the information in the report on the financial impact of a further investment in Te Kaha.

### 3. Detail Te Whakamahuki

#### Background

- 3.1 The Council and Crown have made a number of decisions regarding the scope and cost of Te Kaha. A chronology was attached to the 9 June 2022 Council report on Consultation on Te Kaha.
- 3.2 **12 December 2019**, the Council approved the stadium Investment Case and submitted it to Cabinet to consider funding as part of the Christchurch regeneration project funding. The Investment Case identified that to be competitive and attract international and national content a multi-use arena in Christchurch would ideally include the following fundamental design elements:
  - Covered arena - that allows for year-round events;
  - Minimum 25,000 person capacity - to attract national and international content;
  - Acoustic quality - a key to providing a viable facility. It must host premium events on a regular basis and must be designed to manage the acoustic quality.
- 3.3 **2 March 2020**, Cabinet approved the \$220 million funding contribution for Christchurch's new stadium. The total Crown contribution to the project is:
  - \$10 million for land decontamination.
  - \$220 million towards construction costs.
  - Funding of the Investment Case and Prefeasibility Study.
  - Cost of the land purchase - between 2013 and 2022, the Crown acquired 58,048sqm of land for the stadium. The total cost was about \$59m, including operating costs such as demolition.
  - Cost of earlier studies 2012 - 2019.
- 3.4 **March 2020**, Council took responsibility for leading the multi-use arena project. Prior to this much of the work was funded and led by the Crown, including the central city recovery plan, initial scoping study, the 2018 independent review of the Metro Sports Facility and Multi Use Arena and the pre-feasibility study.
- 3.5 **September 2020**, the Council established a company to manage the build of the CMUA as the project.
- 3.6 **5 October 2020**, a Funding Agreement with the Crown was signed. The Council and Te Kaha project team have developed a constructive relation with The Treasury throughout the development of the design. The project team and Council have advised Treasury on progress and potential issues, and Treasury has provided advice on aspects of the project risk and assurance.
- 3.7 **November 2020**, a Request for Proposal document was issued for a main contractor to work collaboratively with the Council, the Board and Venues Ōtautahi to develop the design for the CMUA. The approved Project Budget at that stage was \$483,165,830 excl GST.
- 3.8 **29 January 2021**, tenders closed on 29 January 2021.
- 3.9 **25 March 2021**, the Finance and Performance Committee approved the execution of the PCSA with BESIX Watpac NZ (CMUA) Limited.

- 3.10 **June 2021**, Council was notified of a significant increase in the Contractor's Design & Construct (D&C) Contract Price Estimate in late June 2021. Council and Venues Ōtautahi worked with BESIX Watpac and the project consultants to identify design alternatives.
- 3.11 **22 July 2021**, Council resolved that BESIX Watpac NZ (CMUA) Limited (Kōtui) be instructed to develop a Preliminary Design within a revised Maximum Design & Construct (D&C) Contract Price and with a minimum sports mode seating capacity of 25,000.
- 3.12 **12 August 2021**, the Council agreed to increase seating capacity of the arena to 30,000 and increase the cost by \$50 million. As a result, \$50 million was included in the financial modelling for payment in FY24/25. Council were advised that it was unlikely that funding would be confirmed prior to the D&C contract being reported to Council.
- 3.13 **The July 2021 and August 2021 reports to Council noted** that the cost estimates and risk estimates were preliminary estimates and that there was a real risk of further escalation. Officers indicated there were risks relating to:
- Additional price escalation meaning the 3% escalation allowance would not be sufficient, due to escalation in global steel prices, higher container, shipping and other freight costs.
  - Ongoing impact of COVID-19 outbreaks and the resulting emergency measures on international trade were unknown.
  - Exchange rate fluctuations.
  - Supply chain issues and material delays.
  - Lack of skilled resources.
  - Other reports indicated that inflation was due to fall back below 2.0% in 2022 (Treasury Budget Economic and Fiscal Update 2021 (BEFU)).
  - Ground condition and contamination risks.
  - Lack of skilled resources.
- 3.14 The cost consultant also noted that at that stage of the project there would be significant unknown risks and noted that there were significant financial risks that were not captured within the contingency figure.

### Cost Escalation

- 3.15 Te Kaha Project Delivery Ltd received the final Design and Construct (D&C) submission from the lead contractor, BESIX Watpac, on 27 May 2022. This indicated an increase in the D&C contract sum and did not include a fixed price for some materials because of the volatility in the commodity market, so there was a risk of further cost escalations.
- 3.16 Escalating construction costs are being driven by a number of interrelated factors, including international shipping constraints, increasing global commodity prices (for materials such as oil, copper and steel), and international supply chain disruptions.
- 3.17 The global response to the COVID-19 pandemic has led to many of these issues. International supply chains have experienced further disruption and material prices increased further in the first quarter of 2022 due to the war in the Ukraine and China's zero tolerance COVID-19 strategy which involved ongoing lockdowns. The construction boom in New Zealand is also reportedly pushing up prices. Demand is outstripping supply and there is high wage and salary inflation within the construction sector.

- 3.18 Some small additions had also been made to the scope of the project to improve guest experience, operational functionality and commercial viability, resulting in about \$10 million of extra costs.
- 3.19 The project cost consultant has advised that the cost escalations experienced with this project are consistent with what they are seeing in other projects across the market. However, because of commercial confidentiality, they cannot provide specific examples.
- 3.20 BESIX Watpac submitted a revised D&C Contract Final Bid Price on 30 June 2022. Te Kaha Project Delivery Ltd has been working with BESIX Watpac to review their D&C submission to provide a compliant submission. Te Kaha Project Delivery Ltd's advice on the bid is presented in **Attachment B**.

## Community views

- 3.21 The decision in August 2021 prompted a relatively high level of public interest, with comments from the media, and members of the public over a period of two to three weeks. A petition containing 24,116 signatures was presented to the August meeting calling for a further investment in Te Kaha to enable the seating capacity to be increased to 30,000 seats. The meeting was live streamed and the public gallery was full, with most attendees supporting the motion.
- 3.22 Although the Council was aware of community views when it approved a scope change in August 2021, the current position is of sufficient significance to justify further consideration of the views of the community in the decision-making process.
- 3.23 The Council received legal advice that it should seek community views about the additional funding prior to making a decision as Section 78 of the Local Government Act states:

*S78 Community views in relation to decisions*

*(1) A local authority must, in the course of its decision-making process in relation to a matter, give consideration to the views and preferences of persons likely to be affected by, or to have an interest in, the matter.*

- 3.24 **9 June 2022**, Council Resolved CNCL/2022/00001 that “staff proceed with the proposed process to seek community views on whether or not Council should invest additional money into Te Kaha: the Canterbury multi-use arena.” The consultation commenced on 10 June and closed on 5 July 2022. **Attachment A** presents the findings from this consultation process.

## 4. Options

- 4.1 The June 2022 report identified three options:
  - 4.1.1 Option 1 - Invest an additional up to \$150 million to enable the project to continue as planned,
  - 4.1.2 Option 2- Stop the project altogether, or
  - 4.1.3 Option 3 - Pause and re-evaluate the project.

### **Option 1 - Invest an additional up to \$150 million to enable the project to continue as planned**

- 4.2 If the Council accepts the cost increase, the project would proceed with the scope agreed by Council in August 2021. The key fundamentals and benefits outlined in the Investment Case would be realised. It would be consistent with the key deliverables in the Funding Agreement with the Crown.

- 4.3 However, there would be a financial impact, including an impact on rate and Council's debt headroom. The Financial report in **Attachment C** presents the financial impact on current projections and is based on the revised project cost estimate and timing.
- 4.4 There would also be an opportunity cost of investing further funding in this project.
- 4.5 Council will need to secure the Crown's assurance approval as per the Funding Agreement.

### **Option 2 - Stop the project altogether**

- 4.6 If the Council discontinues the project it would avoid the financial impact, including potential rate increase and the impact on Council's debt headroom. Council would also be able to decide if the remaining Te Kaha budget should be allocated for other projects and/or be used to reduce forecast borrowing and rates.
- 4.7 However, there would be \$40 million sunk cost spent on design development, the Pre-Contract Services Agreement and enabling works. The Council may be liable for some further costs because of agreements that it already has in place.
- 4.8 Large sport and entertainment events would have to continue using the temporary stadium in Addington. The temporary stadium is made of a scaffolding structure originally intended to have a life of around five years. Constructed in 2012, the venue is now 10-years-old, and, whilst structurally sound and subject to quarterly structural assessments, it will in due course require decommissioning. On this basis, if Te Kaha is not built, there will be no venue in Canterbury suitable for large sporting or entertainment events in the long-term.
- 4.9 The Crown investment would be withdrawn and some funding may need to be returned.

### **Option 3 - Pause and re-evaluate the project**

- 4.10 The Council could pause and re-evaluate the key fundamentals and the priorities for the project, along with the associated costs and benefits. These were last fully assessed in the Investment Case in 2019 and the context and expectations may have changed along with the affordability issues.
- 4.11 There is a possibility that the re-evaluation could identify an option which reduces the quantum of the cost overrun and still delivers the identified priorities. This would avoid the financial impact, including potential rate increase and the impact on Council's debt headroom. At this stage it is not possible to anticipate what this could be.
- 4.12 However, to reduce the cost increase it is likely that changes to scope and capacity would need to be considered. If an option compromised the key deliverables in the Funding Agreement, the Council would need to attempt to renegotiate the Funding Agreement with the Crown. If the Crown did not agree to this change and withdrew its funding, we would be unable to proceed with the project.
- 4.13 Venues Ōtautahi, who will operate the arena, has advised that reducing the scope would impact on the arena's financial viability and likely necessitate additional funding for annual operating costs.
- 4.14 An estimated \$30 million would be spent on review and redesign. It would push out the completion date for the arena by 9 to 12 months to 2027, as, given the extent of the required changes, we would need to go back to the start of the three-stage design process. Even reverting to a 25,000 seat capacity would require a 9 to 12 month delay for redesign and the Project Team have advised that the construction cost would be over budget.
- 4.15 Delaying the project for redesign is likely to result in further escalation during the design period even if the rate of price escalation reduces.

- 4.16 There is a risk that the contractor would not be in a position to dedicate another 9 to 12 months to further design. This would delay the project further as the project would have to go back to the market for design.

## 5. Policy Framework Implications Ngā Hīraunga ā- Kaupapa here

### Strategic Alignment Te Rautaki Tīaroaro

- 5.1 This report supports the [Council's Long Term Plan \(2021 - 2031\)](#):

5.1.1 Activity: Recreation, Sports, Community Arts and Events

- Level of Service: 7.0.2.2 Provide well utilised facility based recreational and sporting programmes and activities. - The number of participants using multipurpose recreation and sport centres, outdoor pools and stadia at least 5.0 million

### Policy Consistency Te Whai Kaupapa here

- 5.2 The decision is consistent with Council's Plans and Policies. However, if the Council decides to increase the budget for Te Kaha this is not consistent with the Long Term Plan. The report from the General Manager Resources/CFO outlines details in Attachment C.

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

- 5.3 Mana Whenua for the area is Ngāi Tūāhuriri. The Te Kaha Project Delivery team have been actively engaged with Ngāi Tūāhuriri. The Chair of Te Kaha Project Delivery was nomination from Ngāi Tūāhuriri.
- 5.4 Mana Whenua have gifted the name Te Kaha to the Multi Use Arena, and have gifted the name Te Kaharoa to the precinct. They have also blessed the site, prior to any activity being undertaken on site.
- 5.5 Through Ngāi Tūāhuriri Whitiōra have been engaged as consultants to partner with the Project Delivery Team to:
- Provide a cultural narrative for the precinct and site;
  - Advise on design and colouring for the finishes of Te Kaha; and
  - Advise on design and layout of hard and soft landscaping within the precinct.
- 5.6 The Project Delivery team will continue to work with them throughout the project, including for cultural support and advice, further blessings and as part of the opening.

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

- 5.7 The report from Te Kaha Project Delivery Ltd in Attachment B outlines the climate change considerations.

### Accessibility Considerations Ngā Whai Whakaaro mā te Hunga Hauā

- 5.8 The report from Te Kaha Project Delivery Ltd in Attachment B outlines the accessibility considerations.

## 6. Resource Implications Ngā Hīraunga Rauemi

- 6.1 The report from the General Manager Resources/CFO in Attachment C outlines the resource implications.

## 7. Legal Implications Ngā Hiraunga ā-Ture

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

- 7.1 The Council has the statutory power to make the decision as to whether and how to proceed with Te Kaha, but must comply with its decision-making obligations under Part 6 of the Local Government Act 2002.
- 7.2 Section 76 of the Local Government Act 2002 requires that the decision-making provisions in Part 6 are ‘appropriately observed’ for high significance decisions. Section 77 also provides that if any of the options for a decision involves a significant decision in relation to land or a body of water, the Council must take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga.
- 7.3 Furthermore, under Part 6, the more significant the matter, the higher the standard of compliance is expected from the identification and assessment of options, the consideration of the views of those affected, and the extent of the written record kept showing compliance.
- 7.4 In this case, the decision is one of high significance. The Council needs to consider the views and preferences of interested and affected persons.

### Attachments / Ngā Tāpirihanga

No.	Title	Page
A	Consultation and submissions analysis ( <i>Under Separate Cover</i> )	
B	Advice on Design and Construct contract (prepared by Te Kaha Project Delivery Ltd) ( <i>Under Separate Cover</i> )	
C	Report on financial implications (prepared by Council’s General Manager Resources/CFO) ( <i>Under Separate Cover</i> )	
D	Detailed project costings ( <i>Under Separate Cover</i> ) - <b>CONFIDENTIAL</b>	

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

Document Name	Location / File Link
Have your say webpage	<a href="https://ccc.govt.nz/the-council/haveyoursay/show/514">https://ccc.govt.nz/the-council/haveyoursay/show/514</a>
Te Kaha Project webpage	<a href="https://ccc.govt.nz/the-council/future-projects/major-facilities/canterbury-arena">https://ccc.govt.nz/the-council/future-projects/major-facilities/canterbury-arena</a>

### Confirmation of Statutory Compliance / Te Whakatūturutanga 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

<b>Author</b>	Mary Richardson - General Manager Citizens & Community
<b>Approved By</b>	Leah Scales - General Manager Resources/Chief Financial Officer Mary Richardson - General Manager Citizens & Community

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## 6. Resolution to Exclude the Public

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*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
5.	TE KAHA MULTI-USE ARENA BUDGET INCREASE				
	ATTACHMENT D - DETAILED PROJECT COSTINGS	S7(2)(H), S7(2)(I)	COMMERCIAL ACTIVITIES, CONDUCT NEGOTIATIONS	CONTAINS COMMERCIAL SENSITIVE INFORMATION	APPROVAL BY CHIEF EXECUTIVE AND ON RECOMMENDATION OF PROJECT BOARD