

**Finance and Performance Committee**  
**MINUTES ATTACHMENTS**

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**Date:** Wednesday 26 April 2023  
**Time:** 9.30 am  
**Venue:** Council Chambers, Civic Offices,  
53 Hereford Street, Christchurch

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# ChristchurchNZ

Economic Development Agency

**Draft Statement of Intent  
2023-26**

Ali Adams, CEO



## Response to Letter of Expectation

- Captured the organisation's role in providing thought and strategic leadership. In response to expectation to participate in various policy discussions, providing expert advice and information.
- Recognises efforts to build meaningful and productive relationships with mana whenua and ongoing commitment to identify future partnership opportunities relating to measures that are meaningful to mana whenua.
- Have reflected work underway to develop clear expectations of the various event delivery and funding partners. Included a statement in the SOI that is to be echoed in Venues Ōtautahi's SOI.
- CNZ will participate in a workshop with Councillors on the Arts Strategy in response to the request to consider what support could be provided to the music sector as part of existing programmes.

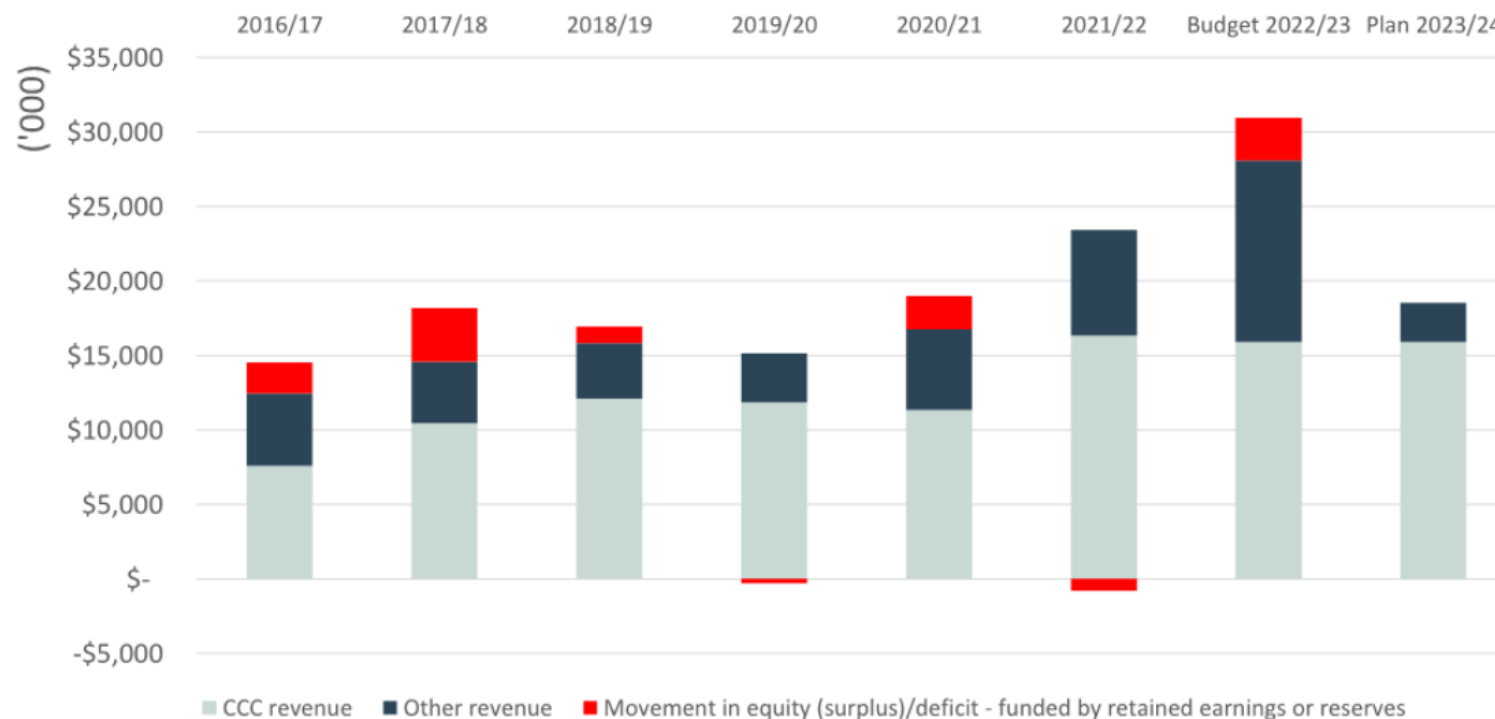


## Financial transition

### Third party revenue

- Significantly lower in 2023/24 compared with current financial year
- Period of significant central government funding related to Covid recovery coming to an end
- Traditional commercial funding sources will take time to rebuild as commercial (tourism) partners return to strength
- Withdrawn from contracts for service on behalf of other RTOs within the region

## ChristchurchNZ Holdings Funding Sources 2016-2024

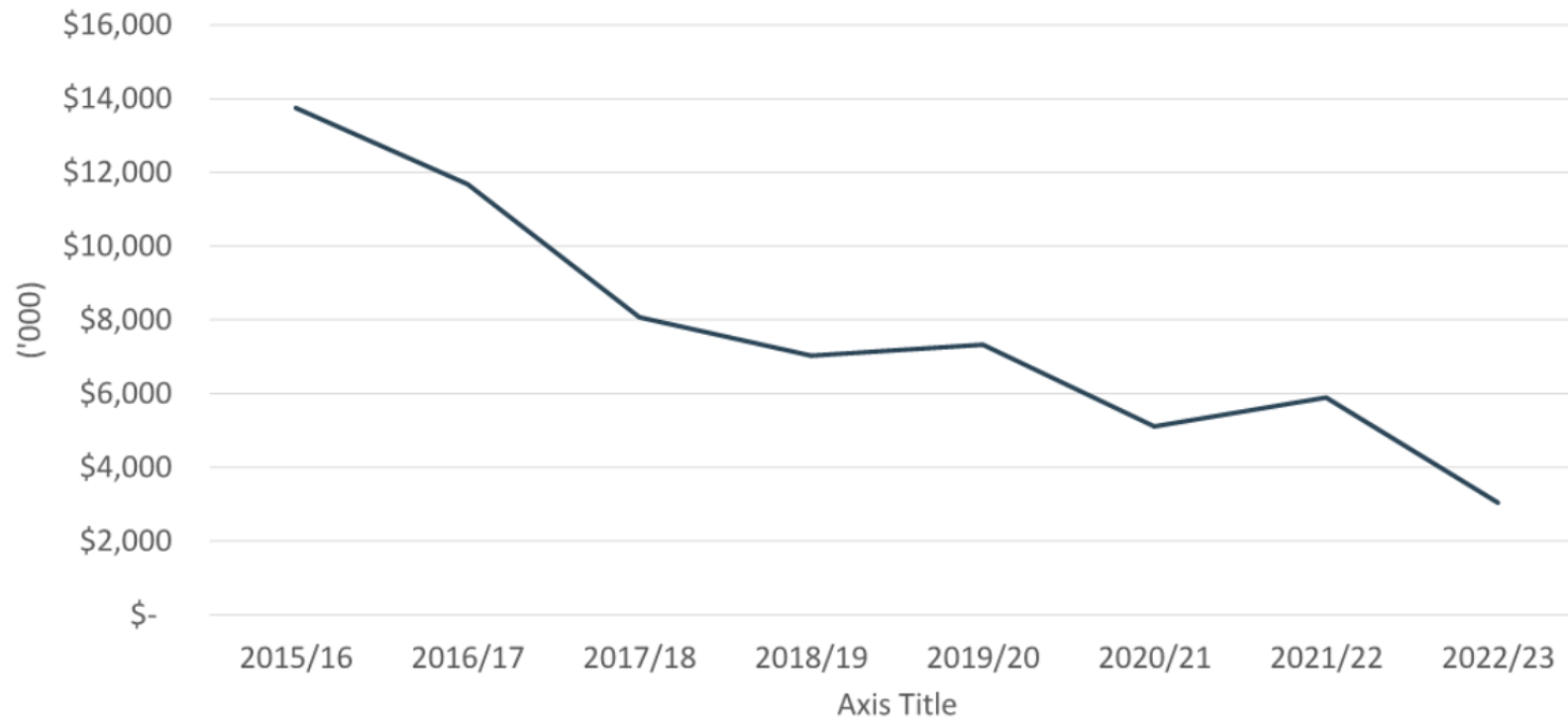


Source: CNZH Annual Reports

ChristchurchNZ



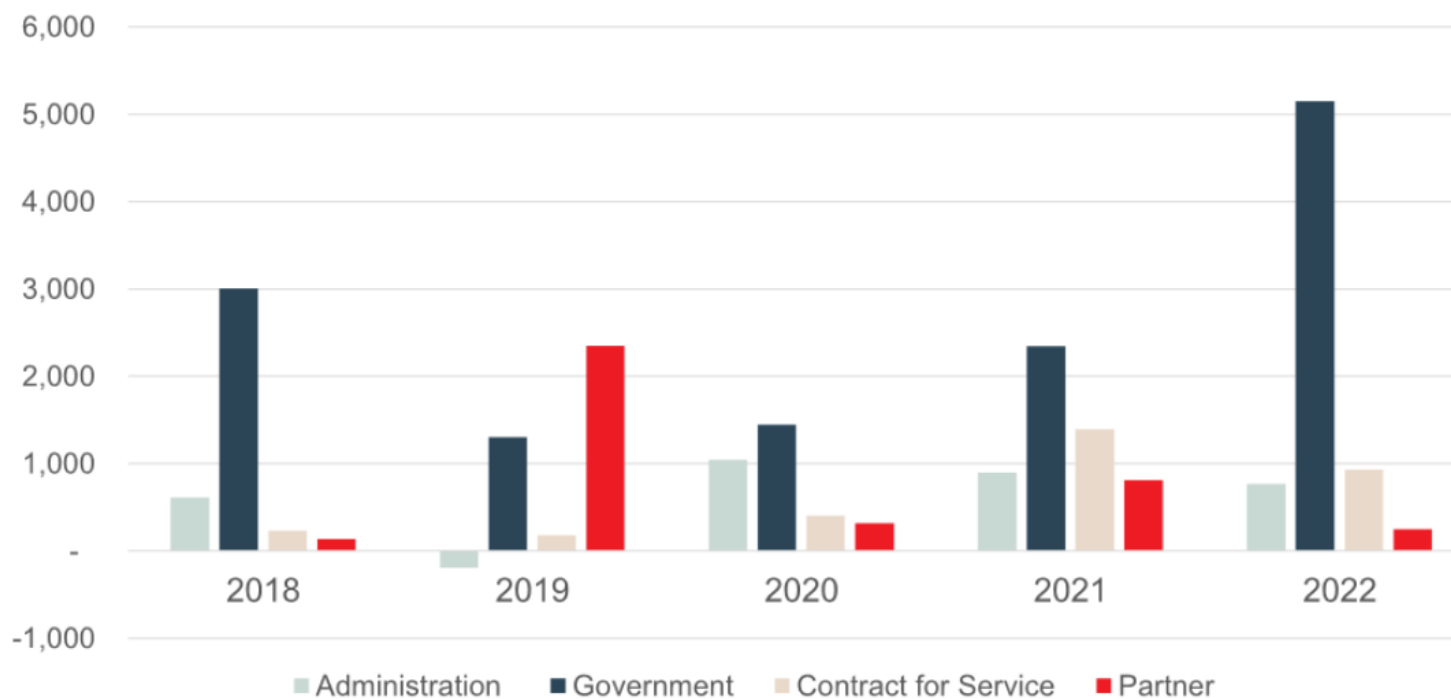
## ChristchurchNZ Accumulated Funds / Reserves



Source: CNZH Annual Reports

ChristchurchNZ

### Third Party Funding (\$000)



Source: CNZH Annual Reports

ChristchurchNZ




## Approach to KPI Setting



**Target  
range**

- Measures will be consistent with current SOI
- In order to drive the organisation to achieve best returns for Council investment, stretch targets will be included this year
- To be achieved by setting a target range: minimum set at a level that should be achievable based on prior year returns and a stretch target at the upper range

## Major Events Ecosystem



**Commitment  
to work  
together**

**Formation of a City Partners Group (CPG) that will use the following principles as a guide:**

- Assessing what is best for the city in terms of economic, social and cultural impact, maximising leverage and legacy outcomes (as outlined in the Major Events Strategy)
- Identifying efficient ways of working
- Working collaboratively together in a high trust, supportive manner
- Having clear accountability to report on ROI and outcomes from events
- Consideration of the importance of utilising council-owned infrastructure and venues



## Urban Development

### Milton Street Development

Protecting critical infrastructure, a new CRI research campus and land amalgamation including enabling works for a residential development.

### Peterborough Development

The main contractors are on site with the construction of the hotel and townhouses underway. The development remains on track for completion by 2024.

### Central City – Heart of the City

Work underway with partners on our role in the central city (Urban Development, Major Events, Marketing and Branding, Destination Attraction and Business Growth).

### Sydenham

Support development of the Council Plan Change to rezone Sydenham from an industrial area to mixed use. Background analysis underway for an opportunity for a change Development Framework.

### Seaview Development

Stage 1 construction has been completed and the houses have been handed over to new owners. Stage 2 construction is nearing completion and is due to be handed over to new owners at the start of May 2023.

### Beresford Development

Resource consent has been granted for 63 new homes on the Beresford Street properties and Home Foundation are on track to commence construction of Stage 1 in late-May.

### New Brighton Regeneration Project

Town Team currently being formed, working with developer on plans for the eastern end of the mall, and several business support activations are complete.

### Roy Stokes Hall

Submissions for a creative community hub have closed and are being assessed by a Panel.







# Venues Ōtautahi Draft Statement of Intent

For the period 1 July 2023 to 30 June 2026

Christchurch City Council Finance and Performance Committee Presentation

VENUES  
ŌTAUTAHĪ

 CHRISTCHURCH  
TOWN HALL

 CHRISTCHURCH  
ARENA

 HAGLEY  
OVAL

AIR FORCE  
MUSEUM  
of New Zealand

 Orangetheory®  
STADIUM

 TE  
KAHA



## Venues Ōtautahi FY24-26 SOI Overview

### Evolution of and builds on prior SOI's

- Post VŌ transition to independent governance and management
- Aligned with principles of Council's framework with openness to new ideas, new people, and new ways of doing things at the core of the company's future success.

### Reflects engagement in and aspirations for

- Te Kaha
- Social, environmental and business sustainability
- Growth and diversification
- Health, safety and wellbeing
- Accessibility and inclusivity
- Local and ethical sourcing
- Cultural connection and embracing our heritage
- Major sporting, entertainment and business event attraction
- Strength, trust and collaboration with Council



## Nature and Scope of Activities

### Venues Ōtautahi Purpose

- To strategically manage and leverage the venues to deliver positive social, cultural and economic benefit to the region
- The venues are owned by the community and are for the community
- VŌ is privileged to manage them on the city's behalf

### Venues Ōtautahi Way of Doing Business

- To be bold, agile, humble and kind.

### Venues Ōtautahi undertake the following activities

- Event attraction, planning and delivery
- Retail and corporate culinary and guest experience
- Business growth and diversification
- Strategic and operational asset management and maintenance
- Community and strategic local partnership and engagement





## Current Position and Looking Forward

### Covid-19

- Albeit nearly behind us, impact on the business severe
- 70% of three years prior to FY22/23, unable to operate
- First full year of operation since FY18/19 (prior to Town Hall reopening)
- New baselines established
- Reflect challenge but learnings in FY24/26 SOI
- Benefits of variable cost model
- Agile and resilient culture
- Rigorous cost management but strategic and commercial approach
- Focus on growth and diversification
- Positive outlook for FY23/24 and beyond

### Health, Safety and Wellbeing

- Health, safety and wellbeing of everyone involved with VŌ paramount
- Collective and continuous improvement and genuine engagement
- Focus on the management of critical risk and quality systems
- Comprehensive overhaul of VŌ health and safety management system undertaken in FY22/23





## Current Position and Looking Forward

### Te Kaha

- Delivery of strategic design fundamentals
- Assure alignment with and delivery of Te Kaha investment case
- Te Kaha commercial strategy activation
- Te Kaha event attraction strategy activation
- Community engagement and connection
- Te Kaha venue activation strategy

### Embracing our Cultural Heritage

- VŌ deep connection to rich cultural heritage of the region
- Continue to deepen this connection through our team
- Front of house service and client and guest experience
- Physical aspects of the venues themselves
- Build close and strategic relationship with Ngāi Tūāhuriri



## Current Position and Looking Forward Social, Environmental and Business Sustainability

### Environmental Sustainability

- Sustainability essential for long-term viability of events and venues
- Net carbon neutrality by 2030
- Waste Management
- Water and energy usage
- Shipping and transportation
- Internal consumables and food and beverage packaging

### Social Sustainability

- Ethical and local sourcing of products and services
- Commitment to local, employing over 600 strong team
- Commitment to paying the living wage
- Contribution to strong regional economy
  - Economic benefit of events and through local sourcing





## Current Position and Looking Forward Social, Environmental and Business Sustainability

### Business Sustainability

- Growth and diversification building resilience
- B-Corporation accreditation target
- High standards of social and environmental performance, accountability, and transparency
- Where businesses benefit people, communities, and the planet.
- Success measured by positive impact created
- In achieving this aspiration VŌ only B-Corp venue in New Zealand.



## Current Position and Looking Forward

### Accessibility and Inclusivity

- Enabling the same experience for all members of the community at VÖ venues a strategic priority
- Comprehensive accessibility and inclusivity assessment of all venues
- Enhanced and inherently safe and secure experience
- Learn from and engage with the community

### Asset Management

- Taking care of the community's venues is a key pillar of the business.
- Ensure venues are safe, compliant, operationally functional
- Ensure sustainable and maximise Shareholder value through lifecycle
- Asset management and preventative maintenance plans for all venues.
- Arena, 25 years old, period of significant asset renewal to maintain quality, safety and functionality of the asset.



## Current Position and Looking Forward Economic Impact

Estimated Economic Benefit – Events at VO Venues and Direct Contribution from Local Sourcing

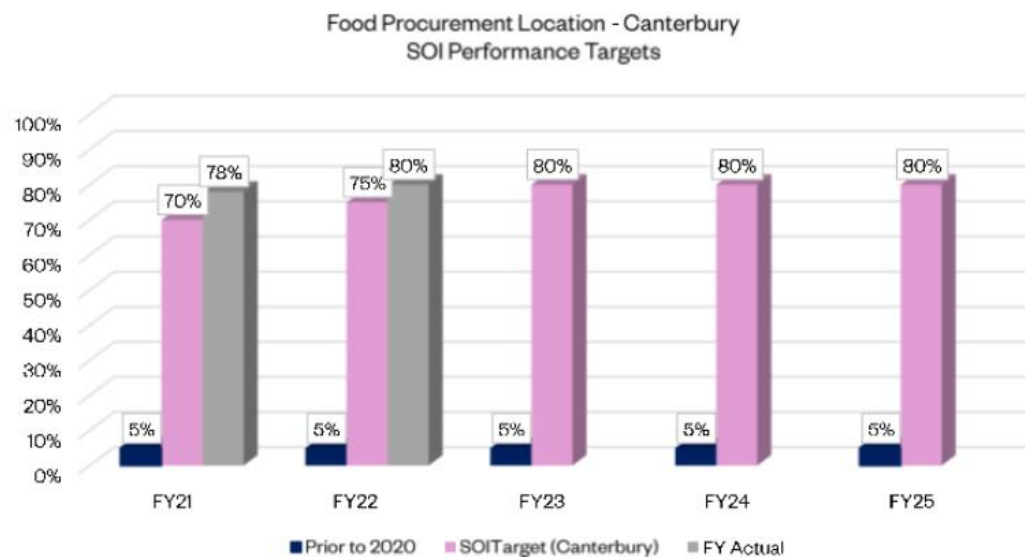


- Events across VO portfolio deliver significant economic and social benefit
- FY22/23 estimated over \$30m direct contribution
- FY23/24 estimated over \$35m economic impact
- Local procurement forecast an additional close to \$2m to local producers

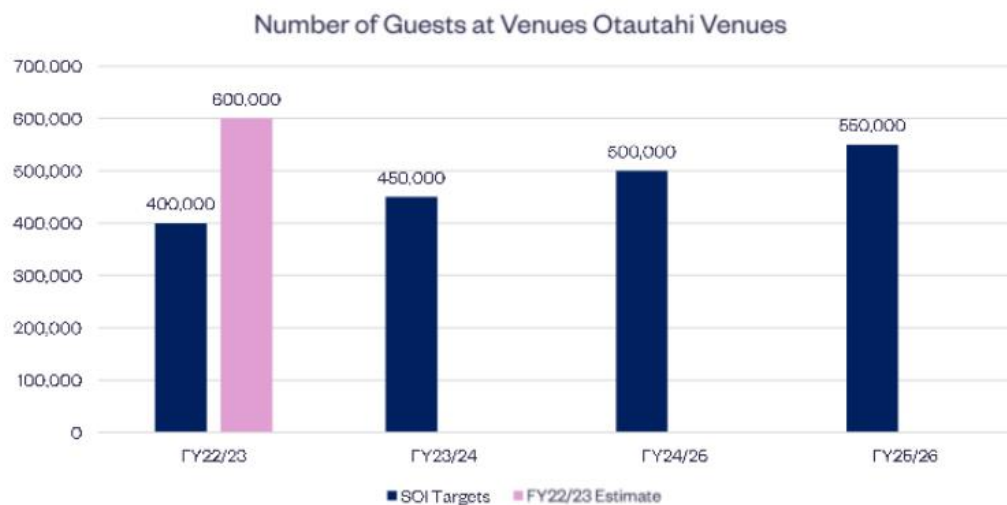




## Current Position and Looking Forward Celebrate and Source Local



## Current Position and Looking Forward Social and Cultural Impact



- 600,000 guests forecast in FY22/23 versus SOI target of 400,000
- 305 events budgeted in FY22/23, 396 will be delivered
- 365 events forecast in FY23/24, 376 in FY24/25 and 387 in FY25/26
- 45 community discounted events for each FY across period of SOI (min \$110k value)



## Current Position and Looking Forward Growth and Diversification

### Growth and Diversification

- Lessons learned from Covid-19
- Focus on growth and diversification
- De-risk the business and build resilience
- Increase commercial returns
- VŌ mobile
- Growth of VŌ venue portfolio
- Broader application/licensing of VŌ local procurement model





## Venues Ōtautahi FY24-26 Draft SOI Compensation Sought Overview

Compensation sought complex over period of this SOI and considers

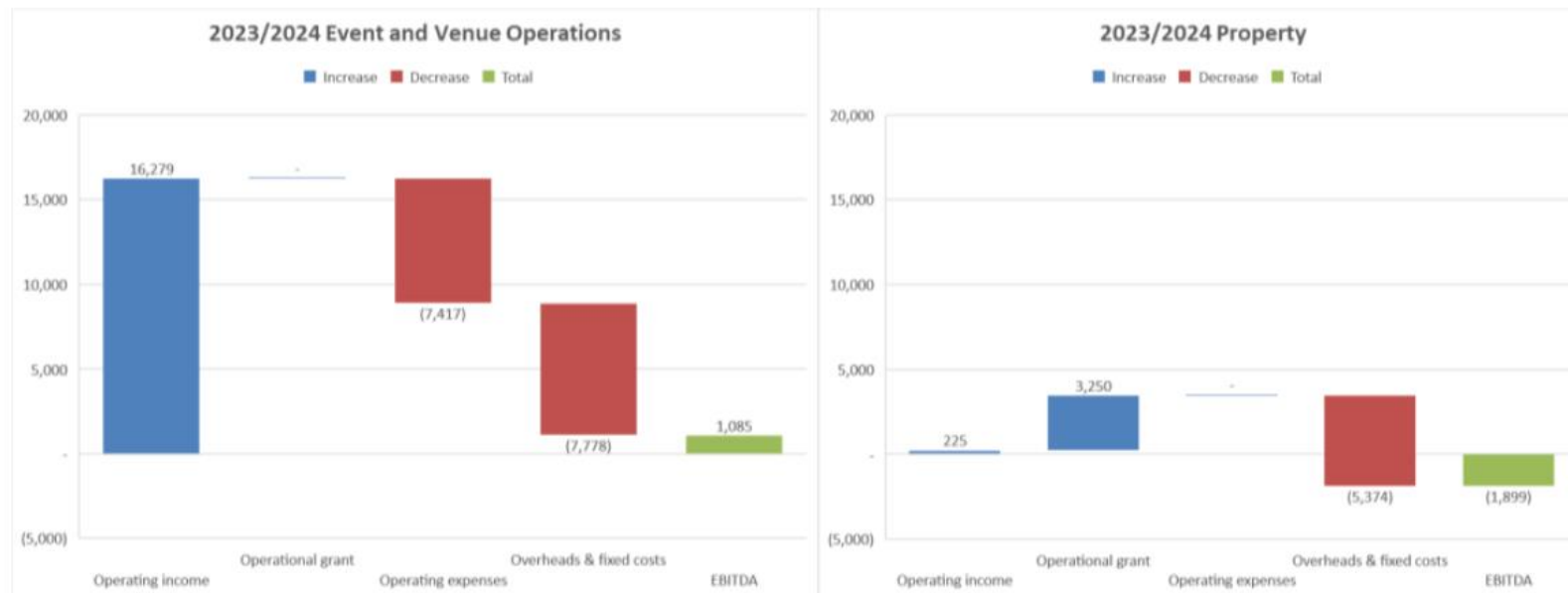
- Extended operation of Temporary Stadium
- Increased fixed asset management and maintenance costs
- High inflation and volatile economic environment
- Te Kaha pre-opening costs
- Assurance to Council prioritisation of operating support
- Increased local and national competition
- Long tail of recovery, Covid-19
- Reduction in debt funding support
- Capital support as per Asset Management Plan (and 2021-2031 LTP)

Compensation sought does not consider

- Te Kaha operational and capital support (2024-2034 LTP)
- Te Kaha bid incentive allocation and administration (2024-2034 LTP)



## Financial Performance Targets



- Split GL highlights venue and operations significantly offsets asset management and maintenance costs to ensure assets safe, compliant and operationally functional
- Event and venue operations, forecast EBITDA surplus \$1.08m
- Property, forecast EBITDA deficit \$1.9m
- Event and venue operations offset 43% asset management and maintenance costs not covered by CCC operating support

## Financial Performance Targets

Consolidated			
	2023/24	2024/25	2025/26
	\$000	\$000	\$000
Direct operating income	16,504	16,968	17,264
Operating grant revenue received from Council	3,250	3,050	3,050
Te Kaha Pre-opening grant	-	2,054	2,732
Less: Direct operating expenses	7,417	7,625	7,812
Less: Net operating overheads and fixed costs	13,152	13,500	13,607
Less: Te Kaha pre-opening expenses	756	1,245	2,310
<b>EBITDA</b>	<b>(1,571)</b>	<b>(299)</b>	<b>(683)</b>

### Forecast Consolidated Financial Performance

- FY23/24 \$1.571m EBITDA deficit (includes \$756k Te Kaha pre-opening costs being met by VÖ)
- FY24/25 \$299k EBITDA deficit
- FY25/26 \$683k EBITDA deficit
- Deficits generally reflective of increased costs (Inflationary environment), reduced debt funding and in year one Te Kaha pre opening costs not covered by operational funding (as per the Te Kaha investment case)

## Venues Ōtautahi FY24-26 Draft SOI Compensation Sought Overview

### Te Kaha Pre-Opening Costs

- Development and execution of the commercial strategy
  - Identification, valuation, selling of commercial assets
  - Development and execution of the event attraction strategy
  - Marketing collateral, website development, resourcing etc
  - Commenced late 2022
  - Costs incurred by VŌ, no Te Kaha revenue to offset
- Increased resourcing to test, commission and operationalise venue.
  - To commence early 2024
- Te Kaha costs set to increase over period of SOI

### Approach

- Support Council in minimising rates impact for FY23 and FY24
- VŌ manage FY23 and FY24 pre-opening costs within current cashflows
- Council to reimburse VŌ on actuals incurred across FY23 and FY24 in FY25
- Balance of Pre-Opening cost allocation as per 2021-2031 LTP to VŌ in FY26





## Asset Management

- Capital Expenditure confirmed in and aligned with 2021/2031 LTP
- Predominantly focused on Christchurch Arena
  - Asset 25 years old
  - Significant period of asset renewal including
    - Final stage roof strengthening
    - Retractable seating replacement
    - Fossil fuel heating source replacement
    - Building management system replacement
- Capital funding held in separate bank account (asset sinking) until spent
- Capital funding tagged to the AMP as per 2021-31 LTP

Summary capital expenditure	2022/23 (Cfwd)	2023/24	2024/25	2025/26
	\$000	\$000	\$000	\$000
Asset management plan	4,473	1,753	2,272	1,311
Operational equipment	485	646	519	693
	4,958	2,399	2,791	2,004



## Financial Summary

- Capital and operational funding aligned with 2021/31 LTP
- Operational support solely prioritised to asset management/maintenance costs
- Capital funding solely prioritised to the delivery of the AMP
- Debt funding reduction
  - \$1m in FY22/23, \$200k in FY23/24 to nil in FY24/25
- Operational support for the period of this SOI remains the same.
  - Extended operation of Temporary Stadium
  - Increased fixed asset management and maintenance costs
  - High inflation and volatile economic environment

Financial Year	2022/23	2023/24	2024/25	2025/26
	\$000	\$000	\$000	\$000
Operating grant	3,050	3,050	3,050	3,050
Debt financing grant	1,000	200	-	-
<b>Total operating and debt funding</b>	<b>4,050</b>	<b>3,250</b>	<b>3,050</b>	<b>3,050</b>



## Draft FY24-26 SOI to Final FY24-26 SOI Amendments Signaled

### Operational Performance Targets

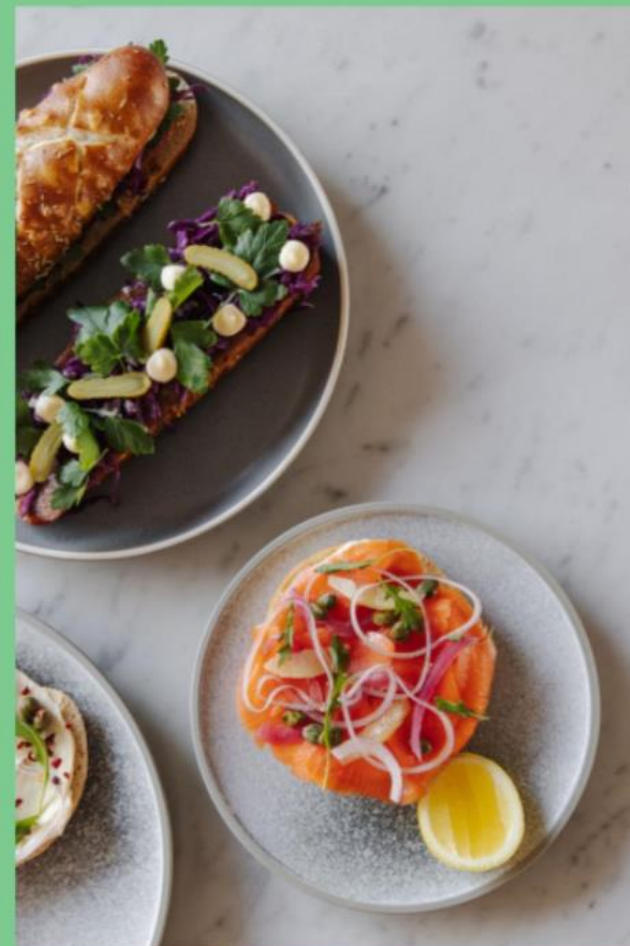
- Review to streamline
- Focus on measurable, auditable targets
- More detailed reporting to CCC through standard reporting frameworks

### Strategic Objectives and Key Priorities

- Growth and diversification

### Financial Performance Targets

- Inflationary environment impact on budget
- Living wage increase 10%
- Consideration of where increased costs can and cannot be passed on
- Te Kaha preopening costs \$118k amendment to align with LTP



# VENUES ŌTAUTAHĪ

Where Ōtautahi comes together  
Where the Kai is homegrown  
Where moments take place  
Where we gather and share  
Where our place is yours  
Where we work as one  
Where local matters  
Where you're part of the whānau

VENUES  
ŌTAUTAHĪ

